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Insurance Capsule for LIC AAO Mains 2019 Exam

Insurance Capsule for LIC AAO Main Exam 2019

Dear readers,

This Insurance Capsule is complete Information of important terms and plan & policies. The docket is important and relevant for Insurance exams like –LIC AAO Main Exam 2019.

Insurance

Insurance is defined as a contract between two parties whereby one party called insurer undertakes in exchange for a fixed sum called premium to pay the other party called insured a fixed amount of money after happening of a certain event.

According to the Indian Contract Act 1872, "A Contract may be defined as an agreement between two or more parties to do or to abstain from doing an act, with an intention to create a legally binding relationship."

Benefits of Insurance –

- ✓ It safeguards your money.
- ✓ It ensures growth of money.

Life insurance policies are broadly categorized into 2 types –

- ✓ Traditional Plans and
- ✓ Unit Linked Insurance Plans (ULIPs).

The seven principles of insurance are :-

1. Principle of Uberrimae fidei (Utmost Good Faith)
2. Principle of Insurable Interest
3. Principle of Indemnity
4. Principle of Contribution
5. Principle of Subrogation
6. Principle of Loss Minimization
7. Principle of Causa Proxima (Nearest Cause)

The FDI policy, at present, allows **49 per cent** foreign investment in the insurance sector

IRDAI

- The Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry in **1999**, with the recommendations of the **R.N. Malhotra Committee** (former Reserve Bank of India Governor).
- Insurance Regulatory and Development Authority (IRDA) set up as autonomous body under the IRDA Act, **1999**.
- The IRDA was incorporated as a statutory body in April 2000.
- IRDAI Chairman **- Subhash Chandra Khuntia**
- IRDAI Head office **- Hyderabad, Telangana**.
- **The key objectives of the IRDAI** include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.
- Tag line of IRDAI is **– "Promoting Insurance. Protecting Insured".**
- **'Bima Bemisaal'** is the brand name for IRDAI's insurance awareness campaign.

Some Function of IRDAI – Section 14 of the IRDA Act, 1999 lays down the duties, powers and functions of IRDA.

- IRDAI provides a certificate of registration to a life insurance company.
- IRDAI frames regulations on protection of policyholders' interests.
- It offers policyholders the right to voice their complaints against insurers or insurance companies.
- It specifies the code of conduct for surveyors and loss assessors;
- It promotes efficiency in the conduct of insurance businesses;
- It regulates the investment of funds by insurance companies;

Some list of committees constituted by IRDAI -

- **R.N Malhotra Committee** - On the recommendation of Malhotra Committee, the insurance sector has been privatized in India.
- **Amitabh Chaudhry committee** - to review life insurance product regulations.
- **Suresh Mathur committee -** to review norms related to Insurance Marketing Firms (IMF) with an aim to increase insurance penetration in the country.
- **Dilip C Chakraborty committee –** on Risk Based Capital (RBC) Approach and Market Consistent Valuation of Liabilities (MCVL) on Indian Insurance Business.
- **P J Joseph committee** - to examine the motor third party insurance pricing aspects and make recommendations on premium rates for 2019-20.
- **Randip Singh Jagpal committee** - Regulatory Sandbox in insurance sector in India.
- **Pravin Kutumbe committee** - Irdai set up a panel to identity domestically systemically important insurers (SII).

History of Insurance in India

Life Insurance in its modern form came to India from England in the year 1818.

- **In 1818, Oriental Life Insurance Company** started by Europeans in Calcutta was the first life insurance company on Indian Soil. This Company however failed in 1834.
- In **1829**, the **Madras Equitable** had begun transacting life insurance business in the Madras Presidency.
- In 1850, the Triton Insurance Company Ltd., the first general (non-life) insurance company established in Calcutta by the British.
- In **1870**, Bombay Mutual Life Assurance is the **first Indian life insurance** company.
- In **1874**, Oriental Life Insurance was established and became a leading Indian Company.
- In **1896**, Bharat Insurance Company was established which was inspired by nationalism.
- In **1897,** Empire of India were started in the Bombay Residency.
- In the year **1912**, the Life Insurance Companies Act, and the Provident Fund Act were passed.
- In **1928**: The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.

LIC

- Life Insurance Corporation India is a Government owned insurance group and investment company.
- LIC was created on 1st September **1956** with the merger of more than 245 insurance companies and provident societies.
- It was formed under an act of the parliament viz. LIC Act, 1956 with an initial capital of Rs. 5 crores from the Government of India.
- It is the largest life insurance company in India. The headquarters of LIC is in **Mumbai**, **Maharashtra.**
- It comprises of 8 zonal offices which are located in: Mumbai, New Delhi, Kolkata, Chennai, Bhopal, Kanpur, Hyderabad and Patna.
- LIC Current Chairman **– M.R. Kumar**
- The motto of the LIC is "**Yogakshemam Vahamyaham"** which means **-** your welfare is our responsibility.
- The tag Line of LIC is – **"Zindagi Ke Sath Bhi, Zindagi Ke Bad Bhi".**
- Satellite Sampark' offices are associated with Life Insurance Corporation (LIC). The aim of these offices is to provide easy access to services to its policyholders. The satellite offices are smaller, leaner and closer to the customer.

LIC acquire IDBI Bank

- On January 21, 2019, LIC completed the acquisition of 51% controlling stake in IDBI bank making it the majority shareholder of the bank.

General Insurance Corporation of India (GIC Re)

- The entire general insurance business in India was nationalised by General Insurance Business (Nationalisation) Act, **1972** (GIBNA).
- It was incorporated on 22 November 1972 under the Companies Act, 1956 as a private company limited by shares.
- As soon as GIC was formed, GOI transferred all the shares it held of the general insurance companies to GIC.
- Simultaneously, the nationalised undertakings were transferred to Indian insurance companies.

After a process of mergers among Indian insurance companies, four companies were left as fully owned subsidiary companies of GIC -

- National Insurance Company Limited.
- The New India Assurance Company Limited.
- The Oriental Insurance Company Limited.
- United India Insurance Company Limited.

Year 2000

- The next landmark happened on 19th April 2000, when the Insurance Regulatory and Development Authority Act, 1999 (IRDAA) came into force.
- This Act also introduced amendment to GIBNA and the Insurance Act, 1938. An amendment to GIBNA removed the exclusive privilege of GIC and its subsidiaries carrying on general insurance in India.
- In December, 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time GIC was converted into a national re-insurer.
- Parliament passed a bill de-linking the four subsidiaries from GIC in July, 2002.
- With the General Insurance Business (Nationalisation) Amendment Act 2002 (40 of 2002) coming into force from March 21, 2003; GIC ceased to be a holding company of its subsidiaries.

- The ownership of the four erstwhile subsidiary companies and also of the General Insurance Corporation of India was vested with Government of India.
- As a result of these reforms, GIC became the sole Re-Insurer in India, and is **now called GIC Re.**
- GIC Re Chairman & Managing Director **- Alice Vaidyan.**
- Head Office – **Mumbai**, **Maharashtra**.
- Tag line of GIC Re **– "To be a leading global reinsurance and risk solution provider".**

National Insurance Company Limited (NICL)

National Insurance Company Limited was incorporated on 6 December 1906 and was nationalized in **1972.**

- NICL present Chairman & Managing Director **- Tajinder Mukherjee**
- Head office **- Kolkata, West Bengal.**
- Tag line of NICL is **-** ***"Trusted Since 1906"***.

New India Assurance Co. Ltd (NIACL)

- It was founded by Sir Dorabji Tata in **1919** and was nationalized in **1973**.
- NIACL present Chairman & Managing Director **- Atul Sahai**
- Head office **- Mumbai, Maharashtra.**
- Tag line of NIACL is **- 'India's premier general insurance company'**.

Oriental Insurance Company Ltd (OICL)

- It was incorporated at Bombay on 12th September 1947.
- OICL present Chairman & Managing Director **- A. V. Girija Kumar.**
- Head office – **New Delhi.**
- Tag line of OICL is **– 'Sabki Suraksha Hamare Paas'**.

United India Insurance Company Limited (UIICL)

- It was incorporated on 18 February 1938 and was nationalized in 1972.
- UIICL Chairman & Managing Director **- Girish Radhakrishnan**
- Head Office - Chennai, Tamil Nadu.
- Tag line of UIICL is – **'Rest Assured with Us'**.

Paid up Capital requirement for New Insurance Company in India

- Any new life insurance company or non-life insurance company will not be registered unless the company has a paid-up equity capital of a minimum **Rs. 100 crores**.
- In the case of a re-insurance company the minimum paid-up equity capital will have to be Rs. **200 crores** (Sec. 6 of the Insurance Act, 1938).
- In the case of Health Insurance Business paid-up equity capital will have to be Rs. **100 crores.**

Insurance Ombudsman

- The Insurance Ombudsman scheme was created by the Government of India for individual policyholders to have their complaints settled out of the courts system in a cost-effective, efficient and impartial way.
- There are at present 17 Insurance Ombudsman in - in Ahmedabad, Bengaluru, Bhopal, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kochi, Kolkata, Lucknow, Mumbai,Pune , Patna and Noida.

Insurance Ombudsmen are appointed by the Governing Body and are empowered to entertain complaints on the following aspects in respect of personal line insurances:

- Any partial or total repudiation of claims by an insurer.
- Any dispute in regard to premium paid or payable in terms of the policy.
- Any dispute on the legal construction of the policies in so far as such disputes relate to claims.
- Delay in settlement of claims.
- Non-issue of any insurance document to customers after receipt of premium.

You can approach the Ombudsman with complaint if:

- You have first approached your insurance company with the complaint and They have rejected it, Not resolved it to your satisfaction or Not responded to it at all for 30 days.
- Your complaint pertains to any policy you have taken in your capacity as an individual.

Value of Claim –

- The value of the claim including expenses claimed is not above **Rs 30 lakhs**.
- No fees / charges are required to be paid.
- Time limit for Compliance of Award by Insurers - The Insurer shall comply with the Award within 30 days from the date of receipt of the Award and intimate of its compliance to the Insurance Ombudsman.

Note:

- The **Executive Council of Insurers**, previously known as Governing Body of Insurance Council (GBIC) has been established under the **Insurance Ombudsman Rules, 2017**, to set-up and facilitate the Institution of Insurance Ombudsman in India.

Act related to the Insurance sector -

- **Insurance Act, 1938 -** The **Insurance Act, 1938** is a law originally passed in 1938 in British India to regulate the insurance sector.
- Under section **64C** of the **Indian Insurance Act 1938**, the General Insurance Council was established. The General Insurance Council is an important link between the Insurance Regulatory and Development Authority of India and the non-Life insurance industry.
- **Section 35 of the Insurance Act, 1938** does not allow a merger of an insurance firm with a non—insurance firm. The provision says that an entity not in the business of insurance, cannot be merged with an insurance entity.
- **Life Insurance Act, 1938** was the first legislation to control the insurance sector in India. The Act controlled both life and non-life insurance.
- **Life Insurance Companies Act, 1912** discriminated between foreign and Indian insurance companies.

IndiaFirst Life Insurance Company

- IndiaFirst Life Insurance Company is a life insurance company in India.
- It started as a joint venture between two of India's public sector banks – Bank of Baroda and Andhra Bank, and UK's financial and investment company Legal & General. It was incorporated in November, 2009.
- It has its headquarters in Mumbai.

Insurance Scheme by Govt. of India

1. Ayushman Bharat health insurance

- Prime Minister Narendra Modi, in his Independence Day speech of 2018, announced the launch of the Ayushman Bharat-National Health Protection Scheme (AB-NHPS).
- On September 23, 2018, the Prime Minister Narendra Modi launched Ayushman Bharat, world's largest government-funded healthcare scheme in Jharkhand's capital Ranchi.
- The Centre's flagship scheme has been renamed as **PM Jan Arogya Yojana (PMJAY).**
- The scheme become operational from September 25 on the birth anniversary of Pandit Deendayal Upadhyay.
- It will subsume the existing Rashtriya Swasthya Bima Yojana (RSBY), launched in 2008 by the UPA government.

Ayushman Bharat Scheme is not a single scheme, but it is a combination of 2 major Health scheme.

1. Health and Wellness Centre

- Under this 1.5 lakh centres will bring health care system closer to the homes of people. The main purpose of establishing these health centres is to provide comprehensive health care.
- Budget - The Budget has allocated Rs.1200 crore for this flagship programme.

2. National Health Protection Scheme

- National Health Protection Scheme will cover over 10 crore poor and vulnerable families.
- It will have 50 crore beneficiaries.
- Under this scheme, a medical financial assistance of Rs. 5 lakh per year will be given to every family.
- This scheme will be world's largest government-funded health care programme.

Key features of the scheme:

- Medical insurance – A medical insurance cover of **Rs. 5 lakh per year** will be provided to every family covered under this scheme.
- Premium – **A premium of Rs. 2000** will be there every year, which will be borne by the Central and state government.
- **60% of the premium** will be borne by the Central government whereas the remaining 40% will be done by the state government.
- **Around 100 million poor families** will be covered under Ayushman Bharat Yoana 2018.

2. Pradhan Mantri Jan Dhan Yojana

- The overdraft limit for account holders of Pradhan Mantri Jan Dhan Yojana has now been doubled to Rs. 10,000 from Rs. 5,000.
- The age limit for availing overdraft facility has also been revised from 18-60 years to 18-65 years.
- Under the expanded coverage from 'every household to every adult', accidental insurance cover for new RuPay card holders has been raised from Rs**. 1 lakh to Rs. 2 lakh** to Pradhan Mantri Jan Dhan Yojana accounts opened after August 28, 2018

- The scheme was launched in August 2014, the first phase of the Pradhan Mantri Jan Dhan Yojana scheme was focused on opening basic bank accounts to achieve financial inclusion.

3. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY) – Pradhan Mantri Jeevan Jyoti Bima Yojana is a government-backed Life insurance scheme in India.

Key points of the scheme:

- PMJJBY is a pure term insurance policy. The policy provides life coverage for 1 year.
- The cover period is 1st June of each year to 31st May of subsequent year.
- **Eligibility**: Minimum **18 years** and **maximum 50 years** and have bank account are eligible for the scheme. If the account is opened before attaining the age of 50 years, the life cover would remain intact up to the age of 55 years, if premium is paid regularly.
- **Premium - Rs.330** per year i.e. less than Rs.1 per day.
- **Risk coverage - Rs.2 Lakh** in case of death for any reason.

4. Pradhan Mantri Suraksha Bima Yojana (PMSBY): It is an insurance scheme which covers death or disablement of the policyholder caused due to accident or accidental injuries.

Key points of the scheme:

- **Age limit**: Minimum **18 yrs** and **maximum 70 years**. The scheme will be a one- year cover, renewable from year to year and would be administered through the Public Sector General Insurance Companies in collaboration with Banks.
- **Risk coverage**: **Rs. 2 Lakh** and for partial disability cover of Rs. 1 Lakh.
- **Premium**: **Rs.12 per annum**. The premium will be directly auto-debited by the bank from the subscribers' account.

5. LIC Varishtha Pension Bima Yojana - Life Insurance Corporation of India is the implementing agency of the Varishtha Pension Bima Yojana.

- It aims to provide social security during old age and protect elderly persons aged **60 years** and above against a future fall in their interest income due to uncertain market conditions.
- This scheme aims to guard the interests of senior citizens with a guaranteed interest rate **of 8 % for 10 years**.
- The validity of scheme - As per the announcement made in the Budget 2018, the scheme will remain open for subscription till 31st March 2020.

6. Pradhan Mantri Fasal Bima Yojana – In April 2016, the government of India had launched the Pradhan Mantri Fasal Bima Yojana (PMFBY) to provide crop insurance to the farmers. PMFBY is a replacement scheme of National Agriculture Insurance Scheme (NAIS), Weather-based Crop Insurance scheme and Modified National Agricultural Insurance Scheme (MNAIS).

Objectives of the scheme

- To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases.
- To stabilise the income of farmers to ensure their continuance in farming.
- To encourage farmers to adopt innovative and modern agricultural practices.
- To ensure flow of credit to the agriculture sector.

Premium –

- Under PMFBY, the premium amount for all Kharif crops is **2 %** and the premium amount for all Rabi crops is **1.5 %.**
- In the case of annual commercial and horticultural crops, the premium to be paid by farmers will be only **5%.**

LIC launches Micro Bachat plan no. 851

- In Feb 2019, LIC launched a new Micro Insurance Plan called "Micro Bachat".
- It is a regular premium, non-linked, participating Endowment Micro Insurance Plan, which offers a combination of protection and savings.
- This is for the first time, a micro insurance plan has been launched providing coverage up to Rs 2 lakh.
- Minimum Basic Sum Assured: Rs. 50,000
- Maximum Basic Sum Assured: Rs. 200,000
- The Basic Sum Assured is available in multiples of Rs.5,000
- Age limit - Minimum Age at entry: 18 years & Maximum Age at entry: 55 years
- Policy Term: 10 to 15 years.

LIC's Navjeevan Plan No.853

- In March 2019, LIC launched a new assurance policy called Navjeevan.
- It is a non-linked "with profit" endowment assurance plan and the premium can be paid either lumpsum, as a single premium, or under the Limited Premium option with a 5-year payment term.
- The minimum age to avail of the plan is **90 days** and the maximum age is **65 years.**
- Minimum Basic Sum Assured: Rs. 1 lakh
- Maximum Basic Sum Assured: no limit.

Current Affairs related to the Insurance Sector

1. In the Union Budget on February 1, 2018, finance minister Arun Jaitley had proposed the **merger of three PSU general** insurers - Oriental India Insurance Company (**OIIC**), National Insurance Company (**NICL**), and United India Insurance Company (UIIC).
2. **Insurance penetration in India at 3.69%, one of the lowest across the world**
    - According to the annual report by IRDAI, Insurance penetration in India continues to be one of the lowest at 3.69%.
    - Insurance penetration is calculated as first year new business premium to GDP.
    - According to the report, the life insurance penetration was at 4.6% in 2009.
    - According to the report, the new business premium for life insurance has increased from Rs. 9,707.4 crore in FY 2000-01 to Rs. 19.41 trillion in FY 2017-18.
3. **SEBI, IRDAI set up regulatory sandbox for fintech innovations -** IRDAI will allow companies to test products as part of its regulatory sandbox approach to test new digital and tech-based innovations before launching them in the market.
    - The objective of **Regulatory Sandbox** is to facilitate innovations in the insurance sector, make the insurance products more affordable and relevant for the insured and to give a fillip to insurance penetration.

    Committee on Regulatory Sandbox

    - IRDAI had constituted a committee on Regulatory Sandbox in insurance space in India under the **Chairmanship of Mr. Randip Singh Jagpal** (CGM, IRDAI).

Key recommendation of the committee

- Applicants can test products for up to a **period of one year in five categories** – insurance solicitation or distribution, insurance products, underwriting, policy and claims servicing.
- The permission shall be granted for a period of six months, which can be extended for another six months.
- If the proposal covers 5,000 persons or completes **₹50 lakh of premium** or any other

parameter specified by the IRDAI, the proposal will be considered completed.

- Applicants would include insurers or insurance intermediaries or any other entity other than an individual having a minimum net worth of **₹25 lakh** for the last three years.
- An applicant should have a net worth of **Rs 10 lakh and a proven financial record of at least one year**.

4. The Indian insurance regulator IRDAI has partnered with the **National Health Authority** to study the prime minister's health insurance scheme (Pradhan Mantri Jan Arogya Yojana) and suggest measures to streamline its implementation.

5. IRDAI formed a committee to look into India's **systemically important insurers**. **Pravin Kutumbe** is the head of the committee to look into the issue of India's systemically important insurers. The committee was formed by the Insurance Regulatory and Development Authority of India (IRDAI) in January 2019. Pravin Kutumbe is the member finance of IRDAI.

6. The government has set up a committee to examine the issues related to framing of a proper, structured scheme for providing insurance cover to advocates and suggest modalities for its implementation.

- Law and Justice Minister Ravi Shankar Prasad has set up the five-member panel under the **chairmanship of Secretary Legal Affairs.**

7. As per the IRDAI rules, the minimum amount of capital required to become a **direct broker** is **Rs. 75 lakh** (earlier it was Rs. 50 lakh).

- There are changes made in the minimum capital, deposit and net worth requirement for registration as an Insurance Broker.

Following are the minimum prescribed requirements as per IRDA (Insurance Broker) Regulations, 2018:

Minimum Capital Requirement

- For Direct Broker – Rs. 75 Lakh (earlier it was Rs. 50 lakh)
- For Reinsurance Broker – Rs. 4 Crore (earlier it was Rs. 2 lakh)
- For Composite Broker – Rs. 5 Crore (earlier it was Rs. 2.5 lakh)

Minimum Net worth Requirement

- 50 Lakh for Direct Broker and
- 50% of the Minimum Capital Requirement for reinsurance and composite Broker.

Minimum Deposit Requirement

- 10 Lakh for Direct Broker and
- 10% of the Minimum Capital Requirement for reinsurance and composite Broker.

Note: A direct broker is an insurance broker who carries out function the field of life insurance or general insurance or both on behalf of his clients.

- A direct broker helps his/her clients in paying a premium under section 64VB of Insurance Act, 1938 (4 of 1938).

8. **Bharti Axa General Insurance** won the '**Non-Life Insurer of The Year Award 2019'**. The award was presented by the Associated Chambers of Commerce and Industry of India (ASSOCHAM).

Note:

- Bharti AXA General Insurance is a joint venture between Bharti Enterprises and French insurance company AXA.
- Its headquarters is in Mumbai.
- Sanjeev Srinivasan is the CEO & MD of Bharti AXA General Insurance.

9. India Post Payments Bank (IPPB) and Bajaj Allianz Life Insurance Co Ltd (BALIC) have entered into a strategic partnership to provide life insurance solutions.

10. Employees' State Insurance Corporation (ESIC) has approved a new scheme '**Atal Bimit Vyakti Kalyan Yojna'** for insured persons covered under the Employees' State Insurance Act. It was approved by the Santosh Kumar Gangwar, Union Minister of State for Labour & Employment (I/C).

11. Insurance regulator IRDAI has raised the minimum insurance cover for owner-driver to Rs. 15 lakhs for a premium of -- Rs. 750 per annum.

Note:

- At present, the compulsory accident cover for motorised two-wheelers and private cars/commercial vehicles is Rs 1 lakh and Rs 2 lakh respectively.
- It is also mandatory for buyers of new cars and two-wheelers to purchase third-party insurance cover.

12. HDFC Life has appointed as its new managing director (MD) and CEO -- Vibha Padalkar.
13. **HDFC Standard Life Insurance is now HDFC Life Insurance** - HDFC Standard Life Insurance Company Limited ('HDFC Life') announced that its corporate name has changed to "HDFC Life Insurance Company Limited.
14. LIC Housing Finance (LIC HFL) has launched 'Udyam', a skilling centre in Bengaluru to empower youths of the country.
    - It has been launched in association with Lok Bharti Education Society, the implementing partner.
15. IRDAI has set up **Suresh Mathur Committee** to review regulatory framework on micro insurance, and to recommend measures to increase demand for such products.
16. **Pune, one of the least insured cities: Survey**
    - A survey by Max Life Insurance has revealed that only 58 per cent of Pune's population owns life insurance, making it one of the least insured cities in the country.
    - According to the 'India Protection Quotient' survey conducted by Max Life and Kantar IMRB, Pune stands at a Protection Quotient of 27 out of 100, lesser than the national average of 35 for urban India.
17. MobiKwik, a leading fintech platform, has launched a **'home contents' insurance product** that provides Rs. 2 lakh cover for both home owners and those who take them on rent.
    - For a small premium of Rs. 25 per month, you can now secure the contents of your home using a mobile app and protect them against mishaps.
18. **Bajaj Allianz launches Total Health Secure Goal plan** - Bajaj Allianz General Insurance in collaboration with Bajaj Allianz Life Insurance launched their first product 'Total Health Secure Goal'.
    - The new insurance product is a combination of two existing plans - Health Guard policy by Bajaj Allianz General Insurance, and iSecure from Bajaj Allianz Life Insurance.
19. **SBI General launches cyber defence insurance for businesses** - SBI General Insurance has launched a product – cyber defence insurance to protect businesses from financial and reputational losses due to cyber-attacks. This offers protection against the growing threat of cyber breaches.
20. **Canara Bank, life insurance arm launch 'Webassurance'** - Canara Bank and its life insurance partner Canara HSBC Oriental Bank of Commerce Life Insurance Saturday announced the launch of 'Webassurance'.
    - Four life insurance products of Canara HSBC OBC Life would be made available to customers of Canara Bank, covering the key needs of child future, savings and investments, retirement planning and protection.

Note:

- Canara HSBC OBC Life is jointly owned by two public sector banks - Canara Bank (51 per cent) and Oriental Bank of Commerce (23 per cent) and HSBC Insurance Holdings (26 per cent), the Asian insurance arm of banking and financial services groups HSBC

21. **MetLife Recognized in Forbes' Inaugural Blockchain 50 List -** MetLife has been named in the Forbes' inaugural Blockchain 50 List, the first ever ranking of the top 50 organizations.
    - MetLife is a multinational insurance company. It is headquarters in New York, United States
22. **Demand for cyber risk insurance in India grew by 40% in 2018 –** According to the report released by Data Security Council of India (DSCI), demand for cyber risk insurance in India grew by 40% in 2018.

- Report showed that 350 cyber insurance policies were bought by Indian corporates in 2018 as against 250 in 2017 marking a 40 per cent increase in the sale of these products.

23. **HDFC ERGO General Insurance Company has announced to launch the Mosquito Disease Protection Policy –** This new policy will cover an individual against common mosquito-borne diseases like Dengue Fever, Malaria, Chikungunya, Japanese Encephalitis, Kala-azar,
    - Lymphatic Filariasis and Zika Virus. These diseases also lead to hospitalization adding burden on expense or affecting the No Claim Bonus of any standard Health Insurance.
24. **Bharti AXA Life Insurance**, a private life insurer, has been conferred with the **FICCI Claims Excellence Award**. The recognition comes for its customer-friendly claims services in the life insurance sector.
25. **IDBI Bank sold insurance policies** worth in March 2019 after a partnership with Life Insurance Corporation of India (LIC) -- Rs 160 crore.
    - The bank sold 26,116 policies in the month of March 2019. LIC is the majority shareholder in IDBI Bank holding a 51 per cent stake in the banking entity.
26. **ACKO General Insurance** has been awarded the coveted 'Golden Peacock Innovative Product Award – 2019' for their contextual micro insurance product 'Ola Ride Insurance'.
27. Aviva Life Insurance has announced to launch a specially designed mentorship program '**Wings**' to empower the female workforce.
28. The Jammu and Kashmir Bank has proposed to sell its stake in PNB Metlife India to private equity player Oman India Joint Investment Fund for Rs. 185 crores.
29. SBI Life Insurance has appointed Sanjeev Nautiyal as new Managing Director (MD) and Chief executive officer (CEO).
30. The Kerala Government has launched the 'Cow Samridhi Plus Scheme' to provide insurance coverage to dairy farmers in the state.
31. PNB Metlife has unveiled an Artificial Intelligence (AI)- powered customer service app Khushi.
32. **HDFC ERGO** has announced the launch of **'E @ Secure', a Cyber** Insurance Policy for individuals.
    - **HDFC ERGO's E @ Secure** Insurance policy offers comprehensive protection against cyber risks and frauds carried out from any device and from any location worldwide.

Important Concept and Terms of Insurance

1. **Actuary -** 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.

Actuaries are experts in:

- Evaluating the likelihood of future events—using numbers, not crystal balls.
- Designing creative ways to reduce the likelihood of undesirable event.
- Decreasing the impact of undesirable events that do occur
- Actuaries may also be involved with the acceptance of proposals for new policies, with legal and taxation matters affecting life assurance, or with the investment of funds.

2. **Appraisal Value -** Appraisal value is used to measure the value of an insurance company. It is also known as actuarial appraisal value.
3. **Assignor** - A party or entity who transfers the rights of the contract they hold to another party (assignee) is called the assignor. Assignor transfers the complete rights of ownership and benefits pertaining to the contract to the assignee. For instance, party A gives an absolute assignment to party B of an insurance policy of Rs 5 lakh. Here A becomes the assignor.

4. **Adjuster -** An adjuster is a person who is responsible for the evaluation and settlement of an insured claim. An adjuster may be an employee of an insurer, or an individual operating independently and engaged by an insurer or insured to adjust a particular loss or claim.
5. **Agent –** An agent is a person who represents an insurance firm and sells insurance policies on its behalf. Agents are only responsible for the timely and accurate processing of forms, premiums, and paperwork.
   Generally, there are two types of such agents:
   (i) Captive Agent – Agent sell Insurance of a specific Company.
   (ii) Independent Agent – Agent who works independently and sells Insurance of many companies.
6. **Annuity -** A long-term contract sold by an insurance company designed to provide payments to the holder at specified intervals, usually after retirement. The goal of annuities is to provide a steady stream of income during retirement.
   - A life annuity is an annuity, or series of payments at fixed intervals, paid while the purchaser is alive.

Annuities come in three main varieties - **fixed, variable and indexed** - that each have their own level of risk and payout potential.

(i) Fixed Annuity - In a fixed annuity, the insurance company guarantees the principal and a minimum rate of interest, regardless of what may happen in the market. In other words, as long as the insurance company is financially sound, the money you have in a fixed annuity will grow and will not drop in value.

(ii) Variable Annuity - Variable annuity, the contract value fluctuates based on the ups and downs the market may experience. Variable annuities do not guarantee a return. This is because they were designed to give individuals a chance to invest in professionally managed subaccounts, consisting of a mix of stocks, bonds and money market funds, that offer the possibility of higher returns. Variable annuities should be considered as a long-term investment due to the limitations on withdrawals.

(iii) Indexed Annuity - An indexed annuity is a special class of annuities that yields returns on contributions based on a specified equity-based index. Index annuities carry what's called a guaranteed minimum return. Typically, this means if you buy an index annuity, you are guaranteed to receive at least a certain amount. The amounts vary more than a fixed annuity, but less than a variable annuity.

Difference between immediate annuity & deferred annuity –

(i) Immediate annuity - An annuity that begins paying out immediately is referred to as **an immediate annuity.**

- This allows you to convert a lump sum of money into an annuity so that you can immediately receive income. Payments generally start about a month after you purchase the annuity.
- This type of annuity offers financial security in the form of income payments for the rest of your life.

(ii) Deferred annuity – A deferred annuity receives premiums and investment changes for payout at a later time.

- With a deferred annuity, you make a lump sum or a series of premium payments and defer the payout until sometime in the future.
- A deferred annuity has two phases: the accumulation phase, where you let your money grow for a period of time, and the payout phase.
- During accumulation, your money grows tax-deferred until you withdraw it, either as a lump sum or as a series of payments. You decide when to take income from your annuity and therefore, when to pay any taxes owed.

7. **AD&D in Insurance -** AD&D in Insurance refers to **Accidental Death and Dismemberment Insurance**. "Accidental death" under the policy means a death caused by an unforeseen circumstance unrelated to

the body. In other words, the death cannot be caused in any way by illness or the insured's physical condition.

- It is a policy that pays benefits to the beneficiary if the cause of death is an accident. This is a limited form of life insurance which is generally less expensive.

8. **Assignment -** The process by which LIC holder can transfer all rights, title and interest under a policy contract to any third person is known as Assignment.
9. **Assurance – T**he term 'Assurance' is used for those contracts which guarantee the payment of a certain sum on the happening of a specified event which is bound to happen sooner or later. For example, attaining a certain age or death. Thus, life policies come under 'assurance'
10. **Bancassurance -** Bancassurance means selling of insurance products through banks.
    - The insurance companies and the banks come up in a partnership wherein the bank sells the tied insurance company's insurance products to its clients. Bank insurance model is also termed as Bancassurance.
11. **Broker -** An insurance broker is a specialist in insurance and risk management. Brokers act on behalf of their clients and provide advice in the interests of their clients. The insurance Company is not responsible for because the broker represents the insurance client, not the company. Insurance brokers can be best described as a kind of super-independent agent.
12. **Brokerage/commission** - Commission is the incentive received by the insurance agent or salesperson for the sales achieved in a given period. Commission is generally paid as a percentage of the premium on the insurance policies.
13. **Best's Capital Adequacy Relativity (BCAR)** - Best's Capital Adequacy Relativity is a rating of the strength of an insurance company's balance sheet.
    - It examines an insurer's leverage, underwriting activities, and financial performance and uses this information to test various scenarios to see how each would impact the insurer's balance sheet.
    - The basic formula for BCAR is adjusted policyholders' surplus (APHS) divided by net required capital (NRC).
14. **Burglary insurance -** It is an insurance policy that provides financial compensation for loss or damage caused to property and valuable items due to burglary or house breaking
15. **Broad Form Insurance -** A type of insurance that is available for almost every type of asset. This type of insurance provides more than basic coverage.
    - It applies to unusual and risky events that can result in serious harm to the insured.
    - Broad form insurance usually has a high premium and deductible.
    - Automobile insurance is a type of Broad Form Insurance.
    - A basic form policy that typically covers fire, explosions, storms, smoke, riots, vandalism and sprinkler leaks.
    - A broad form policy that adds more coverage for damage from, for example, broken windows and other structural glass, falling objects and water damage.
16. **Coverage-**the amount of protection given by an insurance policy.
17. **Composite insurer** - A composite insurer provides both term insurance and travel insurance. A composite insurer is a company which provides both life insurance products like term insurance and non-life insurance products like travel insurance, home insurance and automobile insurance.
18. **Compulsory Personal Accident (CPA)** - The CPA cover is provided to owner-drivers while driving the vehicle.
    - CPA is a mandatory third-party motor vehicle insurance cover. The minimum Compulsory Personal Accident (CPA) cover for owner-drivers under the motor insurance policy is ₹15 lakh.

19. **Combined insurance package policy** – A single insurance policy which combines many different types of coverages resulting in a lower price than if each were purchased individually.
20. **Claim adjuster –** A person who investigates insurance claims to determine the extent of the insuring company's liability.
    - Claims adjusters may handle property claims involving damage to structures, and/or liability claims involving personal injuries or third-person property damage.
21. **Double Insurance** – Insurance of same subject matter with two different companies or same company with two different policies is known as Double insurance.
    - Double insurance is opted when in financial situation of insurer is doubtful.
    - But even if insured have Double Insurance he/she can not claim more than the actual loss and cannot claim the whole amount from same insurance. This is also called Dual Insurance.
    - The method of double insurance is considered a legal act.
22. **Death claim -** Death claim is a type of claim made by the nominee of the insured to the insurance company due to death of the insured, abiding to the policy terms and conditions.
    Following four steps are to be followed to file a claim:
    - Claim intimation/notification
    - Documents required for claim processing
    - Submission of required documents for claim processing
    - Settlement of claim
23. **Valid claim & Fraudulent claim -** An insurance company validates the authenticity and amount claimed by the insured in-order to prevent the insurer from exaggerating the claim amount & the claim fraudulently.
    - If it is a valid reason it is classified as **valid claim** or else it is classified as fraudulent claim, thereby if insurance suspects of fraudulence in the claim.

There are 2 types of insurance fraud-

- **Hard fraud –** Hard fraud occurs when a person intentionally fakes an accident, theft, or injury to collect money from an insurance company.
- **Soft fraud –** Soft fraud occurs when a person has a valid insurance claim, but falsifies part of the claim, or exaggerates damages in order to obtain the maximum benefits.

24. **Doctrine of Utmost Good Faith -** Insurance contract is issued on the basis that the applicant truthfully and fully discloses everything he or she knows about his or her health.
    - This arises from the recognition that the insurance company is in a disadvantageous position, as the insurer does not know anything about the applicant. Similarly, the insurance company should deal with the applicant with honesty and integrity.
25. **Electronic Insurance Account** - The **eIA** stand for Electronic Insurance Account. This Electronic Insurance Account gives an access to policy holders to safeguard the policy documents in electronic format.
26. **Free look period** - Free-look gives you a second chance to review your policy and return it if you feel you misunderstood or were missold the plan.
    - It is a period of time in which a new life insurance policy owner can terminate the policy without penalties, such as surrender charges.
    - IRDA specifies free-look period in life insurance is 15 or 30 days after receiving the policy document.
27. **Fidelity Insurance** - It is a form of insurance protection that covers policyholders for losses that they incur as a result of fraudulent acts by specified individuals. It usually ensures a business for losses caused by the dishonest acts of its employees.
    - A Fidelity Insurance policy covers losses sustained by the employer as a result of an act

of forgery, fraud or dishonesty from an employee. The loss can be of money or goods, for the duration of the policy.

28. **Floating policy -** A type of insurance in which the value of the goods being insured cannot be calculated exactly, so the payment for insuring them can be changed after a period of time.
    - A type of insurance that protects property or goods in any place and while they are being moved from one place to another.
29. **Personal Auto Policy -** In the insurance sector, PAP stands for Personal Auto Policy.
    - PAP is a type of auto policy that covers the insured for personal liability, physical damage, medical expenses, uninsured or underinsured motorist protection in case of an accident.
30. **Indemnity insurance** – Indemnity Insurance is a policy that protects professional and business owner when found to be faulty for a specific event.
    - It is a contract where one-party guarantee compensation for actual or potential loss sustained by other party.
    - The concept of indemnity is based on a contractual agreement made between two parties, in which one party agrees to pay for potential losses or damages caused by the other party.
    - Indemnity Insurance is also known as Professional Liability Insurance.
    - Indemnity insurance protects against claims arising from possible negligence or failure to perform that result in a client's financial loss or legal entanglement.
    - A client who suffers a loss can file a civil claim, and, in response, the professional's indemnity insurance will pay litigation costs as well as any damages awarded by the court.
31. **Grace Period -** Insurance grace period is a defined amount of time after the premium is due in which a policyholder can make a premium payment without coverage lapsing.
    - Grace period can be from minimum 24 hours to maximum 30 days depending entirely upon insurer.
32. **Group Life Insurance -** A type of insurance coverage offered to a group of people, usually, employees of a company, members of a union or association etc.
33. **Gratuity -** Gratuity is a part of salary that is received by an employee from his/her employer in gratitude for the services offered by the employee in the company.
    - According to Payments of Gratuity Act, 1972 with minimum of 5 years' service during exit is eligible to minimum of 15 days from the last drawn salary for each completed service year.

Gratuity is paid when an employee:

- Is eligible for superannuation
- Retires
- Resigns
- Passes away or is rendered disabled due to accident or illness (if an employee passes away, gratuity will be paid to the employee's nominee).

34. **Keyman Insurance –** It is a type of insurance which is designed to protect or compensate a business in the event of the death of its important executive.
    - It is also known as Key Person Insurance or Key Person Coverage or Key Employee Coverage.
    - The executive is so important for the company that his death, disability or absence could prove to be disastrous for the company or organization.
    - The company or organization is the beneficiary of such type of insurance.
35. **'Third Party Insurance -** It is referred to as a 'third-party' cover since the beneficiary of the policy is someone other than the two parties involved in the contract (the car owner and the insurance company).
    - The policy does not provide any benefit to the insured. However, it covers the insured's legal

liability for death/disability of third-party loss or damage to the third-party property.

36. **Third Party Administrators -** Third Party Administrators or TPAs are a vital link between health insurance companies, policy holders and health care providers.
    - The TPAs maintain databases of policy holders and issue them identity cards with unique identification numbers and handle all the post policy issues including claim settlements.
37. **Indemnification -** Compensation to the victim of a loss, in whole or in part, by payment, repair, or replacement.
38. **Mortality Charge - Mortality** Charge is the amount charged every year by the insurer to provide the life cover to the policyholder on the life of the Life Insured. It is also called as Cost of Insurance.
    - It is the actual cost of insurance by the life insurance company. It is usually deducted with other charges in the policy, before investing your money.
39. **Moral Hazard -** Risk depends on the need for insurance, state of health, personal habits standard of living and income of insured person.
    - Moral hazard is the risk factors that affects the decesion of the insurance company to accept the risk.
40. **Retention Limit** - The point beyond which the insurer cedes the risk to the reinsurer is called Retention Limit.
    - Retention limits are determined by the insurer. It is calculated on the basis of Net Amount at Risk.
    - If the retention limit is higher than the reinsurance costs will be lower.
41. **Reinstatement** - The process of renewing an insurance policy after it gets terminated is called Reinstatement.
    - Before reinstatement of any insurance policy, various factors are considered. The insured person may have to compensate for the failure to pay the premium.
42. **Mitigation** - Minimizing the risk associated with a loss due to unwanted events is called mitigation. It is an important factor which an insurance business should take into consideration so as to reduce the losses due to unwanted events.
43. **Maturity Date (Date of Maturity) –** It is the date on which the contract between the person and the insurance company will come to an end.

Note:

- A maturity benefit is a lump-sum amount the insurance company pays you once the policy matures.
- This essentially means that if your insurance policy is for a term of 15 years, you, the insured, will get a pay-out after these 15 years. This amount includes the premiums you made through the years as well as a bonus.
- **Maturity claim -** It simply means that when the policy completes its tenure, a certain amount of money called Maturity Claim amount is settled towards the life assured.

44. **Premium** - The premium is the amount you pay to keep the life insurance plan active and enjoy continued coverage.
45. **Peril -** A specific cause of loss covered by an insurance policy, such as a fire, windstorm, flood, or theft is known as peril.
    - A peril is an event or circumstance that causes or may potentially cause a loss.
    - Examples of perils include fire, flooding, hailstorms, tornadoes, hurricanes, auto accidents, or home accidents, such as falling.
46. **Penetration Rate -** Penetration Rate is an indicator that indicates the level of development of Insurance sector in a country.
    - Penetration Rate is measured by dividing premium underwritten in a particular year by GDP of the country in same fiscal year.

- This would mean that policies such as Unit Linked Investment Plans (ULIPs) which have higher rates of premium, would lead to higher insurance penetration rate, whereas, term policies which have lower rates of premium would lead to a lower penetration.
- Penetration Ratio is 3.69% in India which is one of the lowest across the world.

47. **Package Policy -** Any insurance policy which covers two or more lines or types of insurance in the same policy.
48. **Insurable and Uninsurable Risks -** The various life risks cannot be treated individually, so they are put under a few broad categories based on the degree of each risk. There are two main classes of risk:
 (i) Insurable Risks. - A risk that conforms to the norms and specifications of the insurance policy in such a way that the criterion for insurance is fulfilled is called insurable risk. Here the insurance company has enough statistics to work out the probability of the risk. E.g. Fire insurance.
 (ii) Uninsurable Risks - In case of a scenario where the loss is too huge that no insurer would want to pay for it, the risk is said to be uninsurable.
    - A risk is uninsurable when an insurance company cannot calculate the probability of the risk and therefore cannot work out a premium that the business must pay.
49. **Lapse in Insurance -** The policy for which all benefits to the policy holder cease and is terminated due to nonpayment of premium amount on the due date or even after the grace period is called a lapsed policy.
    - Excessive delay in payments and servicing of the policy leads to the policy being dead or lapsed. However, a lapsed policy may be revived by fulfilling the terms and conditions as per the policy statement.
50. **Surrender Value -** Surrender Value is the amount the policy holder will get from the insurance company if he decides to exit the policy before maturity.
    - All the benefits associated with that policy along with protection cover will cease to exist in case of surrender.
51. **Paid up value -** The right to change the normal policy into paid up value is given to the insured by the insurance company, if the insured have paid premiums for minimum of three years.
    - The paid policy means, after the period if the insured cannot pay premium then the policy is not cancelled but the sum assured is reduced in proportion to the number of premiums paid by the insured.
52. **Terminal bonus -** Terminal bonus is the loyalty bonus paid by the insurance company to the insured for maintaining the policy till the maturity date.
    - It is the bonus paid during the time of maturity and the value is not guaranteed by disclosed during the time of policy maturity only. Terminal Bonus is also known as **persistency bonus.**
53. **Standard Endorsement Form (SEF)** can be added to an Automobile Insurance policy and serve the purpose of either adding or removing coverage from the policy.
54. **Micro Insurance Plan** refers to the insurance plan given to the low income households. This is like any other insurance plan but it focuses on low income peoples. Under this the premium paid is very low.
55. **Rider** - A rider is an additional clause or condition added to the base policy that gives additional (add-on) benefit to the buyer.
    - Riders are bought at the time of purchase or on policy anniversary. There are different types of riders that can be bought along with the base plan.
    - Here's the list of some well-known riders offered by life insurance companies.
    - Accidental Death Benefit Rider
    - Accidental Total and Permanent Disability Benefit Rider
    - Critical illness Cover
    - Hospital Cash

- Waiver of Premium.

56. Subrogation – An assumption by a third party as a second creditor or an insurance company of another party's legal right to collect a debt or damages is known as Subrogation.

- It is the right for an insurer to pursue a third party that caused an insurance loss to the insured.
- This is done as a means of recovering the amount of the claim paid to the insured for the loss.

These are the types of Subrogation:

- Indemnity Insurance
- Law of Guarantees
- Bills of Exchange
- Trust Creditors
- Subrogation to outgoing securities

Note:

- Subrogation is not applied to non-indemnity contracts. Non-indemnity contracts are the contracts in which there is no obligation to pay for the losses.
- Subrogation means to pay for the damages caused. So, when a non-indemnity contract is signed, subrogation is itself exempted. Example - gifts.

Principle of Subrogation –

- This principle involve **Stepping into shoes of other** at involves the insured to claim the amount from the third party responsible for the loss by allowing the insurer to pursue legal methods to recover the amount of loss.
- For example, if you get injured in a road accident, due to reckless driving of a third party, the insurance company will compensate your loss and will also sue the third party to recover the money paid as claim.

57. Term Life Insurance - Term life insurance is a policy with a fixed life or term during which payments are usually made periodically (i.e. monthly or annually). At the end of the policies life the obligations of the insurer end, in terms of having to pay out a sum on the death of the insured individual.

- In the event of death of term insurance policyholder during policy term, the beneficiary can claim death benefits from the insurance company.

58. Underwriters - Underwriters evaluate the risk involved in insurance. The process of risk evaluation starts before the issuance of insurance policy, and ends with settlement of the claim.

59. Whole Life Insurance - Whole life insurance (or permanent life insurance) is a policy set up where a set benefit is to be paid out on the death of the insured and does not expire (as long as all required payments are made).

- The cost to the insured individual is often monthly or annual payments established at the onset of the policy that will not be changed over its life.

60. Vesting Age - The age at which the insured starts receiving a pension from the insurance company in an insurance-cum-pension policy is known as vesting age.

61. Reinsurance – Reinsurance is a form of insurance purchased by insurance companies in order to mitigate risk.

- Essentially, reinsurance can limit the amount of loss an insurer can potentially suffer.
- In other words, it protects insurance companies from financial ruin, thereby protecting the companies' customers from uncovered losses.
- Reinsurance is insurance for insurance companies.

Two types of reinsurance - There are two main categories of reinsurance: treaty and facultative.

- **Treaty reinsurance** agreements cover all or a portion of an insurer's risks, and they are effective for a certain time period.
- **Facultative coverage** insures against a specific risk factor. The underwriter would evaluate the

individual risk factor and write a policy accordingly.

Proportional vs. nonproportional reinsurance

- Treaty and facultative reinsurance policies can be proportional or nonproportional in structure.
- **A proportional reinsurance** (also known as "pro rata" reinsurance) agreement obligates the reinsurer to bear a portion of the losses, for which it receives a prorated share of the insurer's premiums. For example, a proportional reinsurance agreement may require a reinsurer to cover 50% of losses.
- **Non-proportional reinsurance** (also known as "excess of loss" reinsurance) agreements kick in when the insurer's losses exceed a set amount. For example, a windstorm insurance company could seek a reinsurance agreement that would cover all losses from a hurricane in excess of $1 billion.

62. **Uberrimae Fidei mean** - Uberrimae Fidei is famously known as the doctrine of **utmost good faith.**
    - This is a very well-known doctrine that means that anyone making a contract with the insurance company will act in utmost good faith.
    - He/She will not hide any material fact that would have otherwise affected the insurance policy.

63. **Insurance Repository-** "Insurance Repository" means a company formed and registered under the Companies Act, 1956 (1 of 1956) and which has been granted a certificate of registration by Insurance Regulatory and Development Authority (IRDA) for maintaining data of insurance policies in Electronic form on behalf of Insurers. The Insurance Repositories provide the ease of holding insurance policies issued in an electronic form.

Objective of an Insurance Repository -

- The objective of creating an insurance repository is to provide policyholders a facility to keep insurance policies in electronic form and to undertake changes, modifications and revisions in the insurance policy with speed and accuracy.
- In addition, the repository acts as a single stop for several policy service requirements. The Insurance repository system also brings about efficiency and transparency in the issuance and maintenance of insurance policies.

Important Plan and Policy of Insurance

General Insurance Policy - A policy that protects one from losses and damages other than covered by life insurance is known as General Insurance Policy. It covers:

- Personal property such as car or house
- Liability Insurance- Legal liabilities
- Accident and health Insurance
- Property against natural calamities like flood, fire, earthquake etc.
- Burglary and theft
- Coverage on transport vehicles carrying goods like Cargo Ship
- Coverage against machinery breakdown
- Travel

- **What is Endowment Policy? -** The assured has to pay an annual premium which is determined on the basis of the assured's age at entry and the term of the policy. The insured amount is payable either at the end of specified number of years or upon the death of the insured person, whichever is earlier.
- **What is Premium? -** The payment, or one of the regular periodic payments, that a policy holder makes to an insurer in exchange for the insurer's obligation to pay benefits upon the occurrence of the contractually-specified contingency (e.g., death).
- **What is a ULIP? -** ULIP is an abbreviation for Unit Linked Insurance Policy. A ULIP is a life insurance policy which provides a combination of risk cover and investment. The dynamics of the capital market have a direct bearing on the performance of the ULIPs. In a ULIP policy, the investment risk is generally borne by the investor.
- **What types of funds do ULIP offer? -** Most insurers offer a wide range of funds to suit one's investment objectives, risk profile and time horizons. Different funds have different risk profiles. The potential for returns also varies from fund to fund. The following are some of the common types of funds available along with an indication of their risk characteristics.

  1) Equity Funds (Medium to High risk) – Primarily invested in company stocks with the general aim of capital appreciation

  2) Income, Fixed Interest and Bond Funds (Medium risk) – Invested in corporate bonds, government securities and other fixed income instruments

  3) Cash Funds (Low risk) – Sometimes known as Money Market Funds — invested in cash, bank deposits and money market instruments

  4) Balanced Funds (Medium risk) – Combining equity investment with fixed interest instruments
- **Money Back Policy -** A money back plan is a type of life insurance plan that allows the policyholder to receive payouts at regular intervals during the policy term as part of the survival benefit.
- **Unit Fund? -** The allocated (invested) portions of the premiums after deducting for all the charges and premium for risk cover under all policies in a particular fund as chosen by the policy holders are pooled together to form a Unit fund.
- **Fund Value? -** The total value of the units in all the funds invested in by policy holder at the valuation date. The value of the units in each fund on the valuation date is calculated as–

  (Number of units held by you in that fund) X (Corresponding unit price of that fund at the valuation date)

Important Insurance Abbreviations

1. ARM – Associate in Risk Management
2. ARMP – Associate in Risk Management for Public Entities
3. BAP – Business Auto Policy
4. BOP – Business Owners Policy
5. CPA - Compulsory Personal Accident
6. CFROI – Cash Flow Return on Investments
7. CIC – Certified Insurance Counselor
8. CISR – Certified Insurance Service Representative
9. CPIW / CPIM – Certified Professional Insurance Woman / Man
10. DOD – Date of Death
11. DSU – Delay in Start-Up Insurance
12. EAP – Estimated Annual Premium
13. EPD – Expected Policyholder Deficit
14. EPLI – Employment Practices Liability Insurance
15. ETB – Engaged In Trade or Business
16. FIRM – Flood Insurance Rate Map
17. FMV – Air Market Value
18. GAP – Guaranteed Auto Protection
19. GIO – Guaranteed Insurability Option
20. GL – General Liability
21. GWP – Gross Written Premium
22. HII – Health Insurance Institute

23. HIPAA – Health Insurance Portability and Accountability Act
24. HLV – Human Life Value
25. IIAC – International Insurance Advisory Council
26. III – Insurance Information Institute
27. IRI – Industrial Risk Insurers
28. IRIS – Insurance Regulatory Information System
29. IRM – Improved Risk Mutuals
30. ITI – Insurance Testing Institute
31. LIAMA – Life Insurance Agency Management Association
32. LIRB – Liability Insurance Research Bureau
33. LOC – Letter Of Credit
34. M&D – Minimum and Deposit
35. MDO – Monthly Debit Ordinary Life Insurance
36. MPL – Maximum Possible Loss
37. MPP – Managed Premium Plan
38. MLE – Maximum Loss Expectancy
39. MVR – Motor Vehicle Record
40. NDI – National Disaster Insurance Association
41. NFIP – National Flood Insurance Program
42. NIOSH – National Institute for Occupational Safety and Health
43. OCA – Outstanding Claims Account
44. ORFS – Operational Risk Financing Securities
45. ORM – Operational Risk Management
46. PAP – Personal Auto Policy
47. PIA – Primary Insurance Account
48. RAM – Reverse-Annuity Mortgage
49. RARORAC – Risk-Adjusted Return On Risk-Adjusted Capital
50. SEC – Securities and Exchange Commission
51. SPAP – Special Personal Auto Policy
52. TDI – Trade Disruption Insurance
53. TERI – Targeted Enterprise Risk Insurance
54. TOLI – Trust-Owned Life Insurance
55. TPA – Third-Party Administrator
56. UL – Umbrella Liability
57. ULIP- Unit Link Insurance Plan
58. UMV – Uninsured Motor Vehicle
59. WCRI – Workers Compensation Research Institute
60. YRCT – Yearly Renewable Convertible Term
61. YRT – Yearly Renewable Term

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