

# INSURANCE

## **Property insurance**

Property insurance is a policy that provides financial reimbursement to the owner or renter of a structure and its contents, in the event of damage or theft. Property insurance can include homeowners insurance, renters insurance, flood insurance and earthquake insurance. Personal property is generally covered by a homeowners or renters policy, unless it is of particularly high value, in which case it can usually be covered by purchasing an addition to the policy called a "rider". If a claim is filed, the property insurance policy will either reimburse the policyholder for the actual value of the damage, or the replacement cost to remedy the damage.

Two main types of contracts—homeowner's and commercial—have been developed to insure against loss from accidental destruction of property. These contracts (or forms) typically are divided into three or four parts: insuring agreements, identification of covered property, conditions and stipulations, and exclusions.

## **Motor vehicle insurance**

Motor vehicle insurance, also called automotive insurance, a contract by which the insurer assumes the risk of any loss the owner or operator of a car may incur through damage to property or persons as the result of an accident. There are many specific forms of motor vehicle insurance, varying not only in the kinds of risk that they cover but also in the legal principles underlying them. Instead of paying out of pocket for auto accidents, people pay annual premiums to an auto insurance company; the company then pays all or most of the costs associated with an auto accident or other vehicle damage.

Auto insurance premiums, or the amount policyholders pay to be insured, vary depending on: age, gender, years of driving experience, accident and moving violation history, and other factors. Most states mandate that all vehicle owners purchase a minimum amount of auto insurance, but many people purchase additional insurance to further protect themselves. A poor driving record or the desire for more complete coverage will lead to higher premiums. However, you can reduce your premiums by agreeing to take on more risk, which means increasing your deductible.

## **Health insurance**

Health insurance is a type of insurance coverage that pays for medical and surgical expenses incurred by the insured. Health insurance can reimburse the insured for expenses incurred from illness or injury, or pay the care provider directly. It is often included in employer benefit packages as a means of enticing quality employees. The cost of health insurance premiums is deductible to the payer, and benefits received are tax-free.

Managed care insurance plans require policyholders to receive care from a network of designated health care providers for the highest level of coverage. If patients seek care outside the network, they must pay a higher percentage of the cost. In some cases, the insurance company may even refuse payment outright for services obtained out of network.

Many managed care plans require patients to choose a primary care physician who oversees the patient's care and makes recommendations about treatment. Insurance companies may also deny coverage for services that were obtained without preauthorization. In addition, insurers may refuse payment for name brand drugs if a generic version or comparable medication is available at a lower cost.

### **Life insurance**

Life insurance may be defined as a plan under which large groups of individuals can equalize the burden of loss from death by distributing funds to the beneficiaries of those who die. From the individual standpoint life insurance is a means by which an estate may be created immediately for one's heirs and dependents. Life insurance has become a major channel of saving and investment, with important consequences for the national economy. Life insurance is relatively little used in poor countries, although its acceptance has been increasing.

The goal of life insurance is to provide a measure of financial security for your family after you die. So, before purchasing a life insurance policy, consider your financial situation and the standard of living you want to maintain for your dependents or survivors.

There are three main components of the life insurance contract are a death benefit, a premium payment and, in the case of permanent life insurance, a cash value account.

**Death Benefit:** The death benefit is the amount of money the insured's beneficiaries will receive from the insurer upon the death of the insured. The insurer must determine whether there is an insurable interest and whether the insured can qualify for the coverage based on its underwriting requirements.

**Premium Payment:** Using actuarially based statistics, the insurer determines the amount of premium it needs to cover mortality costs. Factors such as the insured's age, personal and family medical history, and lifestyle are the main risk determinants. As long as the insured pays the premium as agreed, the insurer remains obligated to pay the death benefit. For term policies, the premium amount includes the cost of insurance. For permanent policies, the premium amount includes the cost of insurance plus an amount that is deposited to a cash value account.

**Cash Value:** Permanent life insurance includes a cash value component which serves two purposes. It is a savings account that allows the insured to accumulate capital that can become a living benefit. The capital accumulates on a tax-deferred basis and can be used for any purpose while the insured is alive. It is also used by the insurer to mitigate its risk. As the cash value accumulates, the amount the insurer is at risk for the entire death benefit decreases, which is how it is able to charge a fixed, level premium.

### **Public Healthcare Insurance Schemes**

Public healthcare insurance is a form of healthcare insurance provided by the government to its citizens. It is different from private health insurance which are insurance policies provided by private companies. Thailand currently have 3 main public healthcare schemes: Civil Servant Medical Benefit Scheme which is the civil service welfare system for civil

servants and their families, the Social Security Scheme for private employees, and the universal coverage scheme theoretically available to all other Thai nationals (30 Baht Scheme).

### **1.Social Security Scheme (SSS)**

Social security scheme is an insurance scheme which forces employees to put aside 5% their monthly income to ensure that they will be insured when they require medical care. The scheme provides insurance for old age pension, accident, illness, giving birth, unemployment, invalidity or death. It is compulsory for employees in private enterprises to be part of this program. All employees will have to allocate their income to the social security fund to be help spread the responsibility and risk of medical treatment expenses. Likewise, the contributions of the employers are also 5% of the employee's monthly salary. The three parties which have to contribute into the social security fund is the government, employees and employers.

The amount that employees and employers have to contribute depends on the wage the employees are earning. Participants in the scheme have to right to receive free medical care in registered hospitals and if he/she needs to take a leave for recovery, the participant will receive compensation for the absence. The workers will receive 50% of wages for compensation for each leave from work with maximum of 180 days per year for non chronic cases. The scheme is administered by the Social Security Office. Capitation method is used which means payment is made to healthcare service providers according to number of person enrolled to them no matter the person takes the care or not.

### **2.The Civil Servant Medical Benefit Scheme (CSMBS)**

The Civil Servant Medical Benefit Scheme is a package of welfare and healthcare benefits for active and retired government employees and public sector workers, as well as their dependents including spouse, parents and children. In 2004, regarding the Health and Welfare Survey report, the number of government and public sector workers is reported at 2.86 million, estimated to be 6.5 million or 10.0 percent of total population including their dependents.

The CSMBS is totally financed via general taxes. Expenditure per beneficiary is estimated to be as high as 3,800 baht.The payment mechanism is retrospective unlimited fee-for-service/ The rapid escalation of health expenditure is the result of problems with cost-containment, especially incentives for providers to over-prescribe due to the use of the "fee for service" payment method. The method of payment for healthcare providers in this case is fee for services for Outpatients and Diagnosis Related Groups (DRGs) system for Inpatients Department. CSMBS provides comprehensive medical benefits, including coverage for inpatient and outpatient services, emergency treatment, and pharmaceuticals.

Nowadays, people prefer to work with private companies rather than in public entities or government because of better payment package. Therefore, the government is in need of skilled employees. Meaning to say the government must have to provide privileges and benefits to them to attract the labour force. The CSMBS is the advantage the government have over private companies as employees in private companies do not receive as much financial support for medical care treatment. When they have the next generation , they can tell their children to work with government which can help to reduce the expenses.

Limitation in budget controlling to reduce the government expenditure were 1. CSMBS was an open end budget, people who used this scheme could reimburse all payments from the CGD.

2.CSMBS covered high ratio of elderly because it covers retired people and their old-age family members.

3.The hospital had motivation to make income from reimbursement of non-essential drug lists.

The aging population trend for Thailand will be a problem for this scheme because in the future there will be more and more retired civil servants which will require support for medical treatments and less government officers working.

### **3. The Universal Coverage (30 Baht) Scheme**

The Universal Coverage was introduced in 2001 to cover the citizens who were neither covered by the CSMBS nor by the SSS. It as a co-payment type of insurance coverage. The 30 Baht Scheme derives its name from the amount patients have to pay themselves, the co-payment, for each visit at the contracted health facility. The bulk of financing, however, comes via general tax revenue under the supervision of National Health Security Office (NHSO), Ministry of Public Health (MOPH). This policy help solve the initial problem where there were only good insurance coverage to well-placed government servants and employees in the privately owned organised sector which was only about a quarter of the population. The scheme particularly targets the low-income Thais who struggle to pay for health care. The process of this scheme is first, the citizens must register with hospitals and the government will provide budget to these hospitals depending on how many people have registered there. This policy cover over 75% of the total population.

Capitation method is used so the government will pay these hospitals 2895 baht per each registered participants and this subsidy will be averaged out because different patients have different treatment expenses. Currently, over 48 million Thais are part of this program and the insurance covers medical check-up, vaccine for disease prevention and medical treatments. Benefits are similar to the SSS scheme, with certain high cost treatments excluded from coverage. Medical treatments include a quota to receive surgery and giving birth no more than 2 times. Recently, there have been talks of making adjustment to this program because there are concerned about the sustainability and financing feasibility of the scheme in the long run. This scheme is very costly and is a burden to the government. The policy has also increased crowdedness and increase medical treatment duration at the hospital. There are also arguments that the quality of healthcare has been reduced due to high number of patients.

The 3 mentioned public healthcare insurance schemes provide financial stability to Thai citizens at a low cost. These insurance limits the burden people have to pay for medical treatment and provides more certainty to each individual's financial planning. With the insurance, people can allocate less fund for emergency healthcare and have more flexibility in their personal finance management. Public healthcare insurance are cheap because government takes large amount of the burden with the insured people only have to pay small portion compared to actual treatment cost.

## **Type of Auto insurance**

### **Compulsory Motor Insurance (CMI or Por Ror Bor)**

It is a legal requirement in Thailand for cars to have Compulsory Motor Insurance (CMI or Por Ror Bor). This insurance is required by law with a set premium and cover rates. CMI can be bought from the local Department of Land Transport Office (DLT), from car insurance companies, and from some car dealerships. The only document required is the car registration document (Blue Book or Lem Tabian)

CMI however, covers passengers in your car and third party liability, which means injury to other drivers and their passengers, up to the limit prescribed by law. It will not pay for damage to your vehicle, loss of use and other expenses.

For peace of mind you'll want to buy additional Voluntary Motor Insurance to enjoy greater protection on the often chaotic Thai streets.

As a driver, when you only have compulsory insurance and you are the victim in a traffic accident, you would be entitled to:

- Up to 4,000 Baht in case of hospital treatment
- Up to 200,000 Baht in case of loss of body organs or permanent disability
- Up to 200,000 Baht in case of loss of life
- Up to 50,000 Baht in case of other body injury
- Up to 204,000 Baht overall

As a passenger, when you only have compulsory insurance and you are the victim in a traffic accident, you would be entitled to:

- Up to 5,000,000 Baht per person in a private car
- Up to 10,000,000 Baht per person in a bus or passenger coach

When you only have compulsory insurance and you are deemed liable for the traffic accident, you would be entitled to:

- Up to 35,000 Baht in case of loss of body organs or permanent disability
- Up to 15,000 Baht in case of loss of life
- Up to 15,000 Baht in case of other body injury
- Up to 50,000 Baht overall

### **Additional Car Insurance**

Type	Coverage
Type 1 insurance	Covers Own Vehicle and Third Party Property Damage and Bodily Injury

	and loss due to Fire and Theft and Natural Disasters like flood. It also specifically covers collisions, accidents, Window Breakage and Towing expense.
Type 2+ insurance	A similar cover to Type 1, but with a limit to cover on Own Vehicle Damage and excluding Own Vehicle Damage due to Self-Accident (e.g. driving into a car park wall).
Type 3+ insurance	Covers Third Party Property Damage and Excess Third Party Bodily Injury as well as limited coverage for Own Vehicle Damage due to Collisions only.
Type 2 insurance	Commonly referred to in other countries as Third Party, Fire & Theft, Type 2 covers Third Party Property Damage, Excess Third Party Bodily Injury and loss due to Fire and Theft.
Type 3 insurance	Covers the costs of Third Party Property Damage and Excess Third Party Bodily Injury.

Coverage	Type 1: Comprehensive Cover for any car under 10 years old	Type 2+: Third party Fire and Theft + vehicle collision Cover for any car under 15 years old	Type 3+: Third Party + vehicle collision Cover for any car under 15 years old	Type 2: Third-Party Fire and Theft Cover for any car under 15 years old	Type 3: Third-Party Only Cover for any car under 30 years old
Own Damage - Land Vehicle Collision and Self Accident	✓	✓	✓		
Without third party	✓				
Third Party Bodily Injury	✓	✓	✓	✓	✓
Third Party Property Damage	✓	✓	✓	✓	✓
Own Damage - Fire	✓	✓		✓	
Own Damage - Theft	✓	✓		✓	
Own Damage - Natural Disaster	✓	✓			
Windscreen/Window Breakage	✓				
24 Hour Towing Service	✓	✓	✓		
Excess	✓	✓	✓		

## Factors That Affect Car Insurance Rates

### Demographic Factors

1. Gender and Age - Young men usually incur higher rates than young women as statistically, more male teenagers have accidents than female teenagers. However, older men generally have better rates than older women.
2. Marital Status - Married people tend to have fewer accidents than single people; therefore, getting married (especially for men) can significantly lower your rate. How much your rate decreases depends on your previous driving history as well.
3. Where You Live - Because most traffic accidents occur close to home, the area you live in greatly affects your rates. More densely populated neighborhoods with more cars mean you are at a higher risk of accidents, theft, and collisions with injuries.
4. Credit Score - Many insurance companies take your credit score into account when determining your rate. There is no specific point at which your credit score begins to affect your rate, but in general, lower scores mean higher insurance premiums.
5. Profession - Auto insurance companies may also make correlations between a person's risk of accident and their profession, and they can adjust your premium accordingly if they think you're more likely to get in an accident.

### Car-Related Factors

6. Safety Rating - Owning a vehicle with a high safety rating means there is a lower chance of needing to pay for your or your passenger's medical bills – therefore, your rate will be lower. Owning a car with a lower safety rating, however, will usually result in a higher cost. Safety features such as airbags, automatic seat belts, and traction control help make your car safer, which makes you less likely to get in an accident, as well as making it less dangerous.
7. Vehicle Size - Larger cars are generally safer than smaller cars in an accident. Therefore, many larger cars with good safety ratings have lower premiums than smaller cars with otherwise similar ratings. However, cars with larger engines relative to body size tend to have higher rates

– for instance, insurance for a sports car with a V8 engine costs much more than a small car with a V4 engine.

8. Age of the Car - Though the repair costs of an older vehicle are similar to the costs of a newer vehicle. This is because the cost of significant repairs needed for an older car can often be higher than the vehicle's entire worth. Therefore, it is likely that the owner would simply discard the vehicle and replace it, rather than paying for repairs. If your car is quite old, you could probably drop the collision coverage altogether and simply save the money to buy a replacement jalopy if you get in an accident.

9. Likelihood of Theft - Some cars are more attractive to thieves than others, and a car model that hits the top 10 most stolen list is likely to have higher rates than one that's not a likely target. But if you have a car alarm or other anti-theft features, this can lower the premium.

### Personal Driving Habits

10. Driving History - If you have been in accidents, received any tickets, or made previous auto insurance claims, the insurance company has learned that you're more likely to make another claim than a similar driver who doesn't have any blemishes on their record. If your driving record is bad enough, some insurance companies will refuse to give you insurance at all. Fortunately, these blemishes tend to become less important over time. So if you had some wild years with a few tickets or accidents in your past, making an effort to drive more slowly and carefully in order to avoid future problems can pay off in time. Most tickets and non-injury accidents stop affecting your rate after three years, and injury accidents generally do not affect your rate after five years. A DUI ticket can affect your premium for up to 10 years, however, and many companies won't insure someone with one.

11. Driving Activity - Some companies can alter your rate based on what you use your car for, the distance you drive, and where and when you drive. Business commuters usually put more miles on their car, and the more you're on the road, the more likely you are to get in an accident. You may be able to get a discount on your insurance if you don't drive the car much, or don't use it to commute to work. Plus, if you can keep your car in a secure location, such as a garage, it's less likely to incur damage, which lowers your rate further.

### **Unit linked insurance policy**

A unit linked insurance plan (ULIP) is a type of insurance vehicle in which the policyholder purchases units at their net asset values and also makes contributions toward another investment vehicle. Unit linked insurance plans allow for the coverage of an insurance policy, and provide the option to invest in any number of qualified investments, such as stock, bonds or mutual funds. Usually, a part of the premium paid is used to provide insurance coverage

to the policyholder while the remaining part is invested in different assets such as stocks and bonds by mutual funds. The unit linked insurance is also combining advantages of mutual funds and insurance. Advantage of mutual funds is high return compare to deposit in bank while advantage of insurance is to protect the policyholder from an unexpected event.

Investors can choose to invest in any mutual funds and risk level. There are many investment strategies that investors can choose such as DCA (Dollar Cost Averaging), Auto-Rebalancing and Asset Allocation. DCA is consisting in dividing the investment in equal amounts and put them in the market regularly to avoid substantial lost. Auto-Rebalancing allows review and adjustment of the risk level of the portfolio while Asset Allocation will simply allocate the funds invested in different kind of assets to assure the portfolio's diversity and a low risk level. In the other hand, there are often charges deducted from the premium that comes with ULIP such as premium allocation charges, policy administration charges, mortality charges, fund switching charges and withdrawal charges.

Unit Linked will be in format of insurance that get all benefit of life insurance. However, the investment will be in mutual fund that is managed by an asset management company.

Investor of unit linked will be get benefit from life insurance and mutual fund. Premium will be divided into two part.

First part is the life insurance expense. Second is Mutual funds managed by an asset management company where holder of unit linked policy can choose types of mutual funds.

Mutual funds that investor can choose :

- Money market fund (focus on government bond, treasury bills, corporate bond)
- Fixed income fund (focus on safety bond)
- Passive Management fund that will be focused on the changes in the stock market and try to make profit out of it.
- Active Management fund that is a type of investment type that a insurance company will use a at least a 65% of amount of the asset and 50% of that will be invest in listed companies.
- ULIP Vs Mutual Funds

Mutual funds give higher return than ULIP and more liquid since it is more widely trade in market. However, ULIP also have advantage over mutual funds. ULIP is more flexibility because you can choose the proportion of investment between mutual funds and life insurance. Furthermore, ULIP will give tax reduction since it is life insurance.

## ULIP vs Traditional Insurance Plan

ULIP is already included the benefit Traditional Insurance. However, the return are diffence that Traditional Insurance will provide the fixed returns in a long term, but the return of ULIP is depend on the investment benefit. Also to point of this two are different in the work that ULIP is focus on the two benefit that you will get, but Traditional Insurance is a thing that a person need to focus is the coverage of the insurance itself.

There are a few companies in Thailand that provide ULIP such as AIA, Muang thai life assurance and Prudential. Unit Linked could be very useful for education planning for children, because the amount of money received in return from investment in the mutual fund can be used as savings. The amounts usually represent more than the holder would actually save for any project such as children education, retirement, new car, house cashdown. That way ULIP can actually help the holder to reach life goals.

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### MEMBERS:

- |                     |                   |            |
|---------------------|-------------------|------------|
| 1. Supanut          | Khantaveramongkol | 5804640208 |
| 2. Wasawat          | Sumneing          | 5804640349 |
| 3. Natchanon        | Suthamanaswong    | 5804640414 |
| 4. Natcha           | Eurchalitnukul    | 5804640430 |
| 5. Trin             | Phanishsarn       | 5804640828 |
| 6. Runch            | Rinwilairuk       | 5804640976 |
| 7. Phalis           | Titthummaphan     | 5804640992 |
| 8. Thummatat        | Chumpolsakulwong  | 5804641412 |
| 9. Thitikarn        | Lorterapong       | 5804641602 |
| 10. Charles-Etienne | Dagenais          | 5904930368 |