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# Insurance BOLT

## Static Insurance GK



Bolt is a series of GK Summary ebooks by Oliveboard for quick revision

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## Introduction to Insurance

**What is Insurance?**
Insurance is a promise of compensation for specific potential future losses in exchange for a periodic payment. It is designed to protect the financial well-being of an individual, company or other entity in the case of unexpected loss.

**History of Insurance**

1818 – The Oriental Life Insurance Company establishment in Calcutta. It was the first life insurance company on Indian soil.

1829 - The Madras Equitable had begun transacting life insurance business in the Madras Presidency.

1850 - The first general insurance company, Triton Insurance Company Ltd established in Calcutta.

1870 - The enactment of the British Insurance Act and the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency.

1907 - The Indian Mercantile Insurance Ltd was set up. It was the first company to transact all classes of general insurance business.

1912 - The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business.

1928 - The Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies.

1938 – The Insurance Act amended with a view to protecting the interest of the Insurance public with comprehensive provisions for effective control over the activities of insurers.

1956 - Nationalising of the Life Insurance sector.

1957 - General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices.

1968 - The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee was set up.

**Insurance Reforms**

➢ In 1993, the Government set up a committee under the chairmanship of **RN Malhotra**, former Governor of RBI, to propose recommendations for reforms in the insurance sector.

➢ In 1994, the committee submitted its report. The suggestions given by the committee were:

✓ The private sector be permitted to enter the insurance industry.

✓ Foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.

➢ Following the recommendations of the committee, in **1999**, the **Insurance Regulatory and Development Authority** was constituted as an autonomous body to regulate and develop the insurance industry.

## Insurance Regulatory and Development Authority

- The IRDAI is an independent and autonomous statutory body. It was incorporated as a statutory body in **April 2000**.
- It was constituted under the Insurance Regulatory and Development Authority Act, 1999. It regulates the insurance industry of the country.
- Foreign companies are allowed 49% of investment.
- The Authority has the power to frame regulations under Section **114A** of the Insurance Act, 1938 and has framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests from 2000.

**Functions of IRDAI**

**Section 14** of IRDAI Act, 1999 describes the duties, powers and functions of IRDAI, some of them are-

✓ To issue the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;

✓ Protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policyholders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;

✓ Calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business;

✓ Control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938);

✓ Specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;

✓ Regulating investment of funds by insurance companies;

✓ Regulating maintenance of margin of solvency;

✓ Supervising the functioning of the Tariff Advisory Committee;

✓ Adjudication of disputes between insurers and intermediaries or insurance intermediaries;

✓ Specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organisations referred to in clause (f);

✓ Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector;

## Life Insurance Company (Public Sector)

Life Insurance Corporation of India is the only public sector life insurance company in India.

**Life Insurance Corporation of India**

- The Parliament of India passed the Life Insurance Corporation Act on the **19th of June 1956**, and the Life Insurance Corporation of India was created on 1st September 1956, with a capital contribution of **₹ 5 Crore** from the Government of India.
- The objective of LIC is to spread life insurance much more widely and to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.
- LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956.

Some Important LIC insurance plans-

- Endowment Plans

- **LIC's Bima Jyoti -** provides financial support for the family in case of unfortunate death of the policyholders during the policy term and guaranteed lumpsum payment to the surviving policyholder at the time of maturity.
- **LIC's Bima Ratna** - provides financial support for the family in case of unfortunate death of the policyholder during the policy term and also provides for periodical payments on survival of the policyholder at specified durations to meet the various financial needs.
- **LIC's Dhan Sanchay** - provides financial support to the family in case of unfortunate death of the life assured during the policy term. It also provides a guaranteed income stream during the Payout Period from the date of maturity.
- **LIC's Dhan Varsha** - provides financial support for the family in case of unfortunate death of the life assured during the policy term. It also provides a guaranteed lumpsum amount on the date of maturity for the surviving life assured.
- **LIC's Jeevan Azad** -provides financial support for the family in case of unfortunate death of the life assured during the policy term and also takes care of liquidity needs through loan facility. It also provides a guaranteed lumpsum amount to the surviving life assured on the date of maturity.
- **LIC's New Endowment Plan** - provides financial support for the family of the deceased policyholder any time before maturity and a good lump sum amount at the time of maturity for the surviving policyholders. This plan also takes care of liquidity needs through its loan facility.
- **LIC's Single Premium Endowment Plan** - provides financial protection against death during the policy term with the provision of payment of lumpsum at the end of the selected policy term in case of his/her survival. This plan also takes care of liquidity needs through its loan facility.
- **LIC's Jeevan Pragati Plan**- It provides for automatic increase in risk cover after every five years during the term of the policy.
- **LIC's Jeevan Labh**- It provides financial support for the family in case of the unfortunate death of the policyholder any time before maturity and a lump sum amount at the time of maturity for the surviving policyholder.
- **LIC's New Jeevan Anand Plan** – It provides financial protection against death throughout the lifetime of the policyholder with the provision of payment of lumpsum at the end of the selected policy term in case of his/her survival.
- **LIC's Jeevan Rakshak Plan** -It provides financial support for the family in case of the unfortunate death of the policyholder any time before maturity and a lump sum amount at the time of maturity for the surviving policyholder.
- **LIC's Jeevan Lakshya**- It is a participating non plan provides for Annual Income benefit that may help to fulfill the needs of the family, primarily for the benefit of children, in case of unfortunate death of Policyholder any time before maturity and a lump sum amount at the time of maturity irrespective of survival of the Policyholder.

Note-All the above plans also takes care of **liquidity needs** through its loan facility.

- **LIC’s Aadhaar Shila Plan**

✓ This plan provides financial support for the family in case of the unfortunate death of the policyholder any time before maturity and a lump sum amount at the time of maturity for the surviving policyholder.

✓ This plan is exclusively designed for **female lives** having an Aadhaar Card issued by UIDAI (Unique Identification Authority of India).

- **LIC’s Aadhaar Stambh Plan**

✓ This plan provides financial support for the family in case of the unfortunate death of the policyholder any time before maturity and a lump sum amount at the time of maturity for the surviving policyholder.

✓ This plan is exclusively designed for **male lives** having an Aadhaar Card issued by UIDAI (Unique Identification Authority of India).

➢ Whole life plan

- **LIC’s Jeevan Umang plan**- It offers a combination of income and protection to your family. This plan provides for annual survival benefits from the end of the premium paying term till maturity and a lump sum payment at the time of maturity or on death of the policyholder during the policy term.

➢ Money back plan

- **LIC's Dhan Rekha -**plan provides financial support for the family in case of unfortunate death of the policyholder during the policy term. Periodic payments will also be made on survival of the policyholder at specified durations during the policy term and guaranteed lumpsum payments to the surviving policyholder at the time of maturity.
- **LIC's New Bima Bachat -** is a participating, non-linked, life assurance savings cum protection plan, where premium is paid in lump sum at the outset of the policy. It is a money-back plan which provides financial protection against death during the policy term with the provision of payment of survival benefits at specified durations during the policy term. In addition, on maturity, the single premium shall be returned along with Loyalty Addition, if any.
- **LIC's Jeevan Shiromani -** This plan is specially designed for High Net-worth Individuals. This plan provides financial support for the family in case of unfortunate death of the policyholders during the policy term. Periodic payments shall also be made on survival of the policyholder at specified durations during the policy term and a lump sum payment to the surviving policyholder at the time of maturity. In addition, this plan also provides for payment of a lumpsum amount equal to 10% of the chosen Basic Sum Assured on diagnosis of any of the specified Critical Illnesses.
- **LIC's Bima Shree -** This plan is specially designed for High Net-worth Individuals. This plan provides financial support for the family in case of unfortunate death of the policyholders during the policy term. Periodic payments shall also be made on survival of the policyholder at specified durations during the policy term and a lump sum payment to the surviving policyholder at the time of maturity This plan also takes . care of liquidity needs through loan facility.
- **LIC' Jeevan Tarun**

✓ This plan is specially designed to meet the educational and other needs of growing children through annual Survival Benefit payments from ages 20 to 24 years and Maturity Benefit at the age of 25 years.

✓ It is a flexible plan wherein at proposal stage the proposer can choose the proportion of Survival Benefits to be availed during the term of the policy.

➢ Term Assurance Plans

**LIC's New Jeevan Amar -** provides financial protection to the insured’s family in case of his/her unfortunate death during the policy term.

**LIC's Saral Jeevan Bima -** provides financial protection to the insured’s family in case of his/her unfortunate death during the policy term.

## General Insurance company( Public sector)

The entire general insurance business in India was nationalised by the General Insurance Business (Nationalisation) Act, 1972 (GIBNA).

### General Insurance Corporation of India

- General Insurance Corporation of India was formed in pursuance of Section 9(1) of GIBNA. It was incorporated on **22 November 1972** under the Companies Act, 1956 as a private company limited by shares.
- It was formed for the purpose of superintending, controlling and carrying on the business of general insurance.
- 107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC incorporated as a company.
- In 2000, IRDA Act, 1999 introduced amendment to **GIBNA** and the Insurance Act, 1938. GIC was renotified as the **Indian Reinsurer** and through administrative instruction, its supervisory role over the four subsidiaries was ended.

***Subsidiary Company***

➢ GIC Re South Africa Ltd - GIC Re India's maiden **100%** owned subsidiary. GIC Re SA's operations in Johannesburg started underwriting business from Jan 1, 2015 with a mandate to write inward reinsurance and retrocession business emanating from Sub-Saharan Africa.

### Oriental Insurance Company

- The Oriental Insurance Company Ltd was incorporated at Bombay on **12th September 1947**. The Company was a wholly owned subsidiary of the Oriental Government Security Life Assurance Company Ltd and was formed to carry out **General Insurance business.**
- It specializes in devising special covers for large projects like power plants, petrochemical, steel and chemical plants.
- The company has 31 Regional Offices. It has overseas operations in Nepal, Kuwait and Dubai.

### United India Insurance Company

- United India Insurance Company Limited was incorporated as a Company on 18th February 1938.
- 12 Indian Insurance Companies, 4 Cooperative Insurance Societies and Indian operations of 5 Foreign Insurers, besides General Insurance operations of the southern **region of Life Insurance Corporation of India** were merged with United India Insurance Company Limited.

### New India Assurance Company Limited

- The company was founded by Sir Dorabji Tata in **1919**. The first overseas office was opened in London, United Kingdom in 1920. It has a Representative Office in Yangon in Myanmar.
- The company is the co-promoters of **Agricultural Insurance Company of India & GIC Housing Finance Ltd**. Also, the company is co promoted a common TPA in the Health Insurance support services jointly, with other Government owned insurers - Health India TPA Insurance Services Ltd.

### National Insurance Company Ltd

- NIC is India's oldest general insurance Company. It was incorporated on 5th December **1906.**
- It was the first Indian insurance Company to enter Strategic Alliances with the country's largest Automobile manufacturer Maruti and Two-Wheeler major Hero Moto Corp and many others.

### Agriculture Insurance Company of India

- Agriculture Insurance Company of India was incorporated on 20th **December 2002** and commenced operations on 1st April 2003.

✓ Authorised Share Capital - Rs. 1500 Crores
✓ Paid-up Share Capital - Rs. 200 Crores

### Promoters (Share Holding)

✓ General Insurance Corporation of India - 35 %
✓ National Bank for Agriculture and Rural Development (NABARD) - 30 %
✓ National Insurance Company Limited, New India Assurance Company Limited, Oriental Insurance Company Limited and United India Insurance Company Limited are having **8.75%** of shares each.

## Public Insurance companies/ Institutions (CMDs & Headquarter)

| Institution | Chairman/CMD | Headquarter |
|---|---|---|
| Insurance Regulatory and Development Authority of India(IRDAI) | Debasish Panda | Hyderabad |
| Life Insurance Corporation of India (LIC) | M R Kumar | Mumbai |
| General Insurance Corporation of India (GIC) | Devesh Srivastava | Mumbai |
| Oriental Insurance Company Limited | Sunita Tuli Nagpal and Rashmi Raman Singh (interim charge) | New Delhi |
| New India Assurance Company Limited | Neerja Kapur | Mumbai |
| National Insurance Company Limited | Suchita Gupta | Kolkata |
| United India Insurance Company | Satyajit Tripathy | Chennai |
| Insurance Institute of India | Devesh Srivastava (President) | Mumbai |
| Agriculture Insurance Company of India | Girija Subramanian | New Delhi |
| Export Credit Guarantee Corporation of India | M Senthilnathan | Mumbai |
| Employees' State Insurance Corporation | Rajendra Kumar | New Delhi |

## Principles of Insurance

The basic principles which govern the insurance are -

- **Principle of Utmost good faith**- Each party must reveal all material information to the other party whether such information is asked or not. There should not be any fraud, non-disclosure or misrepresentation of material facts.
- **Principle of Indemnity**- It means that the insured in case of loss against which the policy has been insured, shall be paid the actual cost of loss not exceeding the amount of the insurance policy.
- **Principle of Insurable interest**- Insurance interest is that interest, when the policy holders get benefited by the existence of the subject matter and loss if there is death or damage to the subject matter.
- **Principle of Causa Maxima**- It means proximate cause or cause which, in a natural and unbroken series of events, is responsible for a loss or damage. The insurer is liable for loss only when such a loss is proximately caused by the peril insured against.
- **Principle of Mitigation of Loss**- An insured must take all reasonable care to reduce the loss. We must act as if the property was not insured.
- **Principle of Subrogation**- According to it , after the insured is compensated for the loss caused by the damage to the property insured by him, the right of ownership to such property passes to the insurer after settling the claims of the insured in respect of the covered loss.
- **Principle of Contribution**-The insurers must share the burden of payment in proportion to the amount insured by each. If one of the insurer pays the whole loss, he is entitled to contribution from other insurers.

Note- The principle of contribution & principle of subrogation are consequence of principle of indemnity. The principle of subrogation is applied only to fire and marine insurance.

## Types of Insurance

### Life Insurance

- Life Insurance is a contract which is based on mutual trust. It promises to give a lump sum amount to the nominees of the policyholder in case the policyholder dies.
- In this type of Insurance, the policy doesn't cover if the death of policy holder occurs due to Alcohol or drug abuse, war or terrorism, suicide or self-inflicted injuries, gross negligence or carelessness.

### General Insurance

- A general insurance is a contract that offers financial compensation on any loss other than death. It insures everything apart from life.
- It compensates financial loss due to liabilities related to your house, car, bike, health, travel, etc.

### Health Insurance

- Health Insurance is an insurance policy that ensures that cashless treatment or expense reimbursement.
- It reimburses the insures for medical and surgical expenses arising from an illness/injury that leads to hospitalization.

*Individual Health Insurance* – It provides coverage to an individual against certain illness, offering advantages like cashless hospitalisation, reimbursement, coverage of pre-hospitalisation and post discharge expenses.
*Family Health Insurance* – It is a form of effective health insurance cover that provides coverage to all family members against all medical emergencies in return of a **single premium.**
*Senior Citizen Health Insurance* – According to IRDAI, People above age 60 years up to 65 years old can take this health insurance policy.
*The Health insurance do not provide coverage in below situations:*

✓ Hospitalisation due to war or related activities
✓ Terminal illnesses, AIDS and other similar disease
✓ Cosmetic/plastic surgery, replacement of hormones, sex change etc
✓ Dental or eye surgery
✓ Any medical condition existing before buying the policy during the waiting period
✓ Non-allopathic therapies such as acupuncture, yoga, naturotherapy, etc.
✓ Diagnostic charges if the reports do not confirm the existence of the covered disease

### Motor Insurance

Motor Insurance is a coverage which gives protection against physical damage or loss from natural and man – made calamities. In India, motor insurance is mandatory to ply a vehicle on the road.
*Car Insurance* – It gives accidental loss or damages to own car/third party.
*Comprehensive Car Insurance* – It covers all kinds of damages & liabilities caused to you or a third party. It includes damages caused by accidents, sabotage, theft, fire, natural calamities, etc.
*Third Party Insurance Policy* – It covers a third person who has been injured in an accident involving the owner and his/her car. It doesn't provide direct benefit to the insured. As per IRDAI, no insurer can decline to underwrite third party insurance.
*The damages to the vehicle due to under situations are covered in motor insurance:*

✓ Riot & Strike
✓ Fire & Burglary
✓ Terrorism act
✓ Earthquake
✓ Landslide
✓ Flood, storm, cyclone.

*The motor insurance do not provide coverage in below situations:*

✓ The driver is under the influence of drugs/abuse
✓ Vehicles is used for illegal activities
✓ Not having valid driving license
✓ Any loss/damage to the insured vehicle outside India

### Travel Insurance

A travel insurance compensates or pays for any financial liabilities arising out of medical and non-medical emergencies during travel abroad or within the country.
*The travel insurance usually covers*

✓ Loss of baggage
✓ Emergency medical expenses

- ✓ Loss of passport
- ✓ Hijacking
- ✓ Delayed Flights
- ✓ Trip Cancellation

*Single Trip Policy* - It covers a trip that lasts under 180 days. (solely depends on the insurer)
*Annual Multi Trip Policy* - It covers several trips taken within a year.
*The travel insurance do not provide coverage under the following conditions:*

- ✓ Travelling against the advice of the physician
- ✓ Baggage delay for less than 24 hours
- ✓ Psychological illness or self-inflicted injuries during the trip
- ✓ War or civil unrest in international locations
- ✓ Participation in hazardous sports like bungee jumping, parachuting, etc.

**Home Insurance**

- Home insurance is a cover that pays or compensates for damage to home due to natural calamities, man-made disasters or other threats.
- It covers liabilities due to fire, burglary, theft, flood, earthquakes, and sabotage.

*Standard fire and special perils policy* – It cover natural calamities like lightening, flood, storm, earthquake, etc; Damage caused due to overflowing or bursting of water tanks, pipes, etc; Damage caused due to man-made activities such as riots, strikes, etc.
*Home Structure Insurance* - It protects the structure of your home from any kinds of risks and damages. The cover is also extended to the permanent fixtures within the house such as kitchen and bathroom fittings.
*Public Liability Coverage* - The damage caused to another person or their property inside the insured home can be compensated.
*Content Insurance* – It covers the content inside the insured home. Television, refrigerator, portable equipment, etc are covered.
*The Home insurance do not provide coverage under the following circumstances:*

- ✓ Wilful demolition of the property
- ✓ Damages due to wear and tear & depreciation
- ✓ Loss due to nuclear war, invasion, act of foreign country
- ✓ Loss of cash kept inside the property
- ✓ Loss due to any electronic equipment due to over running

**Fire Insurance**

- Fire insurance pays or compensates for the damages caused to property or goods due to fire.
- It covers the replacement, reconstruction or repair expenses of the insured property and the surrounding structures & also damages caused to a third-party property due to fire.

The common types of fire insurance are:
*Valued Policy* - The insurer values the property and undertakes to pay compensation up to that value in the case of loss or damage.
*Floating Policy* - It covers the damages to properties lying at different places.
*Comprehensive Policy* - It has a wide coverage and includes damages due to fire, theft, burglary, etc. It is known as an all-in-one policy.
*Specific policy* – It covers for a specific amount which is less than the real value of the property.
*Valuable Policy* – The claim amount is determined based on the present market price of damaged property.
*Damages due to lightning, Explosion, Aircraft damage, terrorist activity, riot strike, natural disasters, landslide/rockslide, bursting of water/overflowing of water tank, bush fire are covered under Fire Insurance policy.*

**Marine Insurance**

It offers coverage in case of damage or loss of cargo, ships, terminals and any transport by which any property is acquired, transferred or held between the point of origin and its destination.
*Cargo Insurance* - It provides coverage against all risks of physical loss or damage to freight during the shipment from any external cause during shipping, whether by land, sea or air. It is known as Freight Insurance.
*Liability Insurance* – It provides protection against claims resulting from injuries and damage to people and/or property. It covers both legal costs and any legal pay-outs for which the insured would be responsible if found legally liable.
*Hull Insurance* – It is a boat insurance that covers damage to a boat, its machinery and its equipment.

### Different types of Marine Insurance Plans
*Time Insurance Plan* - It is issued for a definite time period. It is valid for a year and is more applicable to the hull than cargo. It includes a navigating ship.
*Voyage Policy* – It covers only a ship for a trip. The coverage ceases when the journey does.
*Valued Policy* – It repays a fixed amount in lieu of a loss/damage incurred by the policyholder, unless in case of fraud. The terms & conditions and the sum assured are decided by both the insurer and the insured.
*Mixed Policy* – It offers the benefit of both time and voyage policy to its customers.
*Port Risk Policy* - It provides protection to the ship at the time it halts at a port.
*Wager Policy* – In this policy, the payment is not specified before, but repayment is provided when the insurance company comes across any damage which is worthy of a claim. It is also invalid in the court of law.

### Critical Illness Insurance
This insurance comes as a rider/stand-alone plan. It provides the insured a lump sum in case he/she gets diagnosed with a critical illness such as cancer, sclerosis, coma, heart attack, paralysis, kidney failure etc.

### Trade Credit Insurance
- It is a risk management tool that covers the payment risk resulting from the delivery of goods or services. It is also known as **Credit insurance**.
- Under this policy credit insurer usually covers a portfolio of buyers and pays an agreed percentage of an invoice or receivable that remains unpaid as a result of insolvency, bankruptcy or protracted default, political risks (Moratorium, Transfer Restriction, War, Import/ Export Restriction, Natural Disaster and License Cancellation).

### Flood Insurance
- It covers a dwelling for losses sustained by water damage, as it specifically relates to flooding.
- A separate coverage rider is needed to cover sewer backup, if the backup was not caused by the rising floodwaters.

### Personal Accident Insurance
- It is a policy that can reimburse medical costs, provide compensation in case of accidental death, permanent total disablement, permanent partial disablement and temporary total disablement.
- *It includes the following expenditures. They are Hospital Daily Cash, Ambulance expenses, Repatriation of Mortal remains, Broken bones, burns, family transportation allowance, education advantage, loan protector, adaptation allowance.*

### Crop Insurance
It covers agricultural producers against unexpected loss of projected crop yields or profits from produce sales at market.
*Crop Yield Insurance* – It protects the expected income due to unpredicted yields, which is the volume of a crop's harvest.
*Crop Revenue Insurance* – It covers expected revenue from loss owing to market fluctuations of crop selling prices.

## Types of Life Insurance Plans

### Term Life Insurance Policy

- It provides death risk cover for a specified period. In case the life assured passes away during the policy period, the life insurance company pays the death benefit to the nominee.
- It is a pure risk cover plan that offers high coverage at low premiums.
- There is no pay-out if the life assured outlives the policy term. However, there are companies offering Term Plans with Return of Premiums (TROPS), where insurance companies payback all the paid premium amount in case the life assured outlives the term period.

*Level Term Life Insurance* - The renewal premium is constant, and the death benefit remains the same throughout the policy term.
*Decreasing Term Life Insurance* - The renewal premium is constant and the death benefit under the plan decreases with time.
Example - Mortgage redemption policies, credit life insurance.
*Increasing Term Life Insurance* - The coverage and premium are increased with time.

**Benefits**

- Term Insurance plan offers high coverage at a minimum premium rate.
- It also offers the option of additional rider benefit to enhance the coverage of policy.
- Flexible pay-out
- Premiums paid towards the plans are eligible for tax exemption under section 80C of Income Tax Act 1961.

### Endowment Policy

It comes with the extra benefit that the policyholder will receive a lump sum amount in case if he survives until the date of maturity.

**Benefits**

- It gives dual benefit of savings cum insurance coverage.
- It comes with a rider benefits (Critical Illness, Accidental Death, Waiver of premium etc) to increase the coverage of the policy.
- It has an additional bonus as a terminal bonus and reversionary bonus.
- Tax benefit under section **80C of Income Tax Act 1961** can be availed.

### Money Back Policy

- The policy gives money-back at regular intervals. This money-back is paid during the plan tenure and is a percentage of the Sum Assured
- Money-back pay-out are paid during the plan tenure and on maturity, the remaining Sum Assured is paid along with vested bonuses. The pay-outs are called Survival Benefits.

### Retirement Plan

It offers the benefits of both investment and insurance cover. In this plan, a person can invest a certain amount regularly to accumulate over a specific tenure in a phase-by-phase manner.

**Benefits**

- Tax deduction up to **₹ 1.5 Lakh** under 80C of Income Tax Act 1961.
- The policyholder receives the monthly pension during the vesting age.

### Unit Linked Insurance Plan

- ULIP provides the benefits of insurance and flexibility in investment.
- In ULIP, the cash value of a policy varies according to the current net asset value of the underlying investment assets.
- The premium paid is used to purchase units in investment assets chosen by the policyholder.

**Types of ULIPs-**

**Based on Risk and Investment**

*Equity Funds* – ULIP Funds are invested primarily in company stocks and equities with the general aim of capital appreciation. It follows **High Risk.**
*Income, Fixed-interest, and Bond Funds* – Funds are invested in government securities, fixed-income securities, corporate bonds. It offers **Medium Risk.**
*Cash Funds* – Funds are directed towards short-term market instruments, such as cash and bank deposits, treasury bills and commercial paper. It offers **Lower risk.**
*Balance Funds* – Funds are invested in combine equity investment with fixed interest instruments. The total investible amount is distributed between high-risk equities, such as company stocks, and lower-risk, fixed-income instruments.

**Based on Death Benefit**

The Death Benefit in a ULIP is not guaranteed. Sum Assured may vary according to the fund performance. Sum Assured is the Minimum Guaranteed Death Benefit.
*Type I ULIP* - It gives the higher of the sum assured or fund value as death benefit

*Type II ULIP* - This plan pays the policy holder both benefits i.e. sum assured plus fund value as death benefit.

**Benefits**

- It offers the facility to switch between funds
- Tax benefits are available.
- It allows the policyholder to make a partial withdrawal within the tenure of the policy (after 5 years of lock-in period).
- All unit linked products, other than pension and annuity products shall provide a minimum mortality cover or a health cover.

**Minimum Mortality Cover**

✓ Minimum Sum assured for age at entry of below 45 years – 125% of single premium

✓ Minimum Sum assured for age at entry of 45 years and above – 110% of single premium

**Minimum Health Cover**

✓ Minimum annual health cover for age at entry of below 45 years – 5 times of annualized premium/₹ 100000 per annum

✓ Minimum Sum assured for age at entry of 45 years and above - 5 times of annualized premium/₹ 75000 per annum

**ULIP Charges**

As per the IRDAI guidelines, for policies with terms above 10 years, the net reduction in yield at maturity shall not be more than 2.25%. For less than or equal to 10 years shall not be more than 3% at maturity.

*ULIPs accessible by different insurers have varying charge structures. The charges are:*

*Premium Allocation Charge* – It is deducted as a fixed percentage from the premium paid This is charged at a higher rate in the initial years of the policy. The charges include the initial and renewal expenses and intermediary commission expenses.

*Mortality Charge* - These are charges to provide for the cost of insurance coverage under the plan. Mortality charges depend on some factors such as age, amount of coverage (sum assured) etc. and are deducted on monthly basis.

*Fund Management Charge* - It is levied for management of the funds and are deducted before arriving at the Net Asset Value. The FMC is adjusted from NAV on a daily basis. The maximum allowed is 1.35% per annum of the fund value.

*Policy Administration Charge* – It is a fee levied for the administration of the policy and is charged on monthly basis by cancellation of units from all the funds chosen. This could be flat throughout the policy term or vary at a predetermined rate.

*Partial Withdrawal Charge* - ULIPs have the option of partial withdrawals of funds after 5 years. The plans allow withdrawals that can be free for up to a certain limit or charged based on transactions.

*Fund switching charge* – A limited number of fund switches may be permitted each year without charge with succeeding switches subject to a charge of ₹ 100 - ₹ 500 (Subject to insurer's charge structure).

*Premium Redirection Charge* – Insurers levy premium redirection charges if policyholder redirect the premiums to another less risky fund options without changing the existing funds structure.

*Surrender Charges* – It may be deducted for early partial or full encashment of units anywhere applicable as mentioned in the policy conditions.

**Loans under ULIP**

- The maximum loan amount under any ULIP policy shall not exceed 40% of the net asset value in those products where equity accounts for more than 60% of the total share.
- And the loan shall not exceed 50% of the net asset value of those products where debt instruments accounts for more than 60% of the total share.

**Whole Life Insurance Policy**

- A whole life insurance policy provides life coverage until the death of the life assured. The policy stays in force throughout the life if the life assured pays the premium.
- Usually, the maturity age is 100 years. If the life assured dies before the age of 100 years, the nominee receives the sum assured. Tax benefit and loans can be availed against whole life insurance policies.

**Child Plan**

- It is an insurance cum investment plan that helps an individual to build a corpus for finance child's education and marriage.
- Also, it gives a sum assured to the child in case the insured dies.

## Insurance Frauds

Insurance fraud is an illegal act on the part of either the buyer or seller of an insurance contract.
It could either be a hard fraud or a soft fraud.

- A hard fraud occurs when someone deliberately plans or invents a loss such as a theft of a motor vehicle or setting fire to property covered by an insurance policy.
- Soft frauds are more common and include exaggeration of legitimate claims by policyholders. They are also referred to as opportunistic frauds.

**Types of insurance frauds**

*Premium Diversion* - It is the embezzlement of insurance premiums. It involves an insurance agent fails to send premiums to the underwriter and instead keeps the money for personal use and selling insurance without a license, collecting premiums and then not paying claims.

*Fee Churning* - When intermediaries take commission from several different companies during a reinsurance agreement, **fee churning** occurs. If the funds to pay claims are restricted, the fraud can be identified.

*Asset Diversion* – It typically occurs when one insurance company acquires or merges with another and often involves using the acquired company assets to settle debts.

## Insurance Ombudsman

The Government of India framed "Insurance Ombudsman Rules, 2017" under **section 24** of the Insurance Regulatory and Development Authority Act, 1999. It was created for individual policyholders to have their complaints settled out of the courts system in a cost-effective, efficient and impartial way.
**Term** - An insurance Ombudsman is appointed for a term of three years or till the incumbent attains the age of 65 years, whichever is earlier. **Re-appointment** is not permitted.
**Functions** - The Ombudsman functions within a set geographical jurisdiction and can entertain disputes relating to:

✓ Delay in settlement of claims
✓ Partial/total repudiation of claims by an insurer.
✓ Dispute over premium paid or payable in terms of the policy
✓ Misrepresentation of policy terms and conditions at any time in the policy document or policy contract
✓ Dispute on the legal construction of the policies as such disputes relate to claims.
✓ Policy servicing related grievances against insurers and their agents and intermediaries
✓ Issuance of life insurance policy, general insurance policy including health insurance policy which is not in conformity with the proposal form submitted by the proposer.
✓ Non-issue of any insurance policy to customers after receipt of premium in life insurance and general insurance including health insurance.
✓ Any other matter resulting from the violation of provisions of the Insurance Act, 1938

**Conciliation and Award making –**

1. Any aggrieved individual who has taken an Insurance Policy on personal lines of insurance, group insurance policies, policies issued to sole proprietorship and micro enterprises can approach Ombudsman.
2. Complaints can be lodged against any Insurer both in Public Sector & Private Sector in both Life and Non-Life sectors.
3. The complaint must be lodged within 1 year.
4. The maximum limit for the amount under dispute for which the Ombudsman can entertain a complaint is up to **Rs. 30 lakhs.**
5. The ombudsman shall pass an award within a period of **three months** from the receipt of the complaint.
6. If the policy holder is not satisfied with the award of the ombudsman, h/she can approach Consumer Forums and Courts of law for redressal of his/her grievances.

Currently, **17 Insurance Ombudsman's** offices have been established all over India.
In 2021, the government amended insurance ombudsman rules, bringing insurance brokers within their ambit and also allowed policyholders to file online complaints.

### <u>Insurance claim calculation</u>

| |
|---|
| The actual amount of claim is determined by the formula:<br><br>Claim = Loss Suffered x Insured Value/Total Cost. |

The object of such an Average Clause is to **limit the liability of the insurance company**. Both the insurer and the insured then bear the loss in proportion to the covered and uncovered sum.
<u>EXAMPLE-</u>For instance, if Rs 1,00,000 policy is taken for Rs 1,50,000 stocks, then the under-insurance will be by Rs 50,000.Here, the insurer and insured will be the co-insurers for Rs 1, 00,000 and Rs 50,000 respectively.
When, in such a case, Rs 30,000 stock is lost, then the insurance company indemnifies only Rs 20,000 i.e., 30,000 x 1,00,000/1,50,000 and the balance Rs 10,000 i.e., Rs 30,000 x 50,000/1,50,000 is met by the insured himself.

## Insurance related Ratios

### 1. Claim Settlement Ratio

• The Claim Settlement Ratio (CSR) reveals the **percentage of claims the insurer has paid out** during a financial year. In simple words, CSR is defined as the percentage of insurance claims settled by an insurer compared to the total number of claims received.
• Generally, higher death claim settlement ratio (in %) means that the chance of settlement of a claim by the life insurer is higher.

| Claim Settlement Ratio= (Number of settled claims/ Number of received claims) *100 |
|---|

EXAMPLE- For instance, if the death claim settlement ratio of an insurer is 90 percent, it means that the insurer has settled 90 death insurance claims out of every 100 insurance claims received. This way the death claim settlement ratio is said to be 90 percent as the remaining 10 percent insurance claims are rejected by the insurer.

### 2. Price Earnings Ratio

Price Earnings ratio is the ratio of **company's current share price to its earnings per share**. It gives us an idea of what the market is willing to pay for company's earnings. It also indicates how the stock is valued in the market.

| PE ratio = Stock Price/Earnings per share |
|---|

• Generally, a high PE ratio suggests that market participants are bullish on the stock and expect the company to post higher earnings growth going forward. However, it can also be interpreted as an overpriced stock in some cases.
• A low PE ratio can either be interpreted as an undervalued stock or market participants are not too bullish on the company's future earnings growth.

### 3. Persistency Ratio

This ratio helps you understand how persistent customers have been in renewing their policies every year. It is measured at different intervals —13th month, 25th month, 37th month and 61st month.It gauges the trust customers have in the long-term products and services being offered by the insurer.A high ratio indicates a large pool of satisfied customers

| Persistency ratio= (number of policyholders paying the premium/ net active policyholders) *100 |
|---|

### 4. **Solvency ratio**

It defines how good or bad an insurance company's financial situation is on defined solvency norms. According to IRDAI guidelines, all companies are required to maintain a solvency ratio of **150%** to minimise bankruptcy risk. It is a good indicator of an insurance company's financial capacity to meet both its short-term and long-term liabilities.High solvency ratiomay not always mean good financial health.

Solvency ratio is calculated as the amount of Available Solvency Margin (ASM) in relation to the amount of Required Solvency Margin (RSM). The ASM is the value of the company's assets over liabilities, and RSM is based on net premiums and defined as per IRDAI guidelines.

### 5. Combined ratio

This indicates a general insurance company's total outflow in terms of operating expenses, commissions paid, and incurred claims and losses on its net earned premium. If the combined ratio is greater than 100%, it usually means the cash outflow of the insurance company is more than its earned premium, which is not a healthy financial condition. A low ratio means expenses are less than premium revenue.

**6. Incurred Claims Ratio**
The ICR metric indicates a **general insurer's ability to pay claims**. It is calculated as the total value of all claims paid by the company divided by the total amount of premium collected in a financial year. For instance, an ICR of 85% implies that the company has spent Rs 85 on claims for every Rs 100 collected as premium. An ideal ICR range should be between 75 and 90%, which indicates a healthy settlement of claims by the insurer against the premium collection.

**7. Commission expense ratio**
This ratio tells us what the outflow towards commissions from the written premium during a particular period is. It is important to keep a tab on this ratio as it directly impacts the premium that you pay.After a threshold, the higher the commission expense ratio, the lower the discount offered, leading to a higher premium paid.

**Benefits on insurance**
Apart from the safety and security benefits of buying insurance, there are also the income tax benefits that you can avail. These claims have to be made at the time of e-filing income tax returns.
• Life insurance premium of up to ₹1.5 lakh can be claimed as a tax-saving deduction under Section 80C.
Medical insurance premium of up to ₹25,000 for yourself and your family and ₹25,000 for your parents can be claimed as a tax-saving deduction under Section 80D.

## Some Important Terms related to Insurance

**Accidental death benefit and dismemberment**- It is an additional benefit paid to the policyholder in the event of his death due to an accident. The later one is paid if the insured dies or loses his limbs or sight in the accident.
**Actuaries** - A person with expertise in the fields of economics, statistics and mathematics, who helps in risk assessment and estimation of premiums etc for an insurance business, is called an actuary.
**Actual Cash Value**- It is defined as valuation of the damaged property, i.e. its monetary worth at market value immediately preceding the occurrence of the loss.
**Affirmative Warranty** – It is a statement by the insured as to the credibility or verification of certain facts or conditions pertinent to the issuance of the policy.
**Annualized premium equivalent (APE)**- It is the sum of the regular annualized premium from the new business plus 10% of the first single premium in a given period.
**Arbitration** – The procedure of making an insurance company and the insured agree to settle a claim dispute by a third party is called Arbitration.
**Assignor**- A party/entity who transfers the rights of the contract they hold to another party (assignee) is called the assignor.
**Assignment** - It means legal transference. It can be made by an endorsement on the policy document or as a separate deed. Assignment can be of two types Conditional and absolute.
**Bancassurance** - Bancassurance means selling insurance product through banks. Banks and insurance company come up in a partnership wherein the bank sells the tied insurance company's insurance products to its clients.
**Business Insurance** - A policy which primarily provides coverage of benefits to a business as contrasted to an individual. It is issued to indemnify a business for the loss of services of a key employee or a partner who becomes disabled.
**Capital Asset Pricing Model** - An asset valuation model that describes the relationship between expected risk and expected return for marketable assets. The CAPM states that the intercept of a regression equation between an asset's returns and the returns of systematic factors equals 0 percent in an efficient market, but it does not necessarily assume a single source of systematic risk.
**Coinsurance** – The percentage that you must pay to share responsibility for your medical claims after you meet your annual deductible. For example, your insurance provider might pay 80% of your claim leaving you responsible for paying the remaining 20%.
**Collision Coverage** – The type of coverage that pays for the damages to your vehicle sustained as a result of a collision with another vehicle or object.
**Concealment** - Concealment is the act of hiding or not putting forward any relevant fact in front of the insurer that need to be revealed. An applicant commits this fraudulent act intentionally or unintentionally that may lead to loss to the insurer.
**Contingent Beneficiary** - In a life insurance policy or an annuity plan, contingent beneficiary gets proceeds from the policy in the event of a demise of the primary beneficiary at the same time as that of the insured.
**Credit Wrap** - A form of financial guarantee insurance, covering not all debts of the borrower, but a specific loan, debt issuance, or other financial transaction.
**Defeasance** - The degree of risk inherent in a bond to which bondholders are subject. An issue that is fully "defeased" means that both bond principal and bond interest are at risk of loss in their entirety.
**Deferment Period** – It is the period between the date of subscription to an insurance-cum-pension policy and the time at which the first instalment of pension is received.
**Embezzlement** – It means that fraudulent use or taking of another's property or money which has been entrusted to one's care.
**Estoppel** - A legal doctrine restraining a party from contradicting its own previous actions if those actions have been reasonably relied on by another party. For example, an insurer that has repeatedly accepted late premium payments from an insured may be estopped from later cancelling the policy on the basis of non-payment because the insured has been reasonably led to believe that late payments are acceptable.
**Franchise Insurance** – It is a form of insurance in which individual policies are issued to the employees of a common employer or the members of an association under an arrangement by which the employer or association agrees to collect the premium and remit them to the insurer.
**Facultative Reinsurance** - It is a type of reinsurance in which the reinsurer can accept or reject any risk presented by an insurance company seeking reinsurance.
**Grace Period** – It is a period after the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.

**Indemnity**- Indemnity means making compensation payments to one party by the other for the loss occurred.
**Keyman Insurance Policy** – It is a life insurance policy taken by a person on the life of another person who is or was his employee/connected to his business in any manner whatsoever.
**Lapsed Policy** - A policy which has terminated and is no longer in force due to non-payment of the premium due.
**Life Annuity** - Life annuity is an insurance product in which the annuitant receives a series of future payments for his/her lifetime after retirement. The annuitant has to pay a predetermined payment or a series of regular payments till he/she is working.
**Mutual Fund** - An investment company that raises capital by selling its own stock and then buying other securities as an investment with the proceeds generated.
**Moral Hazard** - Moral hazard is the risk factors that affects the decision of the insurance company to accept the risk.
**Occurrence Policy** - A policy covering claims that arise out of damage or injury that took place during the policy period, regardless of when claims are made.
**Perils**- A specific risk or cause of loss covered by an insurance policy, such as a fire, windstorm, flood, or theft.
**Penetration Rate** - It indicates the level of development of insurance sector in a country. Penetration rate is measured as the ratio of premium underwritten in a particular year to the GDP.
**Policyholder-**The policyholder is the one who proposes the purchase of the life insurance policy and pays the premium. The policyholder is the owner of the policy and s/he may or may not be the life assured.
**Reinstatement** - If an insured person fails to pay the premium due to various circumstances and as a result the insurance policy gets terminated, then the insurance coverage can be renewed. This process of putting the insurance policy back after a lapse is known as reinstatement.
**Reinsurance** - It is a process whereby one entity (the reinsurer) takes on all or part of the risk covered under a policy issued by an insurance company in consideration of a premium payment. In other words, it is a form of an insurance cover for insurance companies.
**Retention Limit** - The maximum amount of risk retained by an insurer per life is called retention. Beyond that, the insurer cedes the excess risk to a reinsurer. The point beyond which the insurer cedes the risk to the reinsurer is called retention limit.
**Surrender Value** - It is the value payable to the policy holder in the event of his deciding to terminate the policy before the maturity of the policy.
**Survival Benefit** - It is the payment of sum assured to the incurred person which has become due by instalments under a money back policy.
**Subrogation** – The right of an insurance company to step into the shoes of the party whom they compensate and sue any party whom the compensated party could have sued.
**Unearned Premiums** - Unearned premium is that part of the overall premium which is collected by the insurance companies beforehand, but for which protection is not provided.
**Usual, Reasonable and Customary (URC)-** It is the amount that insurance companies use to describe the limit on how much they will pay for covered expenses.
**Vesting Age** – It is the age at which the receipt of pension starts in an insurance-cum-pension plan.
**Whole Life Coverage** – The type of coverage that can last for as long as the Insured is alive, provided that all of the premiums are paid. This type of coverage usually keeps the same premium rate throughout the life of the policy.

## Miscellaneous Topics

### ➢ Insurance Repository

A company registered under the Companies Act, 1956 and which has been granted a certificate of registration by IRDA for maintaining data of insurance policies in Electronic form on behalf of insurers is called Insurance Repository.

- Insurance repositories cannot sell/solicit insurance policies. It provides a service record of all insurance policies.
- IRDA has granted the Certificate of Registration to the following five entities to act as 'Insurance repositories'

✓ NSDL Database Management Limited
✓ SHCIL Projects Limited
✓ Karvy Insurance Repository Limited
✓ Central Insurance Repository Limited
✓ CAMS Repository Services Limited

An individual cannot open multiple e-Insurance accounts. An Approved Person is a Point of Sale (PoS) appointed by Insurance Repository and will be working on behalf of Insurance Repository to extend the IR services.

### ➢ Employees' State Insurance Corporation

- Employees' State Insurance Corporation is a statutory corporate body set up under the ESI Act 1948, which is responsible for administration of ESI Scheme
- It is a self-financing scheme. The ESI funds are primarily built out of contribution from employers and employees payable monthly at a fixed percentage of wages paid. The State Governments also bear 1/8th share of the cost of Medical Benefit.
- Prescribed Wage limit of an employee by the Central government is **₹ 21000**.

### ➢ ECGC Ltd

- ECGC Ltd. (Formerly known as Export Credit Guarantee Corporation of India Ltd) was set up in 1957 with the objective of promoting exports from the country by providing credit risk insurance and related services for exports.
- It functions under the **Ministry of Commerce & Industry.**
- It is an export promotion organization, seeking to improve the competitiveness of the Indian exporters by providing them with credit insurance covers. ECGC keeps its premium rates at the optimal level.

### ➢ Deposit Insurance and Credit Guarantee Corporation (DICGC)

- DICGC is a subsidiary of RBI which provides insurance to all the banks. The aim of the DICGC Act, 1961 is to provide for the establishment of a corporation for the purpose of insurance of deposits and guaranteeing of credit facilities.
- This scheme is mandatory for all the banks. No insured banks can withdraw themselves from the DICGC coverage. It insures principal and interest up to a maximum amount of ₹5 Lakh.
- It insures all deposits such as savings, fixed, current, recurring, etc. except the deposits of foreign Governments, Central/State Governments, Inter-bank deposits, any amount received outside India.

### ➢ Institute of Insurance and Risk Management (IIRM)

- IIRM is the only dedicated Institution for education in Insurance and Actuarial Science in the World.
- It is promoted by the Regulator IRDAI with the sole aim of developing the required work force for the entire Insurance sector.
- The Institute offers education through the regular and distance modes & is located in **Hyderabad.**

### ➢ Insurance Institute of India (III)

- The Insurance Institute of India formerly known as Federation of Insurance was established in the year 1955, for the purpose of promoting Insurance Education & Training in the country.
- The Institute is a professional body serving the cause of the Insurance Industry. It is located in **Mumbai.**

- **National Insurance Academy (NIA)**
- NIA was established in 1980 jointly by the Ministry of Finance, LIC, GIC, NIACL, NIC, UIIC and OIC in 1980 at Mumbai to be the institute of excellence in learning and research in Insurance, Pension and allied areas.
- The Academy was shifted to **Pune in 1990** with the state-of-the-art facilities for learning and research.

## Important Abbreviations

| Term | Abbreviation | Definition |
|---|---|---|
| ACV | *Actual Cash Value* | Amount equal to the replacement cost minus depreciation of a damaged or stolen property at the time of the loss. |
| AD&D | *Accidental Death and Dismemberment* | Policy that pays benefits to the beneficiary if the cause of death is an accident. |
| ADB | *Accidental Death Benefit* | Payment due to the beneficiary of an accidental death insurance policy, which is often a clause or rider connected to a life insurance policy. |
| ALOP | *Advance Loss of Profit* | Provides coverage for financial losses due to delays in construction and infrastructure projects. |
| AP | *Additional Premium* | Premium on an insurance policy over and above the initial premium imposed at the beginning of the policy. |
| BPF | *Basic Premium Factor* | Acquisition expenses, underwriting expenses and profit, as well as the loss conversion factor adjusted for the insurance charge for a policy. |
| CAC | *Combined Additional Coverage* | An obsolete auto physical damage coverage term used to refer to hazards other than fire and theft |
| CAPM | *Capital Asset Pricing Model* | Used for pricing risky securities and generating expected returns for assets given the risk of those assets and cost of capital. |
| CARG | *Compounded Annual Growth Rate* | Rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each year of the investment's lifespan. |
| CDS | *Credit Default Swap* | Financial derivative or contract that allows an investor to "swap" or offset his or her credit risk with that of another investor. |
| CGL | *Commercial General Liability* | Type of insurance policy which provides liability insurance for general business risks. |
| CPL | *Comprehensive Personal Liability* | Component of a homeowner’s insurance or an umbrella insurance policy that protects the you and members of your household against claims resulting from injuries and damage to other people or their property. |
| DAB | *Double Accident Benefit* | Denotes that in the event of the insured's death due to an accident, the insurers commit to pay the legal heirs of the insured a sum equal to double the amount of sum assured. |
| DAC | *Deferred Acquisition Cost* | DAC is when a company defers the costs associated with acquiring a new customer over the term of the insurance contract. |
| EAP | *Estimated Annual Premium* | An estimation of the premium based on what the employer projects their payroll at the end of the policy period to actually be. |
| ECI | *Export Credit Insurance* | Protects an exporter of products and services against the risk of non-payment by a foreign buyer. |
| EP | *Earned Premium* | Premium collected by an insurance company for the portion of a policy that has expired. |
| EPLI | *Employment Practices Liability Insurance* | Type of liability insurance covering wrongful acts arising from the employment process. |
| FRV | *Fair Rental Value* | The amount the owner of property could reasonably expect to receive from a stranger for the same type of lodging; generally, the amount at which a home with its furnishings could be rented to a similar size family in a similar location. |
| FUP | *First Unpaid Premium* | With each premium payment a receipt is issued which indicates the next due date of premium payment. If the premium is not paid, this date becomes the date of first unpaid premium. |
| GAP | *Guaranteed Auto Protection* | GAP insurance covers the difference between the amount you owe on your auto loan and what your insurance pays if your vehicle is stolen, damaged, or totalled. |
| GDP | *Gross Domestic Product* | The total value of goods produced, and services provided in a country during one year. |
| GDPI | *Gross Direct Premium Income* | Direct written premiums represent the growth of a company’s insurance business during a given period. It can include both policies written by the company and policies written by its affiliated companies. |
| GWP | *Gross Written* | The total premium (direct and assumed) written by an insurer before |

| | | |
|---|---|---|
| | *Premium* | deductions for reinsurance and ceding commissions. Includes additional and/or return premiums. |
| IBNR | *Incurred But Not Reported* | The amount owed by an insurer to all valid claimants who have had a covered loss but have not yet reported it. |
| IGCC | *IRDA Grievance Call Centre* | Cell for redressal of grievances of Policyholders. |
| IGMS | *Integrated Grievance Management System* | Online consumer complaints registration system created by IRDA. All insurance companies have integrated their online complaint logging systems to the IGMS. |
| III | *Insurance Institute of India* | Education society established in 1955 in Mumbai for the purpose of imparting insurance education to persons engaged or interested in insurance. |
| LAE | *Loss Adjustment Expense* | Expense associated with investigating and settling an insurance claim. |
| NLG | *No Lapse Guarantees* | Amount that must be paid to ensure that the policy will stay in force for a set number of years, regardless of actual policy performance. |
| NPV | *Net Present Value* | Difference between the present value of cash inflows and the present value of cash outflows over a period of time. |
| NSP | *Net Single Premium* | Present value of the future death benefit. |
| OCA | *Outstanding Claims Account* | The outstanding claims reserve isthe provision made in the balance sheet of an insurance company for all claims that have been made and for which the insurer is liable, but which had not been settled at the balance sheet date. |
| ORM | *Operational Risk Management* | Continual cyclic process which includes risk assessment, risk decision making, and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk. |
| PIA | *Primary Insurance Account* | Amount of Social Security benefits paid to a retiree at full retirement age. The Average Indexed Monthly Earnings (AIME) must first be calculated before the PIA can be determined. |
| PML | *Probable Maximum Loss* | Maximum loss that an insurer would be expected to incur on a policy. |
| PWB | *Premium Waiver Benefit* | A benefit wherein the future premium payments by the insured are waived off under certain conditions. |
| RAM | *Reverse Annuity Mortgage* | Loan that is secured against the value of your home. |
| RBC | *Risk Based Capital* | Refers to a rule that establishes minimum regulatory capital for financial institutions. |
| ROE | *Return on Equity* | Measure of financial performance calculated by dividing net income by shareholders' equity. |
| ROI | *Return on Investment* | Performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. |
| RP | *Return Premium* | Amount due the insured if the actual cost of a policy is less than what the insured has previously paid. |
| TDA | *Tax Deferred Annuity* | Investment vehicle used by an individual planning his retirement income. |
| TDB | *Temporary Disability Benefits* | Provides cash benefits to workers who suffer an illness, injury, or other disability that prevents them from working. |
| TPA | *Third Party Administrator* | Company that provides operational services such as claims processing and employee benefits management under contract to another company. |
| UNL | *Ultimate Net Loss* | Amount actually paid or payable for the settlement of a claim for which the reinsured is liable (including or excluding defence costs), after deductions are made for recoveries and certain specified reinsurance. |
| UP | *Unearned Premium* | Premium amount that corresponds to the time period remaining on an insurance policy. |
| YTM | *Yield to Maturity* | Total return anticipated on a bond if the bond is held until it matures. |

## Insurance related Government Schemes

**Pradhan Mantri Jeevan Jyoti Bima Yojana**

➢ PMJJBY was launched on 9th May 2015. The cover period is 1st June of each year to 31st May of subsequent year.

- It offers a renewable one-year term life cover.
- The maximum maturity age is 50 (after 50 years, the policy is terminated).
- Premium Rate - ₹ 436 per annum
- Maximum Death Benefit (Sum Assured) - ₹ 2,00,000
- It has tax benefits under 80C of Income tax Act.

**Pradhan Mantri Suraksha Bima Yojana**

➢ PMSBY was launched on 9th May 2015.

- It offers a renewable one-year accidental death cum disability cover.
- Any person aged between 18 to 70 years is eligible to access the scheme.
- Premium rate - ₹ 20 per annum
- Accidental death cover/ total permanent disability - ₹ 2 Lakh
- Permanent partial disability - ₹ 1 Lakh

**Pradhan Mantri Vaya Vandana Yojana(Modified 2020)**

➢ PMVVY was launched on May 4, 2017 to protect elderly persons aged 60 years and above and to provide social security during old age.

- It provides an assured return of 7.40% per annum for FY 2022-23
- The minimum purchase price - ₹ 1.5 lakh
- Maximum purchase price - ₹ 15 Lakh per senior citizen
- Minimum pension - ₹ 1000 per month
- Maximum pension - ₹ 9250 per month
- Surrender Value – 98% of Purchase price under exceptional circumstances (Critical illness)
- Loan Facility – Available after the completion of 3 years
- Maximum loan value – 75% of the purchase price
- The scheme has been extended up to 31st March 2023 from 31st March 2020.
- LIC of India is solely authorised to operate this scheme.

**Pradhan Mantri Fasal Bima Yojana**

➢ PMFBY was introduced on 18th February 2016 with a view to provide comprehensive crop insurance cover against non-preventable natural risks at an affordable rate to farmers.

- The scheme is compulsory for loanee farmers and voluntary for non-loanee farmers for notified crops in notified areas.
- The Scheme operates based on 'Area Approach' i.e., Defined Areas for each notified crop for widespread calamities,
- Premium rate for Kharif Crops – **2%** of Sum Insured
- For Rabi Crops – **1.5%** of Sum Insured
- For commercial/horticultural crops – **5%** of Sum Insured

**Pradhan Mantri Jan Arogya Yojana**

PMJAY is a centrally sponsored scheme, launched in 2018.

- It provides health coverage up to ₹ 5 lakh per family, per year for secondary and tertiary hospitalization.
- It provides cashless and paperless access to services for the beneficiary at the point of service.
- The ratio of premium under PMJAY is 60:40 between Centre and State except North Eastern States and 3 Himalayan States where the ratio is 90:10 with an upper limit for Centre.
- For Union Territories, the Central contribution of premium is 100% for UTs without legislature, while it is 60:40 for those with legislature.

**Atal Pension Yojana**

➢ Atal Pension Yojana was launched in **2015** for workers in the unorganised sector like personal maids, drivers, gardeners etc. It is a replacement to the previous government's Swavalamban Yojana. The scheme is renewed on June 1st every year.

- Guaranteed Pension - ₹ 1000 to ₹ 5000
- Age limit for joining - 18 - 40 years
- Minimum period of contribution by any subscriber - 20 years
- At the age of 60, subscribers will start receiving pension.

- Government made a co-contribution of 50% of the total contribution/ ₹ 1000 per annum, whichever is lower, to all subscribers who had joined between June 2015 and December 2015 for a period of 5 years i.e., till FY 2019-20.
- The amount collected under APY are managed by Pension Funds appointed by PFRDA.

**Pradhan Mantri Jan Dhan Yojana**

- The PMJDY scheme was launched in **2014** to ensure financial inclusion of every individual.
- PMJDY can be opened with Zero balance in any bank branch or business correspondent outlet.
- Maximum deposit amount - ₹ 1 Lakh
- Accidental insurance cover for RuPay card holders - ₹ 1 Lakh(enhanced to Rs. 2 lakh to new PMJDY accounts opened after 28.8.2018)
- Life insurance cover - ₹ 30000 (persons who have their accounts during 15-8-2014 to 31-1-2015)

## Facts: Private Life / Non-Life Insurance companies (Important)

| Institution | CMD/CEO | Headquarter | Tagline | Joint Venture Companies |
|---|---|---|---|---|
| HDFC Standard Life Insurance Co. Ltd. | Vibha Padalkar | Mumbai | Sar utha ke jiyo | HDFC Ltd & Standard Life Aberdeen |
| ICICI Prudential Life Insurance Co. Ltd. | NS Kannan | Mumbai | Zimmedari Ka Humsafar | ICICI Bank & Prudential Corp. Holdings |
| Kotak Mahindra Life Insurance Co. Ltd. | Mahesh Balasubramanian | Mumbai | Faidey ka Insurance | Kotak Mahindra Bank & Old Mutual Plc |
| Aditya Birla Sun Life Insurance Co. Ltd. | Kamlesh Rao | Mumbai | Your Dreams Our Commitment | Aditya Birla Group & Sun Life Financial Inc. |
| SBI Life Insurance Co. Ltd. | Mahesh Kumar Sharma | Mumbai | With Us, You Are Sure | State Bank of India & BNP Paribas Cardif |
| Reliance Nippon Life Insurance Company | Ashish Vohra | Mumbai | NA | Reliance Capital & Nippon Life Insurance of Japan |
| Bharti AXA Life Insurance Co. Ltd. | Parag Raja | Mumbai | Jeevan Suraksha Ka naya nazariya | AXA Group & Bharti Enterprises |
| Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd. | Anuj Mathur | Gurugram | Aapke Vaade, Sar aankhon par | Canara, Oriental Bank of Commerce & HSBC Insurance Holdings Limited |
| IDBI Federal Life Insurance Co. Ltd. | Vighnesh Shahane | Mumbai | NA | IDBI Bank, Federal Bank & Ageas |
| Bajaj Allianz General Insurance | Tapan Singhel | Pune | Relationship Beyond Insurance | Bajaj Finserv Ltd & Allianz SE of Germany |
| IndiaFirst Life Insurance Co. Ltd. | R.M. Vishakha | Mumbai | NA | Bank of Baroda, Andhra Bank & Legal & General Group (UK) |
| HDFC ERGO General Insurance Company | Ritesh Kumar | Mumbai | Har Pal Aapke Saath | HDFC Bank & Munich Based Ergo International AG |
| Religare Health Insurance Company Limited | Anuj Gulati | Gurgaon | Values that bind | Religare Enterprise, Union Bank & Corporation Bank |
| Tata AIG General Insurance Co | Neelesh Garg | Mumbai | With You Always | Tata Group & American International Group |
| Niva Bupa Health Insurance | Krishnan Ramachandran | New Delhi | Your Health First | Max India Ltd & Bupa Finance plc UK |
| Max Life Insurance Company | Prashant Tripathy | New Delhi | Karo Jyada ka Iraada | Max India Ltd & Mitsui Sumitomo Insurance Co. Ltd |
| Apollo Munich Health Insurance | Antony Jacob | Hyderabad | We Know Healthcare | Apollo Group & Munich Re |
| Tata AIA Life Insurance Company | Naveen Tahilyani | Mumbai | You click, we cover | Tata Sons Ltd & AIA Group Ltd. |
| Aviva India Life Insurance | Trevor Bull | Gurugram | Kal Par Control | Dabur India & Aviva Plc of UK |
| Cholamandalam MS General Insurance | Suryanarayanan V | Chennai | Trust, Transparency and Technology | Murugappa Group & Mitsui Sumitomo Insurance Co Ltd |
| Future Generali Life Insurance | Anup Rau | Mumbai | Ek Shaagun Zindagi Ke Naam | Future Group, Generali group, & IITL |