INSURANCE SERVICE

B.A (Economics)

THIRD YEAR, SEMESTER–V

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FOREWORD

Since its establishment in 1976, Acharya Nagarjuna University has been forging a head in the path of progress and dynamism, offering a variety of courses and research contributions. I am extremely happy that by gaining 'A' grade from the NAAC in the year 2016, Acharya Nagarjuna University is offering educational opportunities at the UG, PG levels apart from research degrees to students from over 443 affiliated colleges spread over the two districts of Guntur and Prakasam.

The University has also started the Centre for Distance Education in 2003-04 with the aim of taking higher education to the door step of all the sectors of the society. The centre will be a great help to those who cannot join in colleges, those who cannot afford the exorbitant fees as regular students, and even to housewives desirous of pursuing higher studies. Acharya Nagarjuna University has started offering B.A., and B.Com courses at the Degree level and M.A., M.Com., M.Sc., M.B.A., and L.L.M., courses at the PG level from the academic year 2003-2004onwards.

To facilitate easier understanding by students studying through the distance mode, these self-instruction materials have been prepared by eminent and experienced teachers. The lessons have been drafted with great care and expertise in the stipulated time by these teachers. Constructive ideas and scholarly suggestions are welcome from students and teachers involved respectively. Such ideas will be incorporated for the greater efficacy of this distance mode of education. For clarification of doubts and feedback, weekly classes and contact classes will be arranged at the UG and PG levels respectively.

It is my aim that students getting higher education through the Centre for Distance Education should improve their qualification, have better employment opportunities and in turn be part of country's progress. It is my fond desire that in the years to come, the Centre for Distance Education will go from strength to strength in the form of new courses and by catering to larger number of people. My congratulations to all the Directors, Academic Coordinators, Editors and Lesson-writers of the Centre who have helped in these endeavors.

Prof. P. RajaSekhar
Vice-Chancellor
Acharya Nagarjuna University

A.P. State Council of Higher Education

Semester-Wise Revised Syllabus under CBCS, 2020-21

Course Code: 501ESE21

Four-Year B.A. (Hons)

Domain Subject: **ECONOMICS**

IV Year B.A.(Hons)-Semester-V

Max Marks: 100

Course 6C: **Insurance Services**
(Skill Enhancement Course (Elective), 4 Credits)

I. Learning Outcomes:

Students at the successful completion of the course shall be able to

1. Explain the concept and principles of insurance service and functioning of insurance service agencies;
2. Identify and analyse the opportunities related insurance services in local rural area;
3. Apply the concepts and principles of insurance to build a career in Insurance services;
4. Demonstrate practical skills to enable them to start insurance service agency or earn wage employment in it.

II. Syllabus: (Hours: Teaching: 60, Training: 10, Others Including Unit Tests: 05)

Unit 1: Insurance Concept and Principles

Risk Management: Risk and Uncertainty, Risk Classification – Concept, Importance and Types of Insurance– Principles of Insurance – Insurance Regulations in India - Role of IRDA and Insurance Ombudsman –Scope for Insurance Business in India.

Unit 2: Life Insurance and Products

Life Insurance: Nature and Features - Major Life Insurance Companies in India - Important Life Insurance Products/policies and their Features: Conventional, Unit Linked, Annuities, Group Policies – Medical Examiner.

Unit 3: General and Health Insurances and Products

General Insurance: Nature, Features and Types - Major General Insurance Companies in India - Important General Insurance Products/Policies and their Features - Surveyor – Health Insurance: Nature and Features - Health Insurance Companies in India - Major Health Insurance Products/policies and their Features: Individual, Family, Group.

Unit 4: Practicing as an Insurant Agent

Insurance Contract and Terms of Insurance Policy - Registration of Insurance Agency with the Company — Procedure to issue a Policy: Application and Acceptance – Policy Lapse and Revival – Premium Payment, Assignment, Nomination and Surrender of Policy – Policy Claim - Important Websites and Apps of Insurance in India.

Unit 5: Understanding the Customer and Case Studies

Insurance Customer and Categories – Understanding Customer Mindset and Satisfaction - Addressing the Grievances of the Customer – Ethical Behavior in Insurance – Moral Hazard –Discussion of two different Case Studies related to Life or General or Health Insurance Services.

III. References:

1. Insurance Institute of India: ***Principles of Insurance (IC-01***), Mumbai, 2011.
2. Insurance Institute of India: ***Practice of Life Insurance (IC-02),*** Mumbai, 2011.
3. Insurance Institute of India: ***Practice of General Insurance (IC-11),*** Mumbai, 2011
4. IGNOU: ***Life Insurance*** https://egyankosh.ac.in/bitstream/123456789/6472/1/Unit-20.pdf
5. IGNOU: ***Non-Life Insurance*** https://egyankosh.ac.in/bitstream/123456789/6470/1/Unit-21.pdf
6. P. Periyaswamy: ***Principles and Practice of Insurance,*** Himalaya Publishers, New Delhi (2nd Edition), 2019.
7. G. Dionne and S.E. Harrington (Eds.): ***Foundations of Insurance Economics***, Kluwer Academic Publishers, Boston, 1997.
8. K. Jr. Black, and H.D. Skipper Jr.:***Life and Health Insurance,*** Prentice Hall, Upper Saddle River, New Jersey, 2000.
9. https://www.irdai.gov.in
10. https://www.insuranceinstituteofindia.com
11. https://licindia.in/
12. Other Relevant web resources suggested by the teacher and college librarian

IV. Co-Curricular Activities:

a) Mandatory (*Training of students in the related skills by the teacher for a total 10 Hours)*
1) **For Teacher**: Training of students by teacher in the classroom and in the field for a total of not less than10 hours on skills and hands on experience like explaining the details of an insurance policy to a customer – life, health and general policy, filling up application for a policy, calculation of premium and claim, make use of important websites and apps etc. pertaining to insurance and make a field visit to any insurance organization in local area. The expertise of practicing insurance agent or trainer can be utilized for this purposes.

2) **For Student:** Students shall visit and understand the functioning of insurance agency of their interest in the local area. They shall write their individual observations in the given format, not exceeding 10 pages, and submit to the teacher, as Fieldwork/Project work Report

3) **Suggested Fieldwork/Project work Format (***Report shall not exceed 10 pages*):
Title Page, Student Details, Acknowledgments, Index page, Objectives, Step-wise process, Findings, Conclusion & References.
4) Max Marks for Fieldwork/Project work Report: 05
5) Unit Tests/Internal Examinations.

b) Suggested Co-Curricular Activities

1. Invited Lectures with academic experts, practicing insurance agents. Trainers, concerned officials.
2. Hands on experience by field experts.
3. Assignments
4. Debates on related topics
5. Seminars, Group discussions, Quiz, etc.

Note: For the latest topics which have no formal material available, the teacher is expected to prepare own material by using multiple latest sources and practical knowledge.

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(501ESE21)

MODEL QUESTION PAPER

B. A. Degree Examination

Third Year -Semester- V

Part – II: Economics

6 -C - INSURANCE SERVICES

Time : Three hours **Maximum Marks : 70**

Section – A

Answer any FIVE of the following questions.
Each answer carries 5 marks.

(5 x 4 = 20 Marks)

1. Discuss scope of health insurance.
ఆరోగ్య భీమా పరిధిని చర్చించండి.

2. Discuss differences between "Assignment" and "Nomination" under a life insurance policy.
నిజ జీవిత భీమా పాలసీ కింది అసైన్మెంట్ మరియు నామినేషన్ మధ్య వ్యత్యాసాన్ని చర్చించండి.

3. Explain different methods of Risk management.
రిస్క్ మేనేజ్మెంట్ యొక్క వివిధ పద్ధతులను వివరించుము.

4. Explain types of health insurance.
ఆరోగ్య భీమా రకాలను వివరించుము.

5. Explain features of life insurance.
జీవిత భీమా లక్షణాలను వివరించుము.

6. Explain the functions of insurance.
భీమా యొక్క విధులను వివరించుము.

7. Describe function of actuary.
యాక్చువరీ యొక్క పని తీరును వివరించండి?

8. Define premium and methods of computing premiums.
ప్రీమియం మరియు కంప్యూటింగ్ ప్రీమియమ్స్ పద్ధతులను నిర్వహించండి.

SECTION- B

Write answers for the following questions.

Each answer carries 10 marks.

(5×10=50 marks)

9. (a) Explain the need and significance of insurance.
భీమా యొక్క ఆవశ్యకత మరియు ప్రాముఖ్యతను వివరించుము.

Or

(b) Briefly discuss the role of IRDA in insurance promotions and regulations.
భీమా ప్రమోషన్లు మరియు నియంత్రణలో IRDA పాత్ర గురించి క్లుప్తంగా చర్చించండి.

10. (a) Write about the significance of general insurance. Explain two general insurance productives.
సాధారణ భీమా యొక్క ప్రాముఖ్యత గురించి వ్రాయండి. రెండు సాధారణ భీమా ఉత్పాదకతను వివరించుము.

Or

(b) Write in detailed about life insurance products and features.
జీవిత భీమా ఉత్పత్తులు మరియు ఫీచర్లు గురించి వివరాలను వ్రాయండి.

11. (a) Discuss the doubts of health insurance. Narrate the issues in helping customer in filing.
ఆరోగ్య భీమా సందేహాలను చర్చించండి. ఫైలింగ్ లో కస్టమర్కు సహాయం చేయడంలో సమస్యలను వివరించండి.

Or

(b) Explain the procedure in handling and dealing with the customers and enhancing the customer royalty.
కస్టమర్ని హ్యాండిల్ చేయడం మరియు డీల్ చేయడం మరియు కస్టమర్ రాయల్టీని పెంపొందించడంలో విధానాన్ని వివరించండి.

12. (a) How is operating lease different from financial lease?
ఆపరేటింగ్ లీజు ఆర్థిక లీజుకు భిన్నంగా ఎలా ఉంటుంది?

Or

(b) What is forfeiting in financial services?
ఫైనాన్షియల్ సర్వీసెస్లో ఫోర్ఫైటింగ్ అంటే ఏమిటి?

13. (a) What is the insurance services?
భీమా సేవలు అంటే ఏమిటి?

Or

(b) What are the uses of insurance services?
భీమా సేవల ఉపయోగాలు ఏమిటి?

CONTENTS

LESSON – 1
RISK MANAGEMENT

Aims and Objectives:

After reading the lesson you will be in a position to understand the following aims of this lesson:

- To understand what is risk and uncertainty
- To understand the concept of risk management
- To understand what is risk and its classifications, importance etc.

Structure

1.1 Introduction
1.2 Meaning of risk
1.3 Uncertainty
1.4 Difference between risk and uncertainty
1.5 Characteristics of risk
1.6 Classification of risk
1.7 Sources of risk
1.8 Methods of handling risk
1.9 Risk management
1.10 Risk management techniques
1.11 Summary
1.12 Key words
1.13 Self-Assessment Questions
1.14 Suggested Readings

1.1 INTRODUCTION

The nature of human being is to take minimum risk and most of us think of risk and try to take minimum risk possible in our day to day activities. Risk is the basis of insurance. To cover the losses arising out of risks one wishes to ensure activities that need to be done. The world is full of uncertainties. We come across different types of risks or uncertainties such as fire, flood, death, accidents, thefts etc. Hence, every man is in search of such agencies which can cover their risks at minimum cost possible as eradication of risks totally is not possible. This idea of man to cover risks gave birth to the theory of insurance.

This chapter discusses about risk and uncertainty and the difference between the two concepts. Further we would discuss about importance and classification of risk along with emphasizing about risk management.

1.2 MEANING OF RISK

Risk means uncertainty of losses. In other words, one does not know whether a loss be caused by some peril (or) not, and when and how much it would be, these questions maybe called uncertainties. Risk is understood as chance (or) probability of loss. Uncertainty is the reverse of probability in provide as the probability of an act come increases, the uncertainty occurrence decreases. Uncertainty of loss is the basic characteristic of risk.

People express risk in different ways. To some, it is the chance or possibility of loss; to others, it may be uncertain situations or deviations or what statisticians call dispersions from the expectations. Different authors have defined risk differently. However, the term risk includes exposure to adverse situations. The indeterminateness of outcome is one of the basic criteria to define a risk situation.

DEFINITION OF RISK:

There is no universally accepted single definition for Risk. Risk is a concept that refers to the potential for loss, harm, or deviation from expected outcomes. It involves the analysis and assessment of potential events or situations, their probabilities, and the impact they may have on objectives or goals. Risk is often quantifiable and can be evaluated using various techniques. It plays a significant role in decision-making, as understanding and managing risks effectively. Some of the economists have defined risk as: According to **Frank Knight**," risk is a measurable uncertainty". According to **A.A.Willet**, "risk is an objectified uncertainty regarding the occurrence of an undesirable event'.

According to the dictionary, risk refers to the possibility that something unpleasant or dangerous might happen. Risk is a condition in which there is a possibility of an adverse deviation from a desired outcome that is expected or hoped for. Others like **Fisher**, **Federation of Insurance Institutes** have defined risks. On the basis of the definition the following characteristics of risks may be outlined.

1. **Perils:** Perils may be an uncertain event which may cause loss such as fire, theft, accidents etc. it refers to the cause of loss or the contingency that may cause loss. They may be general or specific.
2. **Hazards:** Hazards is such a condition which includes uncertainty of an event. For example driving a motor car without breaks. Hazards are the conditions that increase the severity of loss or the conditions affecting perils. Hazards can be classified as:
   - **a.** Physical hazards – These consists of those physical properties that increase the chance of loss from various perils.
   - **b.** Intangible hazards – they are psychological in nature. They are of different types like – moral hazard, morale hazard (indifference), and societal hazard.
3. **Uncertainty of events:** An event can be risk only when it is uncertain and beyond the control of man.
4. **Insurance and risk:** The main basis of insurance is risk. Any risk bearing object is to beinsured in order to cover its unexpected losses caused by uncertain events.

1.3 UNCERTAINITY

Uncertainty refers to a state of not knowing or having limited information about future events or outcomes. It involves ambiguity, unpredictability, and the absence of clear probabilities or measures of likelihood. Uncertainty can arise from various factors, such as incomplete data, complex environments, or situations with multiple possible outcomes. Unlike risk, uncertainty is not easily quantifiable or manageable through traditional risk management techniques.

Many economists, statisticians, risk theorists have defined risk in different ways. Risk and uncertainty are used interchangeably in situations where there is uncertainty regarding the

possibility of loss. Uncertainty is often confused with the risk. Uncertainty refers to a situation where the outcome is not certain or unknown. Uncertainty refers to a state of mind characterized by doubt, based on the lack of knowledge about what will or what will not happen in the future. Uncertainty is said o exist in situations where decision makers lack complete knowledge, information or understanding concerning the proposed decision and its possible consequences. Risk is sometimes defined as an implication of a phenomenon being uncertain – that may be wanted or unwanted.
Uncertainty may be –

(a) Aleatory uncertainty – uncertainty arising from a situation of pure chance, which is known; or
(b) Epistemic uncertainty – uncertainty arising from a problem situation where the resolution will depend upon the exercise of judgment.

1.4 DIFFERENCE BETWEEN RISK AND UNCERTAINTY

Risk and uncertainty are two concepts commonly confused. They are normally used in finance, business, and decision-making. While often used interchangeably, the two concepts are very different. Understanding the differences between risk and uncertainty is crucial for effective risk management and decision-making.

Sl. No	Risk	Uncertainty
1	It relates to known and measurable probabilities	It is concern with unknown probabilities and unpredictable outcomes
2	It can be quantified and assessed objectively	It is difficult to quantify or assess due to lack of information
3	Arises from identifiable events or situations	Arises from ambiguity and lack of information
4	Involves known potential outcomes and their likelihoods	Involves unknown potential outcomes and their probabilities
5	Allows for calculation of expected values and probabilities	Does not allow for precise calculations or predictions
6	Can be managed and mitigated through risk management strategies	Cannot be fully managed or eliminated
7	Provides a basis for decision-making and planning	Requires adaptive and flexible approaches
8	Involves both positive and negative consequences	Can lead to both opportunities and threats
9	Frequently encountered in structured and well-defined environments	Common in dynamic and complex environments
10	Associated with potential losses or gains	Associated with ambiguity and limited information
11	It is quantifiable	It is non- Quantifiable

12	It can be statistical assessed	It has subjective probability

Although risk and uncertainty differ in many ways, they also share some following similarities:

- Both involve future events or outcomes that are not yet realized.
- Both play a role in decision-making and resource allocation.
- Both can be influenced by external factors or forces.
- Both require analysis and understanding for effective management.
- Both can have positive or negative consequences.
- Both are inherent in dynamic and complex environments.
- Both require consideration of various factors and inputs.
- Both necessitate continuous monitoring and adaptation.
- Both involve assessing the potential for deviations from expected outcomes.
- Both influence the level of confidence or uncertainty in decision-making.

1.5 CHARACTERISTICS OF RISK

The following are some of the characteristics of risk:

1. *Situation* – situation can result in risks. As there is a change in the situation, it can result in some kind of risk basing on the seriousness of the situation.
2. *Occurrence* – risk is the possibility of an unfortunate occurrence.
3. Time base- risk can occur at any time of the work undertaken. It can arise in the beginning, middle or end of the work.
4. *Unpredictable* – risk cannot be quantifiable or predictable.
5. *Uncertain about the future* – risk is uncertainty about the future.
6. *Value* based *risk* may be values, which can be personal, cultural, and corporative.
7. Risk is the outcome of some *unfavourable circumstances*.

Degree of risk: The extent of risk involved in a situation is called Degree of Risk. The degree ofrisk is related to the possibility of occurrence.

Chances of loss: It means the possibility of occurrence of an event causing a loss. It is the relative frequency of occurrence of an event resulting in loss. It is the ratio of the number of expected losses to total number of actual losses that occurs actually.

Chances of loss = No. of likely loss / Total No. of possible losses

1.6 CLASSIFICATION OF RISKS:

There are different types of risks. They are as follows.

1. Pure and speculative risks
2. Subjective and objective risks
3. Fundamental and particular risks
4. Static and dynamic risks
5. Financial and non-financial risks

6. Individual and group risks
7. Quantifiable and non-quantifiable risks

1. **Pure and Speculative risks:** Pure risk involves situations where there is a chance of loss or even a break even situation but no profit. Pure risks do not have favourable outcomes. For example if pure risks are fixed in a go-down, an injury at the work place or on the road or a theft at homes is all instance of pure risks. Speculative risks may be in addition to the outcomes of a pure risk cited above have happy or favourable outcomes namely profit or gain. Speculative risks can have three possible out- comes. viz. Loss, break even situation or gain.

   Pure risk can be sub divided into the following categories.

   - **Personal risks:** Simply, personal risks are those risks which relates to persons. Human life is surrounded by number of risks such as illness, disease etc. Such risk cause financial loss to thepersons concerned (or) his dependents.
   - **Property risks:** Occurrence of uncertain events which cause loss to the property such as accidents, fire crash is called property risks. Loss to property may be caused due to fire, earthquake, war, flood etc.
   - **Liability risks:** risks which create financial liabilities on any person on the occurrence of an uncertain event are called liability risks. Ex: When vehicle collide against a man and injures him accidentally, the owner of the vehicle shall be liable to compensate the person injured for the lossso caused.

2. **Subjective risks and objective risks:** Subjective risk arises out of an individual‘s mental state. It is the result of individuals' uncertainty about the outcome of an event. It may favourable or unfavourable to an individual beam due psychological defect. Objective risk as the term suggests can be observed and for that reason capable of measurement unlike subjective risks. Here the probability of an event occurring can be determined in two ways. One by deducting reasoning and indicative reasoning.

3. **Fundamental risks and particular risks:** Fundamental risks are group of risks which occur due to social, economic, political changes in the country. Large number of people affected by these fundamental risks. For eg. Crisis in the theory wide spread unemployment. Particular risks on the contrary are personal in nature and effect only individuals. For eg. Injury due to accidents, poor health condition, robbery.

4. **Static risk and dynamic risk:** Static risk can be pure or speculative, Natural events suchas storm, snowfall and death are described as pure static risks. These risks can be predicted. They occur even if there is no change in the economic environment. These risks can be covered by insurance and they don't benefit the society. Industries in a stable economy are a good example of static speculative risk. Dynamic risk can also be pure or speculative risks. Dynamic risks will affect the whole economy. These risks are beyond control of individual. These types of risks cannot be predictable. They result from the changes in the economic environment. They are not covered by insurance. They can benefit the society. For eg. Impact of IT, Information explosion.

5. **Financial and non-financial risks** – It refers to the danger in which the outcome of the act is measured in terms of money. In other words the loss that occurs due to the risk is measured in monetary terms. Eg. Loss to the goods in the company's warehouse due to fire. Such kind of risks is insurable and is generally the main reasons of all risk insurances. On the other hand non-financial risks refer to that risk in which the outcome of the even

cannot be measured in terms of money. In other words the loss occurred due to the risk cannot be measured in monetary terms. Eg. Risk in selection of career. These risks are uninsurable since they cannot be measured.

6. **Individual and group risks -** Individual or particular risks are confined to individual identities or small groups. Thefts, robbery, firs etc., are risks of particular in nature. Some of these are insurable. Particular risk refers to the risk which arises mainly because of the actions or the interventions of the individual or the group of some individuals. So, the origin of the particular risk by individual-level and impact of the same is felt at a localized level. There are four major personal risk :
   - **a.** Risk of premature death
   - **b.** Risk of insufficient income during retirement
   - **c.** Risk of poor health
   - **d.** Risk of unemployment

   Group or fundamental risk is that risk which affects the economy or its participants on a macro level. They affect most of the segments of the society or the entire population. Eg. Floods, wars, earthquakes etc.

7. **Quantifiable and non-quantifiable risks –** The risk that can be measured like financial risks are known as quantifiable risks while those situations which may result in repercussion like loss of peace or tension come under non-quantifiable risks.

1.7 SOURCES OF RISK

There are various sources of risks which are as follows:

1. **Personal risks:** The following are the four main personal risks a man is exposed to during his life time.
   - **Risk of premature of death:** Premature death in the economic sense means the death of the bread winner of the family, without making adequate provision for meeting expenses arising out of his death and without making arrangements for taking care of his financial obligations. There financial obligation may include maintenance of dependents, passing off home and car loan etc.
   - **Risk of inadequate means of support after retirement:** Today the risk of long post retirement years without visible means of support looms large for many senior citizens. The breakdown of traditional family values and the joint family system makes the situation all the more grips as the state has previous little to after by way of social security to them.
   - **Risk of poor health and disability:** While tremendous improvements have taken place in medical care in the country, the cost of such care particularly the cost of inpatient treatment has sky rocketed. This has made quality medical care beyond the means of common man.
   - **Risk of loss of income:** Without any state sponsored schemes to deal with this grips reality and in the absence of insurance schemes to cover this contingency, life is very hard for people in thiscategory.
2. **Property risks:** Every one owns property is exposed to property risks. For example, when there is damage to the property due to floods, the owner has to bear the loss and incur expensesfor carrying out expenses. This is called divert loss.
3. **Liability risks:** Every one faces liability risks. A motorist may have to pay considerable dam- ages if he damages property (or) injures someone. **Ex:** Physician, surgeon faces the

risk of damage suits from patients for malpractice.

4. **Risk on account of other's failure:** Many of us depend on the others for the performance of certain services. We entrust our car for major repairs to a garage. We engage a contractor to build our home. Failures in performance are expected in the above instances causes' loss. Such risks fallunder this category.

1.8 METHODS OF HANDLING RISKS

Risk averse is not the right way to deal with life's risks. One has to learn to manage them and live.The following are the various methods of handling risks. They are:

- **Risk avoidance:** Risk ordinance is the best way to deal with risks. Some situations warrant risk.If those situations are avoided, risk can also be avoided.
- **Controlling of losses:** In some cases risk is unavoidable. In such cases we can take steps to minimize such losses. Different techniques can be adopted to minimize risks. This process is called loss control.
- **Risk Retention:** In this case the individual company assumes the risk. The amount of loss is met out of the current year's revenue or out of the fund created for that purpose. Risk retention canbe planned.
- **Risk – transfer:** It is the process of transfer of risk burden on others. It can be transferred by hedging, sub-contracting, asking for surities, indemnity agreements, insurance etc. However, themost important tool of risk transfer is the insurance.

1.9 RISK MANAGEMENT

Risk management is the process of identifying analysing and evaluating the risk and selecting the best possible methods of handling them. Risk management is the job of risk manager. All the departments in the organization come together to coordinate risk management activities to meet the goals of company in this strategy. Generally, company will have a separate cell for this purpose. It is headed by a CRO i.e., Chief Risk Officer.

It is of recent origin. Risk manager is called as insurance manager till the middle of 20^{th} century. His main activities are insurance buying. He is a specialist in identifying and analysing the risks of the company. He advises the top management about the techniques to be adopted to control risks in the company. Thus, even though insurance buying may remain a major area of his work, it is not the only area of operation. Risk management is a main wider concept than insurance management.

Risk management is the process of identifying and mitigating risk. In health insurance, risk management can improve outcomes, decrease costs, and protect patient safety. The importance of management of risk is being recognized by the organizations. To manage the risk effectively, separate departments are established. Risk management helps the organizations to minimize cost and develop a sense of security and stability in the organization.

The scope for risk management is increasing. Development of risk management will depends on the innovation ideas of risk managers in preventing losses. Many educational institutions are introducing risk management as a part of regular curriculum. This will lead to the outcome of professional risk managers in the days to come. No doubt the industry will certainly gain throughthis development.

Risk management is the process of evaluating the risks faced by a firm or an individual and then minimizing the costs involved with those risks. Any risk entails two types of costs namely –

1. The cost that will be incurred if a potential loss becomes an actual loss. An example is the cost of rebuilding and reequipping an assembly plant that burns to the ground.
2. The second type consists of the costs of reducing or eliminating the risk of potential loss. Here we would include the cost of purchasing insurance against loss by fire or the cost of not building the plant at all. These two types of costs must be balanced, one against the other, if risk management is to be effective.

1.10 RISK MANAGEMENT TECHNIQUES

Following are some of the techniques for risk management:

1. **Risk Avoidance -** Avoiding risk is not possible in all situations but an individual can avoid the risk of an automobile accident by not riding in a car but by doing so the person has to give up the job which would cost heavily. A manufacturer can avoid the risk of product failure by refusing to introduce new products but by this he would also incur losses. There are, however, situations in which risk avoidance is a practical technique. At the personal level, individuals who stop smoking avoid risks. Jewelry stores lock their merchandise in vaults at the end of the business day to avoid losses through robbery. No person or business can eliminate all risks. Similarly, it is wrong to assume that all risks are unavoidable.
2. **Reduce risk -** If a risk cannot be avoided, perhaps it can be reduced. An automobile passenger can reduce the risk of injury in an automobile accident by wearing a seat belt. A manufacturer can reduce the risk of product failure through careful product planning and testing. In these cases, the cost of reducing risk is worth the potential saving. Businesses face risks as a result of their operating procedures and management. There are some techniques to reduce risk:
   - The establishment of an employee safety program to encourage employees' awareness of safety.
   - The purchase and use of proper safety equipment.
   - Burglar alarms, security guards, and even guard dogs to protect from burglary
   - Fire alarms, smoke alarms, and sprinkler systems to reduce the risk of fire and the losses due to fire.
   - Accurate and effective accounting and financial controls to protect a firm's inventories and cash from pilfering.
   - The risks involved in management decisions can be reduced only through effective decision making.
3. **Risk Assumption -** Any firm or individual, for doing successful and profitable business will take up certain risk. Individual or firm estimate the risk and make assumptions likewise in the process of doing business. Risk assumption, is the act of taking responsibility for the loss or injury that may result from a risk. Generally, it makes sense to assume a risk when one or more of the following conditions exist:

   1. The potential loss is too small to worry about.
   2. Effective risk management has reduced the risk.

3. Insurance coverage, if available, is too expensive.
4. There is no other way of protecting against the loss.

4. **Self-insurance-** Large firms to avoid high insurance costs assume the risk and opt for self insurance. It is the process of establishing a monetary fund that can be used to cover the cost of a loss. Self-insurance does not eliminate risks; it merely provides a means for covering losses. And it is itself, a risky practice, at least in the beginning.
5. **Shifting Risks -** Perhaps the most common method of dealing with risk is to shift, or transfer, the risk to an insurance company. An insurer or insurance company is a firm that agrees, for a fee, to assume financial responsibility for losses that may result from a specific risk. The fee charged by an insurance company is called a premium. A contract between an insurer and the person or firm whose risk is assumed is known as an insurance policy. Generally, an insurance policy is written for a period of one year. Then, if both parties are willing, it is renewed each year. It specifies exactly which risks are covered by the agreement, the dollar amounts the insurer will pay in case of a loss, and the amount of the premium.

   Insurance is thus protection against loss that the purchase of an insurance policy affords. Insurance companies will not, however, assume every kind of risk. A risk that insurance companies will assume is called an insurable risk. Insurable risks include the risk of loss by fire and theft, the risk of loss by automobile accident, and the risks of sickness and death. A risk that insurance companies will not assume is called an uninsurable risk. In general, pure risks are insurable, whereas speculative risks are uninsurable
6. **Retention -** Retention is the acknowledgment and acceptance of a risk as a given. Usually, this accepted risk is a cost to help offset larger risks down the road, such as opting to select a lower premium health insurance plan that carries a higher deductible rate.
7. **Sharing -** Sharing risk is often implemented through employer-based benefits that allow the company to pay a portion of insurance premiums with the employee. In essence, this shares the risk with the company and all employees participating in the insurance benefits.

1.11 SUMMARY

Risk can be defined in many ways. Risk is nothing but uncertainty regarding the possibility of loss. Peril causes loss. Hazards are a factor which increases the frequency of loss. Hazards are of various types. When an individual is directly exposed to risks we call them as personal risks. It includes risk of premature death, risk of inadequate means of support after normal working life, risk of poor health and disability, risk of unemployment etc. Property risks relate to the ownership of property.

Risk management is the process of identifying, analyzing and evaluating the risk and selecting the best possible methods for handling them. Methods of handling risks are: Risk avoidance; control- ling losses; Risk retention and transfer of risk. The risk management is a wider concept than insurance management.

1.12 KEY WORDS

1. **Risk** - Risk is a concept that refers to the potential for loss, harm, or deviation from expected outcomes. It involves the analysis and assessment of potential events or situations, their probabilities, and the impact they may have on objectives or goals.

Risk is often quantifiable and can be evaluated using various techniques. It plays a significant role in decision-making, as understanding and managing risks effectively.

2. **Perils:** Perils may be an uncertain event which may cause loss such as fire, theft, accidents etc. it refers to the cause of loss or the contingency that may cause loss. They may be general or specific.
3. **Hazards:** Hazards is such a condition which includes uncertainty of an event. For example driving a motor car without breaks. Hazards are the conditions that increase the severity of loss or the conditions affecting perils.
4. **Uncertainty -**Uncertainty refers to a state of not knowing or having limited information about future events or outcomes. It involves ambiguity, unpredictability, and the absence of clear probabilities or measures of likelihood.
5. **Risk management -** Risk management is the process of identifying analysing and evaluating the risk and selecting the best possible methods of handling them. Risk management is the job ofrisk manager.

1.13 SELF-ASSESSMENT QUESTIONS

1. Define risk.
2. Explain different types of Hazards.
3. What are the differences between risk and uncertainty?
4. What is risk management
5. What are the techniques of risk management?
6. what are the characteristics of risk?

ESSAY TYPE QUESTIONS:

1) What is a Hazard? Explain the various types of Hazards
2) Classify the risks and explain them in detail.
3) Explain various kinds of risks
4) Explain in brief Handling of risks.
5) What are the sources of risk?

1.14 SUGGESTED READINGS

1 Text book of Insurance - L.S.Kanwal
2 Insurance Principles and Practice - M.N.Misra
3 Modern Law of Insurance in India - K.S.N.Murty & K.V.S. Sarma
4 Principles of risk management and Insurance – Rejda George E
5 Principles of Insurance - Insurance Institute of India

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LESSON – 2

PRINCIPLES OF INSURANCE

Aims and Objectives:

After reading the lesson you will be in a position to understand:

- What is insurance?
- Nature, functions and importance of insurance.
- The principles of insurance.

Structure

2.1 INTRODUCTION

The insurance industry occupies an important place among other financial services in the world. Insurance affects people of all types. Not only the individuals but also the various individuals and businesses need insurance to manage their risks. The idea of insurance is based on social co-operation. The loss suffered by anyone insured is spread among a large number of insured who contributes small accounts of premium. This chapter discuss about the importance, nature and unction of insurance. Further the main principles of insurance are highlighted.

2.2 INSURANCE- MEANING

The term insurance can be defined in both financial and legal terms. The financial definition focuses on an arrangement that redistributes the cost of unexpected losses. That is, the collection of a small premium payment from all exposed and distributed to those suffering loss. The legal definition focuses on a contractual arrangement whereby one party agrees to compensate another party for losses. The financial definition provides for the funding of the losses whereas the legal definition provides for the legally enforceable contract that spells out the legal rights, duties and obligations of all the parties to the contract. Let us have a look at these definitions.

- **Encyclopedia Britannica,** "Insurance may be described as a social device whereby a large group of individuals, through a system of equitable contributions, may reduce or eliminate certain measurable risks of economic loss common to all members of the group".

- **Allen Z. Mayerson,** Insurance is a device for the transfer to an insurer of certain risks of economic loss that would otherwise come by the insured."

- **Mowbray and Blan Chard:** Insurance is a social device for eliminating or reducing the cost to society of certain type of risk.

- **Magee D.H.,** "Insurance has been defined as a plan by which large numbers of people associate themselves, to the shoulders of all, risks attach to individuals."

- **Schultz and Bradwill,** "Insurance in its technical sense is a social device which employs the use of pooling technique to eliminate uncertainty."

Thus, insurance may be defined as "a contract between two parties, where one promises the other to indemnity or make good any loss suffered by the latte in consideration for a mount received by way of premium. The characteristics of insurance are:

1. It is a contract for compensating losses.
2. Premium is charged for Insurance contract
3. The payment of Insured as per terms of agreement in the event of loss.
4. It is a contract of good faith
5. It is a contract for mutual benefit.
6. It is a future contract for compensating losses.
7. It is an instrument of distributing the loss of few among many.
8. The occurrence of the loss must be accidental.
9. Insurance must be consistent with public policy.

2.2.1 Parties to Insurance: In Insurance there will be two parties viz.,

(1) Insurer and

(2) Insured.

The agency which is helpful in this arrangement is known as 'Insurer' or the Insurance Company the person who gets his life or property insured is known as 'Insured' or 'Assured'. The contract in writing is known as 'Policy'. Insurance premium is an amount to be paid by insured either in lump sum or in installments at regular intervals. Therefore, insurance is a financial arrangement by which an individual can substitute a relatively small definite cost called premium for a large uncertain financial loss. The predictability of a loss is the base of an insurance system.

The main object of any insurance is to protect economic value of assets or life of a person. The insurer agrees to make good the loss on the insured property or loss of life that may occur in future. For this, the insured will pay premium as consideration to the insured. A contract is defined as an agreement between two or more parties to perform or obtain from an act with an intention to create legally binding relationship. A contract must satisfy the following essentials to be enforceable:

- Offer and acceptance
- Consideration
- Capacity to contract
- Consent of all parties
- Legality of object

2.3 NATURE OF INSURANCE

1 **Contract -** Insurance is a contract between the insurance company and the policyholder wherein the policyholder (insured) makes an offer and the insurance company (insurer) accepts his offer. The contract of insurance is always made in writing.

2 **Sharing of Risks:** Insurance is a co-operative device for division of risk which may fall on individual or his family on the happening of some unforeseen events such as sudden death of earning member, marine, perils in marine insurance etc.

3 **Co-operative Device:** Large number of persons share loss arising due to a particular risk and as such insurance is a co-operative device. All for one and one for all is the basic for Co – operation.

4 **Valuation of Risk:** Before insurance contract the evaluation of risk is made by which the insurance premium is determined which form the basis of insurance contract.

5 **Payment made on contingency:** The Insurer is bound to pay to the insured when certain contingency arises. The happening may be due to death, fire marine perils etc.

6 **Amount of payment:** The amount of payment depends upon the value of loss occurred due to the particular risk provided insurance is there up to that amount.

7 **Large number of insured persons:** To make the insurance cheaper it is essential to insure a large number of persons or property.

8 **Insurance is not gambling:** In insurance, uncertainty is converted into certainty because the insurer promises to pay a definite sum at damage or death.

9 **Insurance is not charity :** Charity is given without consideration but insurance is not possible without premium and thus insurance is not charity

10 **Insurance is protection of financial risks:** Insurance offers protection to those risks which can be measured in terms of money i.e., financial risks. As such insurance compensates only financial or monetary loss or risks.

11 **It is based upon certain principles:** The insurance is based upon certain principles like insurable interest, utmost good faith, indemnity subrogation, causa-proxima, contribution, etc.

12 **Regulated by Law -** In almost all the countries in the world, statutory Jaws are being enacted to regulate the functioning of insurance companies. In India too, life insurance and general insurance are regulated by Life Insurance Corporation of India Act 1956, and General Insurance Business (Nationalization) Act 1972, and IRDA Regulations etc**.**

2.4 CHARACTERISTICS OF INSURANCE

The characteristics of insurance are given below:

1. **Pooling and risk reduction:** It means spreading of losses incurred by the few over the entire group. As a result the average loss in substituted for actual loss. To predict the future losses, exposure persons in large numbers are to be grouped together to apply the Principles and practice. For this purpose, there must be large number of exposure persons facing the same kind of perils. In other words, pooling in an insure

implies sharing of losses by the entire group, and using the law of large numbers to predict future losses.

2. **Payment of accidental and un-intentional losses:** Insurance covers such losses which are accidental in nature. The insurance must cover all the unforeseen losses which occur at random. The losses must be the result of accident but not a result of chance. For example, a person may fall while getting down from a bus and one of his limbs, may be broken. Such a loss is the result of accident and hence covered under insurance.
3. **Risk Transfer:** The contract of insurance is one where the risk of one party is transferred to the other who is the insurer and can make good the loss of the insured. Risks of death, theft, illness etc., are all examples, where the risk of the insured can be transferred to the insurer. Thus, insurance is the most common form of a risk transfer.
4. **Principle of Indemnity:** All valid insurance contracts are contracts of insurance excluding life insurance contracts. Indemnity means to make good the loss suffered by the insured and to put him back in the same financial position as he was before the occurrence of loss. In the case of household insurance, the insurer pays the actual loss in case of any theft or damage caused to the household appliances covered under the policy. However, the insured cannot claim more than actual loss caused to him.
5. **Insurance and Assurance :** The two terms "insurance" and "assurance" are often used for the discussion of insurance business to mean one and the same thing. But the terms are not synonymous. **Assurance** refers to a contract under which the sum assured is bound to be payable sooner or later. **A contract of insurance** is a contract for compensation for damage or loss as in case of fire or marine insurance. In these types of insurance the insured must suffer a pecuniary loss before he can claim compensation from the insurer. If there is no such loss, the claim does not arise. Contrary to this, a contract of assurance is an out and out contract, e.g., a contract of life insurance. In such a contract the payment of the sum of money assumed is bound to be made either on the maturity of the policy or the death of the assured.

2.5 FUNCTIONS OF INSURNACE

The functions of insurance are of two types. They are: Primary functions and Secondary Functions.

Primary Functions

1. **Insurance provides certainty:** Insurance provides certainty of payment at the uncertainty of loss. The uncertainty of loss can be reduced by better planning. But, the insurance relies the insured from such difficult tasks. There are different types of uncertainty in a risk. In other words, there are uncertainties of happening of time and amount of loss, insurance removes all these uncertainty and the assured is given certainty of payment of loss.
2. **Insurance provides protection:** The main function of insurance is to provide protection against the probable chances of loss. In other words, insurance guarantees the payment of loss to the insured in order to protect him from his sufferings.

Insurance cannot present the happening of risk but can provide for losses at the happening of the risk.

3. **Risk sharing:** The risk is uncertain, and hence the loss arising from risk is also uncertain. When risk takes place, the risk is shared by all persons who are exposed to the risk. In ancient days, the risk-sharing is done only at the time of damage or death. But, today, the risk sharing is done from each and every insured on the basis of probability of risk.
4. **Insurance evaluates risk:** Insurance determines the probable volume of risk by evaluating various factors that result in risk. Risk is the basis for determining the premium rate.

Secondary Functions:

The secondary functions of insurance include the following:

1. **Prevention of loss:** The insurance forms hand with institution which are engaged in preventing losses to the society. It is because the reduction in loss causes lesser payment to the assured. Lesser payment results in more savings to the insurer. More savings to the insurer results in lesser premiums to the insured. Lesser premium results in more business to the insurer. Finally, more business results in lesser shared to the insured.
2. **It provides capital:** It provides capital to the society. The surplus and accumulated funds are invested in productive channels. The shortage of capital of the society is minimized with the help of investment of insurance. The industry, the business and individual are benefited by the investments of the insurers.
3. **It improves efficiency:** Insurance eliminates worried and miseries of losses at death and destruction of property. A protected person from risks can devote his body and mind for better achievement. It improves not only his efficiency but also the efficiencies of the masses.
4. **It helps economic progress:** The insurance by protecting the society from losses of damage, destruction and death, provides an initiative to work hard for the betterment of the society. Insurance helps in economic progress of insured. It provides capital helps in commercial prosperity. It also helps in the development of trade and commerce of the nation.
5. **It helps in welfare of the society:** Insurance serves the sociological purpose and indirectly helps the nation to walk in the path of progress. It provides security and minimizes worries of losses, damages, death and destruction. It develops confidence in the general public.

2.6 IMPORTANCE OF INSURANCE

The process of insurance has been evolved to protect the interest of the people from uncertainty. The principles of insurance are becoming more and more useful in the present days. Insurance server not only the interest of individuals but also fulfills the needs of the individual groups. It also transforms our modern social order. Insurance industry is different from other manufacturing and service industries. The importance of insurance can be explained in threefold. It is useful to individuals, business, country and society as a whole.

2.6.1 Importance to an Individual

1. Insurance provides security and safety against uncertainty.
2. The insurance protection gives mental peace to the insured and enables him to

eliminate constant about the loss of his possession.

3. It enhances the habit of savings among the people.
4. It helps the insured to avoid or minimize loss.
5. The insurance policy can be used as a security by the insured for the mortgage of property.
6. Insurance supplies old-age provisions to the life-policy holders.
7. The insured easily gets credit facility for trade on the insured goods or properties.
8. Life insurance is a means of capitalization of money in the event of death before maturity of the policy.
9. The insured gets tax benefits in life insurance.
10. Insurance increases the efficiency of the insured in determining what risk should be insured against and what risk he can afford to face.

2.6.2 Importance to Society

1. The entire economic system is revolving round the insurance for safety against risk.
2. Rapid industrialization is made possible by insurance as its funds are employed in thedevelopment of business and industry.
3. The working population feels a sense of security if there is an insurance.
4. The keymen insurance provides protection to the industry in case of death of professional executives.
5. Insurance indirectly reduces the cost of manufacturing goods.
6. Life insurance provides social security to a family.
7. The insurance fulfils its social obligations by providing employment opportunities tothe general public.
8. Insurance funds are employed for the development of basic human facilities likehousing, electricity, water, sanitation, etc.
9. Insurance distributes the loss of few among a large group of society.
10. Insurance has the effect of raising the living standard of the people.

2.6.3 Importance to Business and Government

1. Insurance increases national savings.
2. It develops the money market.
3. It contributes to the national plans.
4. Insurance provides funds to the government for providing basic facilities and todevelop infrastructure.
5. It has enabled the country to get foreign exchange (49% FDI is permitted in theinsurance sector in India).
6. Insurance relieves the government of the burden of supporting a family, in case of theuntimely demise of the bread winner.
7. Insurance promotes trade and industry by providing risk cover.
8. Insurance companies pay taxes out of profits earned. This is an important revenue source to the government.

9. Insurance companies are permitted to invest 5% of the funds in the capital market. LIC alone has invested around Rs.28,000 crore in the Indian capital markets. Such investments develop the capital market.

2.7 PRINCIPLES OF INSURANCE

As it is known, insurance is a contract wherein there are two parties involved, the insurer and the insured. Hence, there are certain insurance principles that are bound to the contract to ensure its validity. It is important for both the parties to abide by the following seven principles of insurance:

1. Utmost Good Faith
2. Proximate Cause
3. Insurance Interest
4. Indemnity
5. Subrogation
6. Contribution
7. Loss Minimization

1. **Principle of Utmost Good Faith:** It is the fundamental principle of insurance in which both the parties should act in good faith towards each other. Both the insurer and the insured must provide clear and concise information with regards to the terms and conditions of the insurance policy.

   Insurance stems from the doctrine of 'Uberrimae Fides' which is an essential element for a valid insurance contract. In insurance contracts the parties involved must trust one another. They are different from other contracts. The commercial contracts are governed by the doctrine of 'Caveat Emptor' which means 'let the buyer beware'. It is the duty of the buyer to verify good or service and their features. A seller is not bound to reveal the information unless and until the buyer asks.

   But, in case of insurance, the products sold are intangible. So, the law imposes greater duty on the parties to insurance contract than those involved in commercial contracts. The parties involved must have utmost good faith in each other. In other words, the parties to the insurance contract must disclose the material facts to each other. The disclosure of material facts will determine the terms and conditions of coverage of the insurance policy. Any concealment of material facts by the company will affect its normal business.

   Hence, as per the principle of utmost good faith, it is binding on the part of the parties, the insured and the insurer, to expressly disclose all the relevant material facts relating to the contract. This doctrine is incorporated in insurance law and both the parties are expected to adhere to a high degree of honesty. Based on such faith the insurer and the insured execute the contract of insurance. Non-compliance by either party or any non-disclosure of the relevant facts renders the contract void.
2. **Principle of Proximate Cause:** It is also called as Causa Proxima or the nearest cause. Proximate cause implies when the loss is the result of two or more causes. The insurance provider shall investigate the nearest cause of the loss to the property. If the proximate cause is the one in which the property is insured, then the insurer is liable to pay the compensation. However, if it is not the cause to which the property is insured, then the insurer is not liable to pay the compensation.

3. **Principle of Insurable Interest:** As per the principle of insurance interest, the insured must have an insurable interest in the property. Insurable interest of the insured property means that such property must be of some financial benefit to the insured, as well as, lead to a financial loss in case there is any damage or destruction caused to it.
4. **Principle of Indemnity:** The term indemnity means to make good the loss. The insured is to be compensated in the event of any loss occurred to him. According to this principle, the insurance companies undertake to compensate the insured on the fulfillment of all the stipulations and conditions that are agreed on in the insurance contract. The insurer charges premium to cover the risk of loss of the insured. As per this principle, the insurer is liable to pay up to the amount of loss and not more than that. In other words, the insured cannot make profit out of the insurance contract. When the insurer indemnifies the insured for the full value of the insurance policy, the insurer takes possession of the damaged asset to realise the salvage value.
5. **Principle of Subrogation:** Subrogation refers to the situation when one party stands on behalf of another. Under the principle of subrogation, once the insured is compensated for the losses incurred to him for the insured property, the rights of the ownership of such property transfers to the insurer. Thus, subrogation gives the right to the insurer to claim the amount of loss from the third-party. Subrogation means the restitution of the rights of an insured in favour of the insurer against the third party for any damage caused by him in place of the assured after the insurer has indemnified him for the loss. The principle of subrogation is applicable when a third party is responsible for the loss.

   In case of any asset which is insured damaged by the third party, then the insured can sue the party who has caused the damage to claim compensation for the loss. The insured can also claim compensation from the insurance company. So, it is left to the option of the insured either to make a claim from the third party or the insurance company where the property damaged is insured. However, he cannot sue both the parties for compensation. In other words, if compensation is paid by the third party then the insurance company will not pay any compensation and vice-versa
6. **Principle of Contribution:** It applies when the insured entity takes more than one insurance policy for one and the same property. Principle of contribution is similar to the principle of indemnity, such that the insured shall not be able to derive profits through an insurance claim on one insured property by opting for different policies and/ or companies.

   The object of insurance companies is to insure the risk relating to unforeseen circumstances. In this process, they create a fund each type of risk. The fund is created out of the premiums. They must make sure that the amount of new risk under – written can be met with the existing pool of funds when they sell new business. Sometimes, the value of the asset to be insured may be more. In such cases the amount of risk involved to the company will also be more. In such cases the risk involved can be spread over different insurance companies. Generally, insurance companies concentrate more on the number of policies with lower value than limited policies with huge amounts. In such cases, the insurance companies adopt the policy of under – writing high value assets partially. A part of the total value of the asset is taken up by a single insurer and the asset is insured by more than this insurance companies. This practice has certain problems Section Copy of sharing compensation payable to the insured. Such problems are solved with the help of doctrine of contribution.

As per this doctrine of contribution the indemnity provided for the loss occurring on the asset, which is insured with several insurers has to be shared proportionately among them according to the rate able proportion of the loss. The total amount of compensation payable to the insured by all the insurance companies should not exceed the actual amount of loss occurred.

The insured has the right to recover the compensation from any insurance company on priority basis. As per this doctrine, after recovering loss from the first insurer the insured can approach other insurers. If a particular insurance pay the entire loss to the insured, then such insurance company can claim the share of compensation from other insurance companies. This holds good even when there is no prior contract to the effect among them. The right to contribution is based on the principal of equity that burdens should be shared equally.

7. **Principle of Loss Minimization:** As per the principle of loss minimization, it is obligatory for the insured to take necessary actions to minimize the loss to the insured property. The principle of loss minimization states that the owner cannot be irresponsible or negligent about their insured property.

2.8 SUMMARY

Insurance is a financial arrangement. It redistributes the unexpected losses through a legal contract. The law of large numbers helps insurers to foresee losses accurately. The term insurance can be defined in both financial and legal terms. The financial definition focuses on an arrangement that redistributes the cost of unexpected losses. That is, the collection of a small premium payment from all exposed and distributed to those suffering loss. The legal definition focuses on a contractual arrangement whereby one party agrees to compensate another party for losses. The financial definition provides for the funding of the losses whereas the legal definition provides for the legally enforceable contract that spells out the legal rights, duties and obligations of all the parties to the contract. This lesson explains about the nature, characteristics, function and importance of insurance. The seven principles of insurance explains how it works and what are the main concerns of insurance

2.9 KEY WORDS

1. **Insurance** - The term insurance can be defined in both financial and legal terms. The financial definition focuses on an arrangement that redistributes the cost of unexpected losses. That is, the collection of a small premium payment from all exposed and distributed to those suffering loss.
2. **Insurer** - The agency which is helpful in this arrangement is known as ‘Insurer’ or the Insurance Company.
3. **Insured** - The person who gets his life or property insured is known as ‘Insured’ or ‘Assured’.
4. **Insurance Policy** -The contract in writing between the insurer and insured is known as ‘Policy’.
5. **Risk Transfer:** The contract of insurance is one where the risk of one party is transferred to the other who is the insurer and can make good the loss of the insured. Risks of death, theft, illness etc., are all examples, where the risk of the insured can be transferred to the insurer. Thus, insurance is the most common form of a risk transfer.

2.10 SELF-ASSESSMENT QUESTIONS

Essay Questions:

1. Define Insurance. Explain its characteristics
2. Explain the nature of Insurance.
3. What are the various functions of Insurance?
4. Explain the importance of insurance.
5. Explain the benefits of insurance to business.

Short Answer Questions

1. Define Insurance
2. What are the Characteristics of Insurance
3. How is insurance beneficial to society?
4. Explain the benefits of insurance to individuals.

2.11 SUGGESTED READINGS

1. P.K. Gupta, Fundamentals of Insurance, Himalaya Publishing House
2. Anand Ganguly, Insurance management, New Age International.
3. M.N.Srinivasan, Principles of insurance law, Universal Publishing Company
4. Dr.E. Dharmaraj, Elements of Insurance, Simres Publications, Chennai
5. Dr.P. Periaswamy, Principles and Practice of Insurance, Himalaya publishing House

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LESSON – 3

ROLE OF IRDA

Aims and Objectives:

After completion of this lesson, you should be able to understand:

- Mission, duties and powers of IRDA
- Functions of IRDA
- Know the redressal mechanism in insurance business.

Structure

3.1 INTRODUCTION

Insurance Act, 1938 and Insurance Rule, 1939 primarily govern the conduct of insurance business in India. As per the Preamble of the Act, Insurance Act, 1938 is an act to consolidate and amend the law relating to the business of insurance. Most of the provisions of the Act are applicable to all classes of insurance business.

The Insurance Act, 1938 provides that the Government should appoint a Controller of insurance to ensure that insurance companies registered under the Act, comply with the various provisions of the Act. His duties include approval of the terms and conditions of various plans being offered by the companies, including the adequacy on the basis of premium. Scrutiny of the various returns on investments, annual accounts, periodicals, actuarial valuations etc., required to be submitted by the companies. The controller also has powers to order special investigation and also to take over the management of the companies.

After the nationalization of the insurance industry the responsibilities of supervision had reduced considerably. But with the proposal to open up the industry, following the policy of liberalization and globalization, and the likelihood of private companies being permitted to transact insurance business in India, it became necessary to establish an authority to regulate insurance corporations.

The Insurance Regulatory and Development Authority (IRDA) Act 1999 was passed by parliament in December, 1999 by which the Insurance Act 1938, the Life Insurance Corporation Act 1956 and the General Insurance Business (Nationalization) Act 1972 were amended to remove the exclusive privilege of nationalized insurance companies to transact life and general insurance business and allow for the entry of private sector players in the insurance sector. The Insurance Act 1938 allows for only Indian insurance companies registered under the companies Act 1956 to transact insurance business in India after registration with the IRDA.

3.2 INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)

The Insurance Regulatory and Development Authority is the main organization or supervisory body that regulates the insurance sector in the country. It sets rules and regulations for the functioning of the insurance industry. Its sole purpose is to protect the interest of policyholders and to develop the industry on the whole.

The IRDA or IRDAI regularly issues advisories to insurance companies in case of changes to the rules and regulations. The regulator guides the insurance industry in promoting the efficiency in the conduct of insurance business all the while controlling the rates and other charges related to insurance. This article dwells on the functioning of the IRDA, features and benefits as well as answers to frequently asked questions at the end of this reading.

As per the section 4 of IRDAI Act 1999, Insurance Regulatory and Development Authority of India (IRDAI), which was constituted by an act of parliament, appointed by the Government of India, has the following ten-member team:

(a) a chairman;
(b) five whole-time members;
(c) four part-time members,

The IRDA shall consist of not more than nine members, not more than five members of whom, including the chairperson to be full time. The whole-time members shall hold office for 5 years or until the age of 62 (65 in the case of chairperson) whichever is earlier, part time members will hold office not more than 5 years. The above said members to be appointed by the Central Government from among persons of ability and standing who have knowledge or experience in life insurance, general insurance, actuarial science, finance, economics, law, accountancy, administration or any other discipline which would in the opinion of the Central Government, be useful to the Authority.

The IRDA Act, 1999 provides huge opportunities to private sector to do insurance business. The Act provides for the establishment of statutory insurance regulatory and development authority to regulate, promote and ensure orderly growth of the insurance industry. It protects the interests of the policy holders and ensures benefits from the insurance industry. There were 43 insurance companies operating in India at the end of 2014, of this 21 were life insurers and around 22 non-life insurance companies, and one reinsurance company. Among the non-life companies, Agricultural insurance company handles crop insurance and Export Credit Guarantee Corporation is transacting export credit insurance.

Establishment of IRDA

The Government of India was the regulator for the insurance industry until 2000. However, to institute a stand-alone apex body, the IRDA was established in 2000 following the recommendation of the Malhotra Committee report in 1999. In August 2000, the IRDA began accepting applications for registrations through invites and allowed companies from other countries to invest up to 26% in the market. The IRDA has outlined several rules and regulations under Section 114A of the Insurance Act, 1938. Regulations range from registration of insurance companies for operating in the country to protecting policyholder's interests. As of September 2020, there are 31 General Insurance companies and 24 Life Insurance companies who are registered with the IRDA.

Mission of IRDA

The mission of IRDA include the following.

1. To protect the interest of and secure fair treatment to policy holders.
2. To bring out speedy, and orderly growth of the insurance industry (including annuity and super annuity payments) for the benefits of the common man and to provide long term funds for accelerating growth of the economy.
3. To promote monitor and enforce high standard of integrity, financial soundness, fair dealing and competence of those if regulates.
4. To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractice and put in place effective grievance redressal machinery.
5. To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness among market players.
6. To take action where such standards are inadequate or ineffectively enforced.
7. To bring about options, amount of self-regulation in day to day working of the industry in consistent with the requirements of prudential regulations.

Features of IRDA

Following are the salient features of the apex body, the Insurance Regulatory and Development Authority of India:

- Acts as a regulator for the insurance industry.
- Protects the policyholder's interests.
- Rules and regulations are framed by the apex body under Section 114A of the Insurance Act, 1938.
- It is entrusted under the Insurance Act to grant the certificate of registration to new insurance companies to operate in India.
- Oversees the insurance industry's activities to ensure sustained development of insurers and policyholders.

Important Role of IRDA

The insurance industry in India dates back to the early 1800s and has grown over the years with better transparency and focus on protecting the interest of the policyholder. The IRDA plays an integral role in emphasizing the importance of policyholders and their interest while framing rules and regulations.

Important roles of the IRDA

1. To protect the policyholder's interests.

2. To help speed up the growth of the insurance industry in an orderly fashion, for the benefit of the common man.
3. To provide long-term funds to speed up the nation's economy.
4. To promote, set, enforce and monitor high standards of integrity, fair dealing, financial soundness and competence of the insurance providers.
5. To ensure genuine claims are settled faster and efficiently.
6. To prevent malpractices and fraud, the IRDA has set up a grievance redress forum to ensure the policyholder is protected.
7. To promote transparency, fairness and systematic conduct of insurance in the financial markets.
8. To build a dependable management system to make sure high standards of financial stability are followed by insurers.
9. To take adequate action where such high standards are not maintained.
10. To ensure the optimum amount of self-regulation of the industry.

Duties and Powers of the IRDA

The following are the powers of IRDA.

1. To regulates, and promote insurance business and reinsurance business.
2. Powers to registration, renew, modify, withdraw, suspend or cancel the registration of insurance companies.
3. Conducting inquiries, investigations, audit of insurers, intermediation, insurance intermediaries and other organization connected with insurance business.
4. Control and regulation or rates, advantage, terms and conditions offered by insurers inrespect of general insurance business.
5. The powers to control price of the product, premium rates which are fixed by the Tariff Advisory Committee constituted under section 64U of the Insurance Act 1938.
6. Investment policy of the insurance companies is governed by the guidelines of the IRDA.
7. The IRDA may direct the insurer to invest certain proportion of their funds in specified securities.
8. The IRDA has power to investigate and inspect the affairs of insurance companies.
9. The insurers are required to prepare balance sheet, profit and loss account and a separate account of receipts and payments and a revenue account in respect of each type of insurance business and made mandatory for the appointment of Actuary.

Functions of the IRDA

The following are the important functions performed by the IRDA.

1. Protect the interests of policy holders in matters like assigning of policy, nomination by

policy holders in matters like assigning of policy, nomination by policy holders, insurable interest, settlement of claims, and surrender value of policy etc.

2. Specify the code of conduct for surveyors and loss assessors.
3. Promoting efficiency in the conduct of insurance business.
4. Promoting and regulating professional organizations connected with the insurance and reinsurance business.
5. Specifying the norms in which the books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries.
6. Regulating the investment of funds by insurance companies.
7. Regulating the margin of solvency.
8. Adjudication of disputes between insurance and insurance intermediaries.
9. Supervising the functioning of the Tariff Advisory committee.
10. Specifying the percentage of premium income of the insurer.
11. Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurers in rural sector.

Working of IRDA

The apex body of the insurance industry, the IRDA, ensures it frames rules and regulations without any ambiguity towards any particular insurance company. To ensure fairness and the financial soundness of the industry, the main work of IRDA revolves around the policyholder's interests. The following are the main works of IRDA:

1. Issues certificate of registration to new insurance companies.
2. Sets rules and regulations to ensure the interests of the policyholder are taken care of.
3. Monitors all claims are settled in all fairness and that no insurer will deny any claim on their own free will.
4. Regulates the code of conduct of the insurance companies, insurance intermediaries, and others associated with the insurance industry.
5. Provides solutions in case of disputes through the IRDA ombudsman.
6. Controls and regulates the rates of insurance to prevent unwanted price hikes in the insurance premium.
7. The apex body is responsible for setting the minimum percentage limit of insurance companies for General and Life Insurance, thereby developing both urban and rural sectors.

Types of Insurances Regulated by the IRDAI

Insurance is mainly divided into Life and Non-Life/General Insurance. These are further classified into other types of insurance. Below are the types of insurance regulated by the IRDAI:

- ❖ Life Insurance
  - ✓ Term Plans
  - ✓ Endowment Policies
  - ✓ Unit-linked Insurance Policies

- ✓ Retirement Policies
- ✓ Money-back Policies

❖ General Insurance

- ✓ Health Insurance Policies
- ✓ Vehicle/Motor Insurance Policies
  - Car insurance
  - Bike Insurance
- ✓ Property Insurance Policies
- ✓ Travel Insurance Plans
- ✓ Gadget Insurance Plans

3.3 IRDA PERMITS LIFE INSURERS TO OUTSOURCE INVESTMENT

Insurance Regulatory and Development Authority (IRDA) has allowed the private life insurers to outsource some of the investment functions including custodial services and calculation of Net Asset Value (NAV) of unit-linked products (ULIP). The custodial service provider should maintain confidentiality and protect data from international or inadvertent disclosure to unauthorized persons. The outsourcing function of calculation of NAV would be advantageous in view of higher investments required in acquiring hardware and software for small-sized funds. Life Insurers to outsource the custodial services, the outsourcing arrangement in no way takes away the obligations, accountability and responsibilities to the insurer to its policy holders.

The custodial service provider should have expertise in NAV computation, an adequate system to address operational risks from technology, errors and frauds, a comprehensive and effective system for disaster recovery and periodic testing of back-up facilities. The outsourcing agreement should have an exit clause providing for smooth transfer of records and functions to the insurer or its contractor in the event of termination of contract without onerous penalties.

Role of IRDA in Appointment of Agents:

The conditions of appointment of agents are regulated by LIC of India (Agents) Regulations, 1972. The procedure for appointment and renewal of licenses of agents as stipulated in IRDA Insurance Agents Regulations, 2000 will have to be strictly adhered to from the date of notification. Accordingly,

1. A person (natural persons, Registered Society, Panchayat, Co-operative Society or Film or Company registered under companies Act, 1956) can be appointed as Insurance agent, in any place within India for soliciting or procuring insurance business, by the insurer or a designated person provided he holds a valid certificate of license issued byIRDA at the time of appointment.
2. The certificate of license will be issued by IRDA as per the procedure prescribed in the Insurance agents Regulations, 2000. The designed persons (appointed by the insurer having authority to appoint agents, and notified to the authority) will receive and forward the application for issue or renewal of license, with requisite fees prescribed by IRDA, to IRDA in the manner prescribed in the Insurance Agents Regulations, 2000.

Solvency Margin of Insurers:

Every insurer is required to maintain a required solvency margin as per section 64 VA of the Insurance Act. The IRDA (assets, liabilities and solvency margin of insurers) regulations, 2000 describes the method of computation of the required solvency margin. Every insurer shall maintain an excess of the value of assets over the amount of his liabilities of not less than an amount prescribed by the IRDA which is referred to as a required solvency margin. The required solvency margin higher of an amount of Rs.50 crore in the case of life insurer, Rs.100 crore in the case of reinsurer or a sum which is based on a formula given in the regulation.

Reinsurance Advisory Committee:

As per section 101 A of the Insurance Act, every insurer shall reinsure with the Indian reinsurer such percentage of the sum insured on each general insurance policy may be specified by the authority which are also known as obligatory cessions or statutory cession with the previous approval of the central government after consultations with the Reinsurance advisory committee. For this purpose the authority may by notification specify the percentage of the sum insured on each policy to be reinsured with the Indian reinsurer and different percentages may be specified for different clauses on insurance that no percentage so specified shall exceed 3% of the sum insured on such policy and also specify the proportion in which the said percentage shall be allocated among the Indian reinsurer.

Regulatory Investment of Funds:

Insurance companies approached the IRDA to invest their funds in the new financial instruments. The IRDA has set up a working group to review the existing statutory prescriptions on investments for insurance companies, constraints faced by them and to suggest measures. The IRDA has issued new regulations on investment of funds by insurance companies (vide IRDA (investment) fourth amendment's regulations, 2008) after obtaining the approval of the advisory council.

For Life Insurers:

(a) Government securities not less than 25% of the fund.
(b) Government securities other approved security not less than 50% of the fund.
(c) Investment as specified in section 27A of the Insurance Act – approved investment and other investments not exceeding 35% of the fund.
(d) Investment in housing and infrastructure by way of subscription or purchase of bonds, debentures, asset-based securities and investment in infrastructure not less than 15% of the fund.

3.4 ACCOUNTING AND ACTUARIAL STANDARDS

Accounting Standards: The IRDA has issued modified regulations for the preparation of financial statements and auditors reports of insurance companies in 2002.

1. The accounting standards issued by the Institute of chartered accountant of India (ICAI).
2. Cash flow statement under the direct method.
3. The financial statement shall be accompanied by the management report, duly certified by the management.
4. The corporate governance report as per section 217 (2AA) of the Companies Act,1956.

5. The audit report is submitted by the format which is jointly audited by two auditors.

Section 12 of the Insurance Act, 1938 prescribes that all the insurance companies must be audited annually be the qualified auditors. Regulation 3(4) of the IRDA preparation of financial statements and auditor's report of insurance companies) regulations, 2002 prescribe the qualifications, experience of auditors, continuance and removal of auditors, their rotation, period of appointment etc through guidelines and directions and circulars.

Revised Guidelines:

The revised guidelines are given below.

1. The IRDA maintains a panel of auditors.
2. Insurance companies are responsible for selection of audit firms to satisfy the eligibility criterion.
3. Insurers should verify the criteria before the appointment of auditors.
4. Insurance companies should intimate to the IRDA within one week about the details ofthe auditors.
5. The IRDA has set up a committee on the regulations of the preparation of financialstatements of life and non-life insurers.
6. The committee is responsible to examine.
7. Norms for recognition of income, provisioning and asset classifications for insurancecompanies.
8. Requirements of quarterly/half yearly reports by the insurers.
9. Reports are to be submitted by the insurers by the format only.
10. Investment in derivatives including the accounting aspects.
11. Accounting and disclosure issues relating to alternate risk transfer agreements beingentered into by the non-life insurers.
12. Tax implications.
13. Disclosure requirements for unit linked products in he financial statements of lifeinsurers to ensure transparency in reporting.
14. Laying down procedures, guidelines of claims and accounting in respect of the lifeinsurers.
15. Examine the feasibility of permitting the insurance companies to invest in real estate.

Appointed Actuary System:

The IRDA regulations, specified the privileges and obligations, qualifications ofappointed actuary. They are given below.

1. No insurer can transact life insurance business in India without appointing an actuary.
2. Appointed actuary is a full-time employee for the life insurers.
3. Appointed actuary may be a consultant or an employee for non-life insurers.
4. The IRDA defined the qualifications of an actuary.
5. The Appointed actuary has the right to attend all board meetings, participate in

discussions, rendering actuarial service to the management on product design and pricing.

The Actuaries Act, 2006:

The Government of India has notified the Actuaries Act in 2006. The actuarial profession has become very popular among professionals. The institute of Actuaries of India was constituted by the Government of India with the following objectives.

1. To promote, uphold and develop the standards of professional education, training, knowledge, practice and conduct amongst Actuaries.
2. To promote the actuarial profession.
3. To regulate the practice by the members of the profession of actuary.
4. To promote in the public interest, knowledge and research in all matters relevant to actuarial science.

Actuarial Standards:

The Actuarial Society of India (ASI) may issue guidelines (actuarial standards) to its members to protect the public. The ASI issued the first guidance note on appointed actuaries and life insurance. This guidance notes on appointed actuaries and life insurance. This guidance note is a mandatory professional standard and covers the major responsibilities of theappointed actuary to maintaining solvency of the insurer.

The ASI issued guidance notes for the appointed actuaries of general insurers. It covers many aspects like the responsibilities and duties of the appointed actuaries, premium rates, policy conditions of new products and already existing products, capital requirements, actuarial investigations, premium and claims reserves and guidance to actuaries who are directors on the board or consultants of general insurance companies.

International Associations of Insurance Supervisors (IAIS):

The International Associations of Insurance Supervisors (IAIS) was established in 1994 to promote cooperation among the insurance supervisors and financial sector institutions. The IAIS provides an effective forum for practitioners and policy makers to share knowledge, expertise, and experience.

The executive committee, budget committee, technical committee implementation committee have to look after the affairs of the day-to-day activities. Its headquarters is located at Basel, Switzerland. It helps to maintain fair and efficient insurance markets for the benefit of protecting the policy holders. It develops principles, standards, and guidance for effective insurance supervision.

It collaborates with international financial institutions and international associations of supervisors or regulators in shaping financial systems. It provides input to the International Accounting Standard Board (IASB) for its work on International Financial reporting Standards (IFRS).

3.5 IRDA TECHNICAL COMMITTEE

The Government of India has constituted a high-level coordination committee of financial and capital markets to regulating coordination and resolving inter regulatory policy matters and policy issues. The guidelines include the following.

1. It addressed the policy issues of coordination among regulators regarding regular reviews of the capital markets.
2. It has three technical sub committees.
3. It provides an inter-agency forum to review, exposure of the insurance sector.
4. To sharing information about the misconduct of the insurance companies.
5. To develop benchmark parameters of emerging irregularities in the insurance sector.
6. To coordinate with other regulators based on the early warning system.
7. The technical committee deals with the flow of funds to the capital markets.
8. Exposure to capital markets.
9. Operationalize the information system for supervision of financial conglomerates.
10. Operationalize the revised integrated system of alert.

3.6 REDRESSAL OF PUBLIC GRIEVANCES RULES, 1998

The redressal of public grievances rules shall apply to all insurance companies operating general insurance business and life insurance business in India. The objects of the rules are to resolve complaints relating to settlement of claims on the part of insurance companies in an efficient and impartial manner. By exercising the powers conferred in subsection (1) of section 114 of the Insurance Act, 1938, the Central Government framed the rules. By these rules, any person who has a grievance against any insurer makes a complaint in writing to the Insurance Ombudsman. The offices of the Ombudsman shall be located at such place specified by the Insurance council.

The advisory committee consists of five eminent persons shall be notified by the Government to assist the IRDA to review the performance of the Ombudsman. The IRDA may recommend to the Government appropriate proposals for effecting improvements in thefunctioning of Ombudsman and suggestions for improvement of the insurance sector.

Governing Body of Insurance Council

The Governing body of the insurance council consists of one representative from each of the insurance companies. The representatives of an insurance company shall be the Chairman or the Managing director or any one of the directors of such company. The governing body will formulate its own procedures for conducting business. The Chairman of Life Insurance Corporation of India shall act as the Chairman of the Governing body.

Insurance Ombudsman

Insurance Ombudsman was created in 1998 for arbitration between customers and insurance companies. In India, 12 insurance Ombudsmen have been empowered to settle disputers arising out of repudiation of claims by an insurer, premiums paid or payable legal aspects of the policies, and delay in settlement of claims etc. The governing body shall appoint one or more persons as Ombudsman of the purpose of the rules. The ombudsman shall have exposed to insurance industry, civil services, administrative services and judicial services etc. He shall be appointed for a term of three years and shall be eligible for reappointment and he should not exceed 65 years of age.

Powers of Insurance Ombudsman

The ombudsman may receive complaints under rule 13 any partial or total repudiation of claims by any insurer, dispute in regard to premium paid or payable in terms of the policy, any dispute on the legal construction of policies relate to claims, delay in settlement of claims, non-issue of any insurance document to customers after receipt of premium etc.

The Ombudsman shall act as counselor and mediator in matters which are within his terms of reference and if requested to do so in writing by mutual agreement by the insured persons and insurance company. The decision of the ombudsman is final. The ombudsman may ask the parties for necessary papers in support of their claims and where he considers necessary, he may collect factual information available with the insurance company. He shall dispose of a complaint fairly and equitably. He should adopt a procedure other than mentioned in sub rules 1 and 2 of the rule 13 for dealing with a claim. The recommendations of the Ombudsman shall be sent to the complainant of the concerned insurance company.

The ombudsman shall send a copy of the recommendation along with the acceptance letter received from the complaint. The insurer shall thereupon comply with the terms for the recommendations within 15 days of its compliance. On the basis of facts and circumstances of a claim, the ombudsman shall pass an award. The award shall state the amount awarded to the complainant. The ombudsmen shall pass award with in a period of three months from the date of receipt of the compliant. The ombudsman has power to make ex-gratia payment.

3.7 TARIFF ADVISORY COMMITTEE

Tariff Advisory committee (TAC) is an advisory body set up under the Insurance Act, 1938 Section 64 of the Act, defines it as a body which controls and regulates rates, terms and advantages of general insurance business. The committee will concentrate the areas of insurance such as fire insurance, marine hull insurance, marine cargo insurance, motor insurance, industrial risks insurance etc.

Objectives of TAC

The following are the objectives of Tariff Advisory Committee.

1. Tariffs should be simplified to understand easily and customer friendly.
2. Tariff should be made sensitive to the market requirements.
3. It eliminates delays in decision making.
4. Prescribe codes of practices to specific industries for achieving a minimum safetylevel.
5. Develop software packages to specific industries for insurance rating.
6. To conduct technical audit and recommend companies improving the underwritingstandards.
7. Impart training to the technical staff of insurance companies.

Functions of TAC: The important functions of the Tariff Advisory Committee are described asfollows.

1. **Market stability and correct pricing:** Insurance policies have to be priced correctly to ensure claims of the insured when need arises. It ensures stability in the insurance market, and strengthens public confidence.
2. **Standardization:** The insurance offer is to be standardized to avoid confusion. The insured’s interest should be protected by standardization of products.

3. **Ensuring Equity amongst the Insured:** There should not be any unfair discrimination between risks.
4. **Ensuring Equity amongst the Insurer:** Competition is equitable and based on uniform rates, terms and conditions, which emphasize better services for the insured.
5. **Collection of information:** Section 64 UC of the Insurance Act, 1938 gives powers to the TAC to collect statistics from insurance companies and verify the accuracy of information submitted.

3.8 SUMMARY

The Insurance Regulatory and Development Authority (IRDA) Act 1999 was passed by parliament in December, 1999 by which the Insurance Act 1938, the Life Insurance Corporation Act 1956 and the General Insurance Business (Nationalization) Act 1972 were amended to remove the exclusive privilege of nationalized insurance companies to transact life and general insurance business and allow for the entry of private sector players in the insurance sector. The Insurance Act 1938 allows for only Indian insurance companies registered under the companies Act 1956 to transact insurance business in India after registration with the IRDA.

The Government of India was the regulator for the insurance industry until 2000. However, to institute a stand-alone apex body, the IRDA was established in 2000 following the recommendation of the Malhotra Committee report in 1999. There are specific mission, features, role, duties, powers, functions of IRDA. It has different types of insurances regulation principles. Its working role is also very unique. The IRDA has issued modified regulations for the preparation of financial statements and auditors reports of insurance companies in 2002. There a set of accounting standards followed by IRDA. The Government of India has constituted a high-level coordination committee of financial and capital markets to regulating coordination and resolving inter regulatory policy matters and policy issues.

The redressal of public grievances rules shall apply to all insurance companies operating general insurance business and life insurance business in India. The objects of the rules are to resolve complaints relating to settlement of claims on the part of insurance companies in an efficient and impartial manner.

Tariff Advisory committee (TAC) is an advisory body set up under the Insurance Act, 1938 Section 64 of the Act, defines it as a body which controls and regulates rates, terms and advantages of general insurance business. The committee will concentrate the areas of insurance such as fire insurance, marine hull insurance, marine cargo insurance, motor insurance, industrial risks insurance etc.

3.9 KEY WORDS

IRDA - The Insurance Regulatory and Development Authority is the main organization or supervisory body that regulates the insurance sector in the country. It sets rules and regulations for the functioning of the insurance industry. Its sole purpose is to protect the interest of policyholders and to develop the industry on the whole.

IAIS : The International Associations of Insurance Supervisors (IAIS) was established in 1994 to promote cooperation among the insurance supervisors and financial sector institutions. The IAIS provides an effective forum for practitioners and policy makers to share knowledge, expertise, and experience.

TAC : Tariff Advisory committee (TAC) is an advisory body set up under the Insurance Act, 1938 Section 64 of the Act, defines it as a body which controls and regulates rates, terms and advantages of general insurance business. The committee will concentrate the areas of insurance such as fire insurance, marine hull insurance, marine cargo insurance, motor insurance, industrial risks insurance etc.

3.10 SELF ASSESSMENT QUESTIONS

Short Answer Questions

1. IRDA
2. Reinsurance Advisory Committee
3. Actuary System
4. Actuarial Standards
5. Insurance Ombudsmen
6. Governing Body of Insurance Council
7. Tariff Advisory Committee

Essay Questions

1. Explain the origin and importance of Insurance Regulatory and Development Authority
2. Explain the Mission, duties and powers of IRDA
3. What are various functions of IRDA
4. Explain the regulations of IRDA relating to Investment policies of Insurance companies
5. Explain the guidelines of IRDA relating to accounting and actuarial standards.
6. State the redressal mechanism available in Insurance business
7. What is tariff advisory committees?
8. Explain the function of TAC?

3.11 SUGGESTED READINGS

1. P.K. Gupta, Fundamentals of Insurance, Himalaya Publishing House
2. Anand Ganguly, Insurance management, New Age International.
3. M.N.Srinivasan, Principles of insurance law, Universal Publishing Company
4. Dr.E. Dharmaraj, Elements of Insurance, Simres Publications, Chennai
5. Dr.P. Periaswamy, Principles and Practice of Insurance, Himalaya publishing House

Dr.M.Syamala

LESSON – 4
INSURANCE IN INDIA

Aims and Objectives:

- To understand the history of insurance in India.
- To understand the main the development of insurance in India.
- To know the present status of Insurance in India.

Structure

4.1 INTRODUCTION

Insurance implies the protection from financial loss. It is one of the forms of risk management, mainly used to hedge against the risk of an unforeseen loss. Insurance is represented in the form of policy. It is a contract in which an individual or a business seeks financial protection from a firm as a reimbursement from the insurance company for the loss (big or small) caused to their property. For the insurance transaction to take place, the insurer and the insured enter into a legal contract, called insurance policy. The policy provides financial security from future uncertainties.

Insurance plays a very important role in modern business. It is one of the important aids to trade. All types of business activities are subjected to risks of loss or damage due to unforeseen events. Loss or damage may arise due to fire, theft, natural calamities like flood etc. The employees in any walk of life are liable to these types of risks or loss. Business firms can provide protection against these risks through insurance. The idea of insurance is based on social co-operation. The loss suffered by anyone insured is spread among a large number of insured who contributes small accounts of premium.

4.2 HISTORY OF INSURANCE

In India, insurance has a deep-rooted history. The word insurance owes it origin from the word insure. A reference of insurance was found in Rigveda with the name Yogakshema which means wellbeing and security of people. It also is mentioned in writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers' contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular.

Insurance means to secure the payment of a sum of money in the event of loss or damage to either life or property as per the contract made thereof but not as per the actual amount of premium or contribution paid. The marine insurance is the oldest form of insurance followed by life insurance and fire insurance. Fire insurance originated in Germany in the beginning of the 16th Century. In the 16th century life insurance first started in England. The first life that was insured was of Mr. William Gybbons on June 18, 1653. The first registered office of life was in England with the name Hand in Hand society in 1696. In England in 1866 there was a great fire in which 85 per cent of the house was burnt and property worth sterling 10 crores were damaged. The fire insurance took momentum after this disaster.

In 1818 with the establishment of the Oriental Life Insurance Company in Calcutta the advent of life insurance business came into India. This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. In the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, was dominated by foreign insurance offices which did good business in India. These include Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance. General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., in 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd., was set up. This was the first company to transact all classes of general insurance business. Insurance regulation formally began in India by passing of two Acts, viz., the Life Insurance Companies Act of 1912 and the Provident Fund Act of 1912. The Insurance Act of 1938 is the first comprehensive legislation which provides the Government to control over insurance business in India.

The process of re-opening of the sector had begun in the early 1990s. In 1993, the Government set up a committee under the chairmanship of R N Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The committee submitted its report in 1994 wherein, it recommended that the private sector be permitted to enter the insurance industry. Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%. The insurance sector is a huge unit growing at a speedy rate of 15-20%. A well-developed and evolved insurance sector is a boon for economic development.

Milestone in the Insurance Sector

1818	Life Insurance business introduced in India through Oriental Life Insurance Company (Calcutta)
1829	Madras Equitable started transacting life insurance in the Madras Presidency
1834	Failure of the Oriental Life Insurance Company
1870	British Insurance Act enactment
1871	Set up of Bombay Mutual
1874	Set up of Oriental
1897	Set up of Empire of India
1907	The first company transacted general insurance business was the Indian mercantile insurance company Ltd.
1914	Government of India published returns of the Insurance Companies in India
1912	Regulation of the Insurance by the Indian Life Assurance Companies Act
1928	The Indian insurance companies act was enacted
1938	Consolidation of the earlier legislation and amendment of the Insurance Act
1956	Nationalization of Insurance by taking over 245 Indian and foreign insurers and provident societies. Life Insurance corporation was formed.
1957	General Insurance council framed a code of conduct for fair and sound business practices.
1968	Insurance act was amended to regulate investment and also set up of tariff advisory committee.
1971	General Insurance Corporation of India incorporated as a company
1972	General Insurance business was nationalized.
1973	Insurance business nationalized
1993	RN Malhotra committee formed to propose recommendations for reforms in the insurance sector in India
1999	IRDA Act was passed and paved way for privatization of insurance sector in India.
2000	IRDA incorporated as a statutory body Subsidiaries of the General Insurance Corporation of India were restructured as independent companies GIC was converted into a national re-insurer
2002	IRDA Act and Insurance Act have been amended.
Presently	34 general insurance companies including the Export Credit Guarantee Corporation of India (ECGC) and Agriculture Insurance Corporation of India and 24 life insurance companies are operational in India

4.3 MARINE INSURANCE

Marine Insurance is the oldest type of insurance and one of the earliest records of a marine policy relates to a Mediterranean Voyage in 1347. This was followed by life insurance some 300 years later. Marine Insurance was first developed by Merchants of Lombard and Hersa. It soon spread throughout Spain, Portugal, France, Holland and England. Lombard Street in London became a prominent centre of marine insurance business. The Lloyd's Coffee house gave in impetus to develop the marine insurance business. Marine insurance was brought to England from Italy by the Lombard merchants who settled in England and controlled a large portion of British trade in 15th and 16th centuries. Lombards were great traders, and in addition to their goods, the bought with them. Their business methods and practices, including insurance. Their place in British commercial history is recorded in the name of Lombard Street in the city of London. The records of British Admiralty Court indicate that marine insurance was in Existence in the Early 1500's.

There are references that marine insurance was practiced in India three thousand years ago, there is no evidence that insurance in its present form was practiced prior to the 12th century. Prof. Moreland has referred that the practice of insurance was quite common during the reign of Akbar to Aurangzeb but the nature and coverage of insurance of this period is not Known. In fact, Britishers introduced general insurance, in its modern form, in India when they opened their branches around 1700.

4.4 LIFE INSURANCE

The first policy providing temporarily life assurance cover for a period of 12 months was issued as early as in 1583 A.D. in England. The Amicable society started granting fluctuating sum on death since 1705 and a fixed sum since 1757. With the development of mortality tables, life assurance acquired a scientific character. The Equitable society founded in 1762 was the first to be established on scientific basis.

In India, two British Companies, the European and the Albert, attempted writing business on Indian lives and failed in 1870. The first Indian Life assurance society was formed in the same year called Bombay Mutual Assurance Society Ltd. It was followed by the Oriental Life Assurance Company Limited in 1874, Bharat in 1896 and the Empire of India in 1897. The Swadeshi movement of 1905 provided impetus to the formation of several companies such as the 'Hindu stand co-operative', the 'United India', the Bombay Life and the 'National'. The Government began to exercise a certain measure of Control on insurance business by passing the 'Insurance Act' in 1952. The Insurance Act was comprehensively amended as passed as new Act in 1938 for controlling investment of funds, expenditure and management.

By the year 1955, approximately 170 insurance offices and 80 provident fund societies has been registered for transacting life assurance business in India. There was, however, no full guarantee to the policy holders. The concept of trusteeship was lacking. Many insurance companies went into liquidation. There were malpractices in the business. In 1956, the Government of India decided to nationalize the life assurance business in India. The first step, in this direction was taken by issuing the Life Insurance (Emergency provisions) ordinance, 1956 on 19th January 1956. The Life Insurance Corporation Act was passed by Parliament in June 1956 and came into force on 1st July 1956. The Life Insurance Corporation of India came into existence on 1st September 1956.

4.5 FIRE INSURANCE

Fire is comparatively a new entrant in the field of insurance. Originally, fire insurance was taken up by German municipalities for providing compensation to the owners of the property, in return for an annual contribution, based on the rent of the premises. Fire insurance did not begin until after the Great Fire of London in 1666 which lasted for four days and four nights and destroyed over 13,200 out of its 15,000 houses and devastated 373 of the 460 acres of the city of London, besides many public buildings. This being the most disastrous fire in human history is known as the "Great Fire" and drew the attention of the public for devising insurance protection against such calamities. Fire insurance office was established in 1681 in England. With colonial development of Great Britan the fire insurance spread all over the world in the present form. Fire insurance was taken up by in India by the Britishers, Americans and other foreigners. The oldest of these companies is the Sun Insurance office which started its operation in Calcutta in 1710. The General Insurance in India could not progress much for the slow growth of joint stock companies and mechanized production was another reason for the low level of general insurance business.

4.6 DEVELOPMENT OF INSURANCE IN INDIA

The miscellaneous insurance took the present shape at the later part of nineteenth century with the industrial revolution in England. Accident insurance, fidelity insurance, liability insurance and theft insurance were the important form of insurance at that time. Lloyd's Association was the main functioning institution. Now, insurance such as Cattle Insurance, Crop insurance, Profit Insurance etc., are taking place. The scope of general insurance is increasing with the advancement of the society.

Insurance sector plays a vital role in the process of economic development. Insurance companies both life and non-life play as financial intermediaries is helpful to the economy like India. The services of the insurance sector led to efficient and productive allocation of capital resources prevent losses to firms by encouraging loss preventive measures facilitate trade, commerce and substitute for government's social security programs etc. In terms of growth indicators like gross and net premiums, geographical spread of insurance, class wise distribution, underwriting, reinsurance operations, investment income and overall profitability the general insurance has grown better. During 1999-2000 the gross domestic premium has increased to Rs.9,522 crore. The premium income originated outside India was Rs.460 crore, the net premium income was Rs.9,364 crore. The class wise distribution of insurance business shows different trends. Fire, miscellaneous and marine insurance accounted for 24%, 66% and 10 per cent respectively in 2005. The net incurred claim ratios were 38 per cent, 97 per cent and 67 per cent during the same period. Within India, by region wise 40 per cent of the premium written generated from western region being the highest and only 9 per cent being the lowest, generated from eastern region. The northern and southern region have accounted for about 26 per cent and 24 per cent of the gross premium respectively in 1999-2000. India is the fourth largest economy in the global in terms of purchasing power parity behind only USA, China and Japan. Insurance is Rs.400 billion business in India. The gross premium collection was about 2% of the GDP and growing between [5 to 20% per annum]. The Liberalization of insurance sector has resulted in new opportunities to young graduates in actuarial, fund management and health care related business. The insurance business has large untapped potential. Until 2005 only 22% of the insurable population was covered by insurance. It reflected low per capita premium of $ 9 for India as compared to $ 42 for Thailand. There is a need to reorient the insurance sector in a manner that to fulfill its mandate of providing risks cover. This sector would gain the requisite degree of efficiency and professionalism. Until 2009, 21 life insurers and 22 non-life insurers got license from IrDA to do insurance business. The private insurance players established their identities and competing in the Indian market within a short span of time. The private players grow steadily since they have started insurance business. The average size of a life insurance policy has risen to Rs.1.1 lakh for private sector. The general insurance industry has operations in 30 countries, out of those in 16 countries it is opening directly and in 14 countries through subsidiary and associated companies. Although the total number of insurance products in the general insurance industry are around 175, only a few i.e., 40 to 50 products have dominated the market controlling about 75-80% of the total market. Rest of the products have not been popular as they lack mass base, may be due to poor publicity and marketing, lack of awareness, and high premium rates etc.

The opening up of insurance sector has contributed favourably to insurance growth and a substantial increase in the GDP emanating from insurance. Investment in small savings constituted 20% of the savings of the household sector. Saving in the form of life insurance funds accounted for 15% the saving contribution of insurance funds was 14% i.e., 2.4% of the GDP at the current market process in 2005-06. The share of insurance funds in household savings increased from 15% to in 2006-07 to 17.5% in 2007-08 reflecting that households need for insurance products customized to different segments of the households. Savings in the form of life insurance funds increased to 17% in 2007-08 form 14.4% in 2006-07. Postal insurance has marginally increased from 0.3% in 2006-07 to 0.4% in 2007-08 and the share of mutual funds has increased from 5.2% to 7.7% in 2007-08.

The life insurers underwrote the premium of Rs.14320.20 crore during the first quarter of 2007-08 of this the LIC accounted for Rs.7,524.56 crore and the private insurers accounted for Rs.6795.64 crore. Individual business accounted for Rs.10995.90 crore and group business for Rs.3324.30 crore. In respect of the LIC individual business was Rs.5275.71 crore and group business were Rs.2248.85 core. In the case of private insurers, they were Rs.5720.19 crore Rs.1075.45 crore respectively. The market share of the LIC was 52.55% in the total premium collected and 63.88% in the number of policies underwritten. Under the group insurance schemes 56.13 lakh lives were covered, the LIC accounted for 38.96 lakh and the private insurers covered 12.77 lakh. The life insurers covered 12.50 lakh lives in the socials sector with a premium of Rs.17.10 crore and underwrote 13.53 lakh policies with a premium of Rs.1275.78 crore in the rural sector.

The total number of non-life policies issued was 572.20 lakhs in 2007-08, of these 33% was by the private insurers and 67% were by the public insurers. The general insurance companies have under written a total premium of Rs.27823.74 crore in 2007-08. The private insurers have increased their market share over the past few years and in 2007-08 it was 39.51%. Among the public sector insures, New India had the largest market share at 19% oriental insurance, National insurance and United insurance had the market share at 13.69%, 14.40%, 13.44% respectively. Among the private insurers, ICICI Lombard had the highest market share of 12% followed by Bajaj Allianz with 9%. The highest contribution has come from motor segment was highest which constituted 46% of the total premium. The fire segment constituted 12% in the total premium underwritten; health premium contribution was 18% marine segment has contributed to 6%. The total premium underwritten outside India was Rs.981.36 crore in 2007-08.

The public sector insurers have reported profits on account of the higher investment income. The net profit earned by the public and private sector insurers has declined to Rs.2249.31 crore. The GIC received statutory cession of 15% on each policy issued by domestic insurers. It manages of the third-party motor pool. The gross premium written by the GIC during 2007-08 was Rs.9315.55 crore. It has recommended dividend at Rs.9.60 per share to the shareholders. The IRDA directed setting up of Indian motor third party insurance pool by all general insurers in India collectively serve commercial vehicle third party insurance business.

The magnitude of the business expansion of the life insurance sector can be gauged from fact that the compound average growth rate (CAGR) stood at over 37% over the last seven years. The penetration and density of the life sector had also gone up from 1.2% to 4.1% and Rs.280 to Rs.1510 respectively between 2000 and 2006. On the life insurance side, the new business premium procured by the tied agency channel amounts to 89% of the total in the year 2006-07. The number of life insurance agents has increased from around 8 lakhs in the year 2000-01 when the sector was opened up to private insurers, to roughly 20 lakhs by the end of the year 2006-07. Out of this the number recruited by the new private insurers is around 9 lakhs, the remaining 11 lakhs being with the public insurer LIC. Among the new channels the corporate agencies had performed particularly well with the prominent share coming from the ban assurance. In the year 2006-07, corporate agents had procured 7.3% of the total new business premium mobilized, two thirds of which had come from the banc assurance.

Indian insurance market became competitive owing to the entry of private players. Consequently, life insurance products face stiff competition from other investment options like Bonds, fixed deposits, mutual funds, and national saving schemes which provide safety, growth and liquidity and tax benefits also. The market share of private life insurance companies has increased since 1999 the insurance sector has been open up for private sector companies absorbed the market share of 13 per cent during 2003-04 and rose to 26.6 per cent until 2006. The life and non-life insurance market in India were Rs.127213 crores. The global insurance market grew at the rate of 4.9 per cent. The growth in premium underwritten in India and abroad in 2005-06 for life was 28 per cent and non-life grew at 16 per cent in 2005. According IRDA the private non-life insurers have corned 27 per cent of the market share of non-life business. The ICICI Lombard was the first private non-life insurer has earned Rs.1,000 crores premium income with 8 per cent of the market share of the non-life insurance business.

The New India Assurance has the market share of 23 percent. Among the top insurance companies, the Bajaj Allianz has the largest market share with 7.56 per cent at the end of 2005-06 followed by ICICI prudential with 7.34 per cent. The general insurance penetration in India is among the lowest in the world. The general insurance penetration (measured as a % of GDP) is also the lowest amongst the various financial services product categories in India and has remained largely stagnant over the last ten years. There is a paucity of agency channels selling only general insurance. This is due to general insurance not being considered an attractive career option as it is difficult for the agent to make a livelihood from sales of only general insurance products. The person would be required to enter into an agency contract with a general insurance company and to be registered with the Authority. It would be pre-requisite for a person to undertake training provided by the insurance company to qualify as an agent.

Agency training would be the responsibility of the individual insurance company. It is proposed that curriculum for a standard training program is defined by the authority. This program should stress on matters related to legal compliance, laws and regulations, taxation and general code of conduct. Both categories of agents would be required to undertake mandatory training. However, for a person to qualify as insurance agent, the authority will also need to certify the agent through an examination. This examination will be conducted by an independent institute accredited by the authority. In addition to the mandatory training, each company would be required to develop its own agency education program imparting knowledge of products, procedure for soliciting business, nature of contracts and claims handling. The insurance company will be required to maintain records of such training conducted. There is a need to encourage qualified professionals (trainee) to take up a career in general insurance.

The IRDA has constituted a committee in 2007 headed by Shri N.M. Govardhan to study the manner in which the distribution channels have been functioning, their efficiency, cost effectiveness, their weakness and recommended policy changes for making effective, professional and accountable to serve the interests of the insured. The insurance industry provides financial intermediation, transferring funds from the insured to capital investment which is prerequisites for economic development and growth, besides generating long term funds for infrastructure development. The contribution of insurance funds to financial savings was 14.2 per cent (2.4 per cent) of the GDP at the current market prices in 2005-06. The life insurance penetration has increased to 2.53 per cent in 2005-06. India has the privilege of having as much as 25 global insurance giants vying each other to strengthen their position in the not much tapped Indian insurance market. The net incurred claim of non life insurers were Rs.16370 crore in 2007-08. As a ratio of net premium, the net incurred claims of public sector insurers were 90% while it was in the private sector insurers was 72%. The fire segment has exhibited a higher incurred claims ratio cross the industry at 69% the motor segment reported a significant decline in the claim ratio. In the case of the public sector insurers, the incurred claim ratio was the highest in the health segment at 112% followed by motor and marine segments at 104% and 63$ respectively. In the case of private sector, the incurred claim ratio was the highest in marine business at 100% followed by health segment at 95% and motor segment at 72%.

India’s share in global life insurance market was 3.23% in 2021. The life insurance premium registered year over year growth of 10.2% in FY22, with new businesses contributing 45.5% of the total premiums received by the life insurers.

- India's share in global non-life insurance market was ~1% in 2021. The Indian non-life insurance sector recorded 11.3% growth during 2021 whereas the global non-life insurance premium had only 8.4%
- The gross direct premium of non-Life insurers (within and outside India) registered YoY growth of 10.8%, primarily driven by health and motor segments. The net incurred claims of non-Life insurers stood at INR 1.4 Lakh Cr in 2022 primarily driven by rising per capita income, product innovations and customization, development of strong distribution channels, and rising financial literacy.
- The insurance penetration of life insurance sector has gone up from 2.2% in 2002 to 3.2% 2022
- The insurance penetration of non-life insurance sector has gone up from 0.5% in 2002 to 1% 2022
- The life insurance density has gone up from $9.1 in 2002 to $69 in 2022
- The non-life insurance density has gone up from $2.4 in 2002to $22 in 2022

- Life insurance industry recorded a total written premium income of $91 Bn (INR 6.93 Lakh Cr) in 2022, registering growth of 10.2% over 2021. The private sector insurers posted 17.4% growth in premium, LIC recorded 6.1% growth
- In 2022, new business and renewal premium accounted for 45.5% and 54.5% of the total premium received by life insurers, respectively
- The traditional products registered a growth of 10.1% in 2022, with premium of $77 Bn (INR 5.92 Lakh Cr).
- Unit-linked products (ULIPs) registered a growth of 10.2% with increase in premium to $13 Bn (INR 1 Lakh Cr) in 2022. The share of unit-linked products in total premium was 14.5%
- In 2022, the life insurance industry registered a growth of 3.5% in the number of new policies issued against 2021
- Non-life insurance industry underwrote total direct premium of ~$29 Bn (INR 2.21 Lakh Cr) in FY 22, registering a growth of 11% from FY 21
- The Indian health insurance industry reported a growth of 26.3% in 2022, making it the largest non-life insurance sub-segment with a market share of about 36%, followed by the motor segment at 32%
- Fire and other segments also recorded positive growth of 7.1% and 1.1%, respectively in 2022
- The general and health insurers have issued 266 Mn policies in 2022, reporting an increase of 7.7%
- The number of insurance policies issued to women in the year 2021-22 is around 10 Mn which is 34.7% of 30 Mn total insurance policies as against a share of 33% in 2020-21
- The total mortality protection gap in India stands at $16.5 Tn (as of 2019) with an estimated protection gap of 83% of total protection need. This offers a huge opportunity to life insurers with an estimated additional life premium opportunity of average $78.2 Bn annually over 2020-30
- The insurance regulator IRDAI has also undertaken various initiatives towards boosting the insurance penetration, such as permitting insurers to conduct video-based KYC, launching standardized insurance products and allowing insurers to offer rewards for low-risk behaviour
- IRDAI has taken up the mission of 'Insurance for All' by 2047 which is expected to lead to a significant increase in insurance penetration and would help in bolstering the ease of doing business and will aid in making the sector more investment-friendly
- IRDAI has "engaged four mission-mode teams" to work on transition to a risk-based solvency regime from current regime of capital or factor-based solvency, with the aim of beginning the shift within two years
- IRDAI has allowed PE funds to directly invest in insurers, allowed promoters to dilute up to 26% stake & dispensed with its approval for raising capital such as subordinated debt and preference shares

- The IRDAI constituted a working group on standardization of Cyber Liability Insurance. IRDAI issued a guidance document on Product Structure for Cyber Insurance
- Bima Sugam: A digital platform for insurance products & services, launched as an initiative by the IRDAI to connect and empower all insurance stakeholders and cater to all insurance needs under one roof

4.7 PRESENT STATUS OF INSURANCE IN INDIA

The insurance industry of India consists of 53 insurance companies of which 24 are in life insurance business and 29 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national reinsurer, namely, General Insurance Corporation of India (GIC) Other stakeholders in Indian Insurance market includes agents (individual and corporate), brokers, surveyors and third-party administrators servicing health insurance claims.

Out of 29 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd., Apollo Munich Health Insurance Company Ltd., Max Bupa Health Insurance Company ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialized insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance.

India's Insurance industry is one of the premium sectors experiencing upward growth. This upward growth of the insurance industry can be attributed to growing incomes and increasing awareness in the industry. India is the fifth largest life insurance market in the world's emerging insurance markets, growing at a rate of 32-34% each year. In recent years the industry has been experiencing fierce competition among its peers which has led to new and innovative products within the industry. Foreign Direct Investment (FDI) in the industry under the automatic method is allowed up to 26% and licensing of the industry is monitored by the IRDAI. The insurance industry of India has 57 insurance companies - 24 are in the life insurance business, while 34 are non-life insurers

4.7.1 Market Size

India's life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a Compound Annual Growth Rate (CAGR) of 12-15 per cent over the next five years. The insurance industry in India has witnessed an impressive growth rate over the last two decades driven by the greater private sector participation and an improvement in distribution capabilities, along with substantial improvements in operational efficiencies. The insurance industry plans to hike penetration levels to five per cent by 2020. The country's insurance market is expected to quadruple in size over the next 10 years from its current size of US$ 60 billion. During this period, the life insurance market is slated to cross US$ 160 billion. The general insurance business in India is currently at rs.78,000 crore (US$ 11.7 billion) premium per annum industry and is growing at a healthy rate of 17 per cent. The Indian insurance market is a huge business opportunity waiting to be harnessed.

India currently accounts for less than 1.5 per cent of the world's total insurance premiums and about 2 per cent of the world's life insurance premiums despite being the second populous nation. The country is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years. Life insurance firms collected 18% more premiums in 2023 compared to the year before. Life insurers collected Rs. 3.71 lakh crore (US$ 44.85 billion) as the first-year premium in 2023 as against Rs. 3.14 lakh crore (US$ 37.96 billion) in 2022 shows the latest IRDAI data. Mr. Debashish Panda, Chairman, IRDAI informed that the insurance industry of India has become a Rs. 59 crore (US$ 7.1 million) industry as of February 2023. Driven by a pick-up in health and motor insurance segments, the non-life insurance industry has grown by 16.4% in 2023 compared to 11.1% in the previous year.

Among the private players, SBI Life, HDFC Life and ICICI Prudential Life led the industry in premium collection. SBI Life collected Rs. 29,587 crore (US$ 3.57 billion) premium in 2023 while HDFC Life and ICICI Prudential Life received Rs. 28,876 crore (US$ 3.48 billion) and Rs. 16,921 crore (US$ 2.04 billion), respectively.

4.7.2 Government Initiatives:

The Government of India has taken a number of initiatives to boost the insurance industry. Some of them are as follows:

- The Union Budget 2023-24 has proposed to limit the income tax exemption on the proceeds of high value life insurance policies. Mooted as part of an emphasis on better targeting of tax concessions and exemptions, the proposal means that income from life insurance policies with an aggregate premium up to Rs. 5 lakh (US$ 6,075) will be exempt from taxation.
- The government's flagship initiative for crop insurance, Pradhan Mantri Fasal Bima Yojana (PMFBY), has led to significant growth in the premium income for crop insurance.
- Ayushman Bharat (Pradhan Mantri Jan Arogya Yojana) (AB PMJAY) aims at providing a health cover of Rs. 5 lakh (US$ 6,075) per family per year for secondary and tertiary care hospitalization.
- Insurance cover for 44.6 crore persons under PM Suraksha Bima and PM Jeevan Jyoti Yojana was provided during FY23.
- In 2022, the Indian government plans to sell a 7% stake in LIC for Rs. 50,000 crore (US$ 6.62 billion). This is the largest initial public offering (IPO) in India.
- In November 2021, the Indian government signed an agreement with the World Bank for a US$ 40 million project to advance the qualities of health services in Meghalaya, including the state's health insurance programme.
- In September 2021, the Union Cabinet approved an investment of Rs. 6,000 crore (US$ 804.71 million) into entities, offering export insurance cover to facilitate additional exports worth Rs. 5.6 lakh crore (US$ 75.11 billion) over the next five years.
- In August 2021, the Parliament passed the General Insurance Business (Nationalisation) Amendment Bill. The bill aims to allow privatisation of state-run general insurance companies.
- Union Budget 2021 increased FDI limit in insurance from 49% to 74%. India's Insurance Regulatory and Development Authority (IRDAI) has announced the issuance, through Digilocker, of digital insurance policies by insurance firms.

- Under the Union Budget 2021, Finance Minister Ms. Nirmala Sitharaman announced that the initial public offering (IPO) of LIC will be implemented in FY22, as part of the consolidation in the banking and insurance sector. Though no formal market valuation has been undertaken, LIC's IPO has the potential to raise Rs. 1 lakh crore (US$ 13.62 billion).
- In June 2021, the government extended a Rs. 50 lakh (US$ 66.85 thousand) insurance coverage scheme for healthcare workers across India until the next one year.
- In February 2021, the Finance Ministry announced to infuse Rs. 3,000 crore (US$ 413.13 million) into state-owned general insurance companies to improve the overall financial health of companies.
- Under Union Budget 2021, fund of Rs. 16,000 crore (US$ 2.20 billion) has been allocated for crop insurance scheme.

4.7.3 Road Ahead

India's insurable population is anticipated to touch 750 million in 2020, with life expectancy reaching 74 years. Furthermore, life insurance is projected to comprise 35 per cent of total savings by the end of this decade, as against 26 per cent in 2009-10. The future looks promising for the life insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers. Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.

The insurance sector is one of the most competitive sectors in India today. With 28 players in the non-life insurance business and 24 life insurance players, the industry has come a long way since the time when there was only one player in the market – Life Insurance Corporation. In 2000, the sector was liberalised by the Government. Over the past 14 years, the sector has not only witnessed increased competitiveness due to the presence of multiple players, but has also seen several product and operational innovations. The Insurance Regulatory and Development Authority (IRDA) being the regulatory authority of the insurance sector in India is the sole authority which frames regulations for the sector, ranging from registration of insurance players to protection of policy holder's interest, thus aiming to regulate and promote the growth of the insurance sector.

The insurance sector is continuously evolving and requires continuous changes in the insurance sector. One of the most recent changes is the proposal to increase the foreign investment cap to 49% from 26% for the sector. This has been a long pending reform which the newly elected government has taken up on a priority basis. In July 2014, the Union Budget presented by the new government stated the intention of hiking the FDI limits. On December 10th 2014, the parliamentary committee recommended raising of the limit to 49%. This bill is waiting for the consent of the parliament. While the NDA says a monitory in the Lok Sabha, this is not the case in the Rajya Sabha. As a result, it is expected that there could be some friction in this respect to pass the Bill. Nevertheless, the government intends to pass this resolution in this session of the Parliament. Increase in FDI limit will not only give the insurance sector the much-needed access to foreign funds, but will also make the sector more competitive and open for growth. Access to international best practices and entry of mature players in the industry will help in the strategic development of the sector. On the regulatory front, IRDA has recently bought about several changes. In September 2013, the insurance repository was introduced which is a facility to maintain insurance policies online in the demat form. At present applicable only to life insurance policies, the system is expected to be available for other insurance types in the coming years. The insurance repository system is expected to be available for other insurance types in the coming years. The insurance repository system helps in easier maintenance of policies and the risk of losing physical policy documents is also minimized. Another development in the sector is the introduction of new guidelines by IRDA with respect to Unit Linked Insurance Policies (ULIPS). During the latter part of last decade, ULIP were very popular as agents and insurance players promised high returns and attractive features. However, these plans were notorious for the exorbitant charges and fee structure. As a result, policy holders lost a considerable part of their premium towards such charges. IRDA has brought down these charges in 2010. Recently, IRDA has made the product attractive for investors by reducing the charges further. Regulating a unit linked product was the need of the hour to protect policy holders' interest. Another innovation in the sector is the advent and popularity of online term plans. A term plan bought online from the insurer's website works out to be much cheaper than that bought offline or from the agent. Portability of health insurance policies is another development brought about by IRDA in the recent past in year 2014. The regulator has constantly worked on improving transparency and protecting policy holders, while at the same time bringing about forward looking polices to promote the growth of the sector.

The insurance sector is expected to see changes in the operational as well as ownership levels in future. First, the sector is expected to witness consolidation, especially on the back of the proposed hike in the FDI limit. New players could enter the market, while existing smaller players can be taken over by the larger players. Next, the distribution infrastructure could also witness some changes. New channels could come into play in order to widen the reach of insurance products. Despite growing penetration levels over the past decade, India remains a largely under penetrated market as far as insurance in concerned. Many people continue to view insurance as a tax saving instrument rather than a necessary financial instrument to protect risks. However, it is expected that with growing awareness and financial penetration, this view will change and people will begin to appreciate the importance of buying an insurance cover. Adopting distribution channels such as ban assurance has already gained momentum, and is expected to increase in the coming year. The range of product offerings is also expected to increase in 2015. Innovation in product offerings, which calls for differentiated products, could become popular, as new companies and international practices come into vogue in the sector. On the regulatory front, IRDA could get more stringent in terms of the due diligence to be undertaken by the players, and also on aspects such as misspelling. According to IBEF, the insurance sector is expected to grow at a CAGR of 12% - 15% over the next five years. With India having high savings rate in comparison to many other countries, this should not be a very difficult target to achieve. This shows the enormous potential of the sector. Proactive polices by the regulator and the government, increasing customer awareness, making operation efficient, innovative products and bringing about customer centric products and services will help in taking the sector to the next level of growth.

4.8 SUMMARY

The roots of insurance might be traced to Babylonia, where traders encouraged assuming the risk of the Caravan trade through loans that were repaid only after the goods had arrived safely. The Phoenicians and the Greeks applied a similar system to their Seaborne

Commerce. In London, Lloyd's Coffee House (1688) was a place where merchants, ship owners and underwriters met to transact business by the end of 18th century. Lloyds has progressed into one of the first modern insurance companies. Insurance developed rapidly with the growth of British commerce in the 17^{th} and 18^{th} century. Marine Insurance is the oldest type of insurance and one of the earliest records of marine policy relates to a Mediterranean Voyage in 1347. This was followed by life insurance some 300 years later. The Lloyd's Coffee House gave an impetus to develop the marine insurance business.

The first life insurance policy providing temporary life assurance cover for a period of 12 months was issued as early as in 1583 A.D. in England. The American society started granting fluctuating sum on death since 1705 and a fixed sum since 1757, with the development of mortality tables, like assurance acquired a scientific character. In 1956, the Government of India decided to nationalize the life assurance business in India. The life assurance Act was padded in June 1956 and came into force on 1st July 1956. The Life Insurance Corporation of India came into existence on 1st September 1956. Fire insurance did not begin until after the great fire of London in 1966 which lasted four days four nights and destroyed over 13,200 out of its 15,000 houses. With colonial development of Great Britain, the fire insurance spread all over the world in the present form. The general insurance in India could not progress much for the slow growth of joint stock companies and mechanized production was another reason for the low level of general insurance business. The miscellaneous insurance took the present shape at the later part of nineteenth century with the industrial revolution in England. Cattle insurance, Crop insurance, Profit insurance, etc., are taking place. The scope of general insurance is increasing with the advancement of the society.

4.9 KEY WORDS

Marine Insurance - Marine Insurance is the oldest type of insurance and one of the earliest records of a marine policy relates to a Mediterranean Voyage in 1347. Marine Insurance was first developed by Merchants of Lombard and Hersa. The Lloyd's Coffee house gave in impetus to develop the marine insurance business. Marine insurance was brought to England from Italy by the Lombard merchants. The records of British Admiralty Court indicate that marine insurance was in Existence in the Early 1500's. There are references that marine insurance was practiced in India three thousand years ago.

Life Insurance - The first policy providing temporarily life assurance cover for a period of 12 months was issued as early as in 1583 A.D. in England. The Amicable society started granting fluctuating sum on death since 1705 and a fixed sum since 1757. With the development of mortality tables, life assurance acquired a scientific character.

Fire insurance - Fire is comparatively a new entrant in the field of insurance. Originally, fire insurance was taken up by German municipalities. Fire insurance being with the most disastrous fire in human history is known as the "Great Fire". Fire insurance office was established in 1681 in England. With colonial development of Great Britan the fire insurance spread all over the world in the present form. Fire insurance was taken up by in India by the Britishers, Americans and other foreigners. The oldest of these companies is the Sun Insurance office which started its operation in Calcutta in 1710.

4.10 SELF-ASSESSMENT QUESTIONS

Short Questions

1. The History of Insurance.
2. Lloyd's Association
3. Marine Insurance.
4. Fire insurance.
5. Nationalization of Insurance in India.
6. IRDA
7. Miscellaneous Insurance.
8. Life Insurance Corporation of India
9. General Insurance Corporation of India

Essay Questions

1. Describe the origin and growth of Insurance?
2. Explain the origin and growth of Life Insurance in India
3. Explain the need and important of Marine Insurance
4. Explain the origin and growth of Fire Insurance and other Miscellaneous Insurances in India
5. Briefly explain the present status of Insurance Business in India.

4.11 REFERENCE BOOKS

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Dr.M.Syamala

LESSON – 5

LIFE INSURANCE COMPANIES IN INDIA

Aims and Objectives:

After reading this lesson the student would know the following aims and objectives of:

- To understand meaning and components of life insurance
- To study the types of insurance and their benefits
- To know how to choose the right life insurance company
- To understand the best life insurance companies in India

Structure

5.1. INTRODUCTION

Life insurance is a mutual agreement and a contract signed between an insurance company and a policyholder. The individual pays a certain premium at fixed intervals. In contrast, the insurance company pays the beneficiaries the insured amount on the occurrence of the insured event like death/disability or defined benefit of the product on maturity. Under this agreement, the insurer provides the nominee of the insured a death benefit or fixed sum of money in the event of the demise of the insured within the policy duration. This ensures financial security for the loved ones of the policyholder in the unfortunate event of the latter's demise. Policyholder's family can continue managing their expenses without worry with the lump sum amount provided by the insurer under your life insurance policy. Many insurance policy types are available, and virtually any individual or business can find an insurance company willing to insure them for a price. Common personal insurance policy types are auto, health, home owners, and life insurance. Most individuals in the United States have at least one of these types of insurance, and car insurance is required by state law.

Life insurance is a scheme that allows man to schedule income continuity if death, injury, or old age threatens his ability to earn a living. Life insurance in its general sense is used to cover all forms of insurance designed to protect against income loss resulting from incapacity to work, whether this is caused by suicide, accidental injury, disability or old age. Life insurance in its specific meaning means compensation only in the event of death. To move through life without deprivation, every person has to have a constant flow of income from cradle to grave. Life insurance deals with the ideals of human life. Far too many people tend to think only in terms of measurable economic values: real estate, machinery, inventories. We don’t consider the immense value of human life’s earning power. The life insurance premium is calculated according to the monetary value of the life. Man represents great value within himself that creates all usefulness in tangible property. Everything we have in this world comes from man. But life-value is the fundamental value. Human life has so much of a financial value. Ideas and resources in our lives make money and both come from man himself. Man is endowed with highly intellectual capacity and makes unceasing and untiring efforts to improve and advance his life, which guarantees him the highest happiness, comfort and benefits.

5.2. MEANING AND DEFINITION OF LIFE INSURANCE

Life insurance is defined as a legally binding contract between a policyholder and an insurer in which the insurance company provides financial protection to the policyholder and pays a death benefit to the nominee when the insured dies. For a life insurance policy to remain in force, the policyholder must pay regular premiums over the period of time or pay a single premium upfront. In a nutshell, all the benefits of a life insurance policy are tied to the payment of premiums, which is why one should opt for a premium that can be easily serviced. A life insurance policy works only if the policyholder has paid all premiums regularly. Although life has a very definite meaning, it is important for a man’s long-term financial success that either he survives long enough to earn more, or that life insurance will cover it. Earnings reflect the power, behaviours and character of the past to predict the future.

However, the value of that future cannot be reduced, although it can be offset by using insurance in the case of premature death or lifelong incapacity. Life insurance is the only way to maximize the value of life first and then compensate for the replacement interest throughout one’s lifetime. In most cases the family depends on the current earnings of the head of the family, who, in other words, is the family’s bread-winner for their survival. The family members have the right to seek appropriate maintenance from him and it is his responsibility to provide the best possible maintenance for them. If that source of income ends with death, it would be important for the family to make economic and social changes, which could lead to serious physical and psychological harm.

5.3. NATURE OF A LIFE INSURANCE

The nature of life insurance is such that it protects and fulfills the financial requirements of policyholder’s loved ones when he is not around to do that. There are varied types of Life insurance plans available which can be chosen as per different needs of individuals. Some insurance plans allow coverage against life only, while there are others that come with a saving element as well that can be availed at the time of maturity.

5.4. FEATURES OF LIFE INSURANCE

Many people often wonder "what are the characteristics of life insurance?". Life insurance policies come with a range of features that are designed to cater to the different needs and objectives of policyholders: The following are some of the main features of top life insurance policies:

5.4.1. Life Coverage

The primary feature of a life insurance policy is life coverage. This feature provides financial protection to the policyholder's family in case of their untimely demise. The insurer pays a lump sum amount to the nominee in case of the policyholder's death during the policy term. The life coverage amount is determined by the premium paid and the policy's sum assured.

5.4.2. Maturity Benefit

A maturity benefit is a feature that provides a lump sum amount to the policyholder on the policy's maturity. This amount is paid if the policyholder survives the policy term. The maturity benefit is usually equal to the sum assured or a percentage of the premium paid. This feature helps policyholders plan their long-term financial goals and objectives.

5.4.3. Savings and Investment Benefits

Many life insurance policies offer savings and investment benefits. These policies provide a combination of life coverage and investment benefits that can help policyholders build their savings and grow their wealth. These policies usually have a long-term investment horizon and invest in various market-linked instruments such as equities, debt, and others.

5.4.4. Riders

Riders are additional benefits that can be added to the base policy. They provide extra coverage and benefits such as accidental death benefits, critical illness coverage, and others. Riders can be added to the policy by paying an additional premium. The availability of riders varies depending on the insurer and the policy.

5.4.5. Surrender Value

Surrender value is a feature that allows policyholders to surrender their policy before the maturity period and receive a lump sum amount. The surrender value is determined by the premium paid and the policy's surrender value factor. The surrender value is usually lower than the total premium paid and depends on the policy's age, duration, and other factors are mentioned below.

- **Tax Benefits**

Life insurance policies offer tax benefits* under Section 80C and Section 10(10D)** of the Income Tax Act, of 1961''. The premium paid towards the policy is eligible for tax deductions, and the proceeds from the policy are tax-free. This feature helps policyholders save on taxes and increases their overall savings.

- **Grace Period**

A grace period is a feature that allows policyholders to pay their premium after the due date without any penalty. The grace period varies depending on the insurer and the policy and can range from 15 days to 30 days. Policyholders must pay their premium during the grace period to keep their policy in force.

- **Policy Loan**

A policy loan is a feature that allows policyholders to avail of a loan against their policy's surrender value. The loan amount is usually a percentage of the policy's surrender value, and the interest rate charged is lower than in other types of loans. The policy loan is repayable with interest, and failure to repay the loan can lead to a reduction in the policy's surrender value.

5.5. PRINCIPLES OF LIFE INSURANCE

Insurance is actually a form of contract. Hence there are certain principles that are important to ensure the validity of the contract. Both parties must abide by these principles.

5.5.1. Utmost Good Faith

A contract of insurance must be made based on utmost good faith. It is important that the insured disclose all relevant facts to the insurance company. Any facts that would increase his premium amount, or would cause any prudent insurer to reconsider the policy must be disclosed. If it is later discovered that some such fact was hidden by the insured, the insurer will be within his rights to avoid the insurance policy.

5.5.2. Insurable Interest

This means that the insurer must have some pecuniary interest in the subject matter of the insurance. This means that the insurer need not necessarily be the owner of the insured property but he must have some vested interest in it. If the property is damaged the insurer must suffer from some financial losses.

5.5.3. Indemnity

Insurances like fire and marine insurance are contracts of indemnity. Here the insurer undertakes the responsibility of compensating the insured against any possible damage or loss that he may or may not suffer. Life insurance is not a contract of indemnity.

5.5.4. Subrogation

This principle says that once the compensation has been paid, the right of ownership of the property will shift from the insured to the insurer. So the insured will not be able to make a profit from the damaged property or sell it.

5.5.4. Contribution

This principle applies if there is more than one insurer. In such a case, the insurer can ask the other insurers to contribute their share of the compensation. If the insured claims full insurance from one insurer he losses his right to claim any amount from the other insurers.

5.5.5. Proximate Cause

This principle states that the property is insured only against the incidents that are mentioned in the policy. In case the loss is due to more than one such peril, the one that is most effective in causing the damage is the cause to be considered.

5.6. BENEFITS OF LIFE INSURANCE

Life insurance offers three major benefits, namely protection, long-term savings, and investment. Here is an insight into each of these advantages.

5.6.1. Protection

Life is unpredictable and full of uncertainties. The risk of an untoward incident such as death cannot be eliminated. In such a situation, policyholder’s family will have to face financial constraints caused by the loss of his regular income. Investing in a life insurance plan provides the safety net during such times. Policyholder’s insurance provider is liable to pay the beneficiary or nominee the pre-determined death benefit, thus keeping his family protected even in his absence.

5.6.2. Long-term savings

It is important to consider life insurance if policyholder is seeking to make long-term savings. Such a product helps him to save systematically and build a corpus for his future. The accumulated amount may be used for multiple purposes, such as purchasing a new home, funding his child's future education or meeting child's marriage expenses, among many others. What's more, life insurance plans also offer regular pay-outs in the form of annuities, and is therefore, an excellent method to meet his retirement goals.

5.6.3. Investment

Unit-Linked Investment Plans (ULIPs) offered by life insurance providers are primarily investment instruments. This market-linked product acts as a tool to create wealth. ULIPs offer significant returns on the premiums paid towards the insurance policy. Most life insurance plans provide considerable returns during maturity, thus making it an attractive investment vehicle.

Besides the major aforementioned advantages, life insurance plans offer a host of other benefits. Policyholder may claim tax deductions under Section 10, 80C, and 80CCC of the Income Tax Act, 1961 on the premium paid towards his insurance policy. Policyholder may also borrow a loan against his insurance plan in case of a financial crunch.

Buying life insurance plan is a necessity. While many invest in such a plan, not all are aware of the numerous benefits it offers. Life insurance plans help Policyholder's family tide over difficult times and provide them with financial support in your absence. Besides, availing of an insurance policy inculcates the habit of disciplined savings, thereby enabling him to build a good corpus. Policyholder may, therefore, opt to invest in a life insurance plan and fulfill his obligations in the best possible way.

5.6.4. Financial Security

The most important benefit of life insurance is the financial security it offers to Policyholder's loved ones. Upon the insured person's death, a pre-specified sum assured is paid to the bereaved family to support them through the sudden financial struggles.

5.6.5. Tax benefits

Policyholder's life insurance policy entitles him to certain tax savings. Annual premium payment up to Rs 1.5 lakh is exempted from tax, under section 80C of the Income Tax Act, 1961. In addition, while the death benefit is tax-free, the maturity benefit of policies with total premiums not exceeding Rs 5 lakh also enjoys tax exemption under section 10 (10D).

5.7. HOW TO CHOOSE THE BEST INSURANCE POLICY?

To make the most of Policyholder's life insurance, it's important to choose the best policy according to his needs, convenience and affordability. To ensure that, figure out the amount of coverage he need and the type of plan that best fits his requirements. Asking himself these two questions can be helpful here:

- How long does he want to get a life cover for?
- What are the life goals or priorities for which he needs to save?
  For example, if he is looking to build a corpus for his child's higher studies, a child plan can be the right pick.

5.8. WHAT IS LIFE INSURANCE PREMIUM?

The life insurance premium is a stipulated amount of money Policyholder can pay to the insurance company in a predefined schedule to receive the policy benefits in exchange.

According to the plan he choose, premiums can be paid annually, half-yearly, quarterly or monthly and through options like single payment, limited pay or regular pay schedule.

5.9. FACTORS AFFECTING LIFE INSURANCE PREMIUM

There are certain factors governing the life expectancy of the insured and the nature of the policy, which are considered parameters in determining Policyholder's life insurance premium. They are:

- **Age:** It's the most important factor when it comes to life expectancy. Hence, younger policyholders enjoy lower premiums compared to their older counterparts.
- **Gender:** Research studies suggest that women live longer than men and hence are eligible for lower premiums.
- **Medical Records:** The amount of premium depends on overall health. A person with no past illness or health complications is considered less prone to untimely death and is entitled to lower premiums.
- **Lifestyle and Occupation:** If one has an unhealthy lifestyle or is engaged in a risky occupation, he/she would have to pay higher premiums.
- **Smoking and Alcohol Habits:** Smokers and alcohol drinkers are considered to be more prone to multiple health complications. Hence, they are charged with higher premiums.
- **Amount and Type of Coverage:** The higher the sum assured, the higher the premium and vice versa. In addition, if Policyholder opts for additional riders like accident or illness coverage, premiums will increase. Also, he'll have to pay more for a longer tenure of the policy. Lastly, term insurance policies offering only death benefit come with a lower premium compared to those with maturity benefits.

5.10. IMPORTANCE OF LIFE INSURANCE

Once Policyholder is aware of some important features of life insurance, he may wonder whether he needs to buy one. Read on to understand why life insurance may be important for him:

5.10. 1. Financial Security of Policyholder's Loved Ones

Having a life insurance plan may ensure that, in Policyholder absence, his family may not have to struggle financially. In case of his sudden demise, his dependents may find themselves in a vulnerable place. During this time, the death benefit that they receive may be crucial in ensuring that they are financially covered.

5.10. 2. Protection against Critical Illnesses

As healthcare costs may continue to skyrocket, it may be important to have a plan in place to cover critical illnesses such as heart attacks, cancer, etc. These types of illnesses may cause a significant financial burden and may prevent Policyholder from earning income while his recover. Life insurance with a critical illness rider may help him during such difficult times.

5.10. 3. Achievement of Policyholder Child's Goals

As a parent, Policyholder may want to plan ahead for his child's future needs, including providing for their education, marriage or other goals. In case he loses his life, you're his life insurance plan may help in offering a sufficient corpus to take care of his child's financial needs.

5.10. 4. Secure Retirement

Retirement might be a major milestone for some and may require careful financial planning to ensure a comfortable and stress-free life post-retirement. After Policyholder stop working, it might be crucial to accumulate enough funds to support his lifestyle. Having a life insurance plan with an investment or saving component may allow him to build a retirement corpus while securing his family financially.

5.11. COMPONENTS OF INSURANCE POLICY

Understanding how insurance works can help Policyholder choose a policy. For instance, comprehensive coverage may or may not be the right type of auto insurance for him. Three components of any insurance type are the premium, policy limit, and deductible.

PREMIUM

A policy's premium is its price, typically a monthly cost. Often, an insurer takes multiple factors into account to set a premium. Here are a few examples:

- Auto insurance premiums: Policyholder's history of property and auto claims, age and location, creditworthiness, and many other factors that may vary by state.
- Home insurance premiums: The value of Policyholder home, personal belongings, location, claims history, and coverage amounts.
- Health insurance premiums: Age, sex, location, health status, and coverage levels.
- Life insurance premiums: Age, sex, tobacco use, health, and amount of coverage.

Much depends on the insurer's perception of Policyholder risk for a claim. For example, suppose his own several expensive automobiles and have a history of reckless driving. In that case, he will likely pay more for an auto policy than someone with a single midrange sedan and a perfect driving record. However, different insurers may charge different premiums for similar policies. So finding the price that is right for he requires some legwork.

POLICY LIMIT

The policy limit is the maximum amount an insurer will pay for a covered loss under a policy. Maximums may be set per period (e.g., annual or policy term), per loss or injury, or over the life of the policy, also known as the lifetime maximum. Typically, higher limits carry higher premiums. For a general life insurance policy, the maximum amount that the insurer will pay is referred to as the face value. This is the amount paid to your beneficiary upon his death. The federal Affordable Care Act (ACA) prevents ACA-compliant plans from instituting a lifetime limit for essential healthcare benefits such as family planning, maternity services, and pediatric care.

DEDUCTIBLE

The deductible is a specific amount Policyholder pay out of pocket before the insurer pays a claim. Deductibles serve as deterrents to large volumes of small and insignificant claims. For example, a $1,000 deductible means he pay the first $1,000 toward any claims. Suppose his car's damage totals $2,000. He pays the first $1,000, and his insurer pays the remaining $1,000.

Deductibles can apply per policy or claim, depending on the insurer and the type of policy. Health plans may have an individual deductible and a family deductible. Policies with high deductibles are typically less expensive because the high out-of-pocket expense generally results in fewer small claims.

5.12. TYPES OF INSURANCE

There are many different types of insurance. Let's look at the most important.

HEALTH INSURANCE

Health insurance helps covers routine and emergency medical care costs, often with the option to add vision and dental services separately. In addition to an annual deductible, Policyholder may also pay copays and coinsurance, which are his fixed payments or percentage of a covered medical benefit after meeting the deductible. However, many preventive services may be covered for free before these are met. Health insurance may be purchased from an insurance company, an insurance agent, the federal Health Insurance Marketplace, provided by an employer, or federal Medicare and Medicaid coverage.

The federal government no longer requires Americans to have health insurance, but in some states, such as California, you may pay a tax penalty if policyholder doesn't have insurance. If he have chronic health issues or need regular medical attention, look for a health insurance policy with a lower deductible. Though the annual premium is higher than a comparable policy with a higher deductible, less-expensive medical care year-round may be worth the tradeoff.

HOME INSURANCE

Homeowners insurance (also known as home insurance) protects his home, other property structures, and personal possessions against natural disasters, unexpected damage, theft, and vandalism. Homeowner insurance won't cover floods or earthquakes, which you'll have to protect against separately. Policy providers usually offer riders to increase coverage for specific properties or events and provisions that can help reduce deductible amounts. These adders will come at an additional premium amount. Renter's insurance is another type of homeowners insurance. Policyholder's lender or landlord will likely require him to have homeowner's insurance coverage. Where homes are concerned, he doesn't have coverage or stop paying his insurance bill his mortgage lender is allowed to buy homeowners insurance for him and charge him for it.

AUTO INSURANCE

Auto insurance can help pay claims if policyholder injure or damage someone else's property in a car accident, help pay for accident-related repairs on his vehicle, or repair or replace his vehicle if stolen, vandalized, or damaged by a natural disaster. Instead of paying out of pocket for auto accidents and damage, people pay annual premiums to an auto insurance company. The company then pays all or most of the covered costs associated with an auto accident or other vehicle damage. If he have a leased vehicle or borrowed money to buy a car, his lender or leasing dealership will likely require him to carry auto insurance. As with homeowners insurance, the lender may purchase insurance for him if necessary.

LIFE INSURANCE

A life insurance policy guarantees that the insurer pays a sum of money to policyholder's beneficiaries (such as a spouse or children) if he dies. In exchange, he pays premiums during his lifetime. There are two main types of life insurance. Term life insurance covers him for a specific period, such as 10 to 20 years. If he dies during that period, his beneficiaries receive a payment. Permanent life insurance covers his whole life as long as he continues paying the premiums.

TRAVEL INSURANCE

Travel insurance covers the costs and losses associated with traveling, including trip cancellations or delays, coverage for emergency health care, injuries and evacuations, damaged baggage, rental cars, and rental homes. However, even some of the best travel insurance companies do not cover cancellations or delays due to weather, terrorism, or a pandemic. They also don't often cover injuries from extreme sports or high-adventure activities.

5.13. LIFE INSURANCE COMPANY

In simple words, a life insurance company refers to an organization that offers life insurance policies for customers. These plans are offered in return for a premium that the insured or policyholder pays to the insurer or the insurance company. The company provides coverage or protection to the customers against the premium paid.

5.14. FUNCTIONS OF INSURANCE COMPANY

5.14.1. Provides Reliability

The main function of insurance is that eliminates the uncertainty of an unexpected and sudden financial loss. This is one of the biggest worries of a business. Instead of this uncertainty, it provides the certainty of regular payment i.e. the premium to be paid.

5.14.2. Protection

Insurance does not reduce the risk of loss or damage that a company may suffer. But it provides a protection against such loss that a company may suffer. So at least the organization does not suffer financial losses that debilitate their daily functioning.

5.14.3. Pooling of Risk

In insurance, all the policyholders pool their risks together. They all pay their premiums and if one of them suffers financial losses, then the payout come from this fund. So the risk is shared between all of them.

5.14.4. Legal Requirements

In a lot of cases getting some form of insurance is actually required by the law of the land. Like for example when goods are in freight, or when you open a public space getting fire insurance may be a mandatory requirement. So an insurance company will help us fulfill these requirements.

5.14.5. Capital Formation

The pooled premiums of the policyholders help create a capital for the insurance company. This capital can then be invested in productive purposes that generate income for the company.

5.15. HOW TO CHOOSE THE RIGHT LIFE INSURANCE COMPANY IN INDIA?

With a wide array of options on offer, it can be rather tricky at times to choose a life insurance company that best meets policyholder requirements and also fits right in his budget. The following factors can help make an informed decision and opt for the best life insurance company in India:

- Check the company's CSR: Claim Settlement Ratio (CSR) is one of the key factors to consider when selecting a company to buy life insurance. This ratio indicates the insurance company's ability to settle claims in a policy year successfully. The higher the number of claims settled, the better the CSR of the company and the better credibility it enjoys in the market.
- Look for add-on riders on the plan: When buying a life insurance plan from an insurer, always ask for any additional rider facility that the company is offering. Riders are add-on benefits over and above policyholder basic insurance policy which enhance the coverage of his base plan. A few common examples of riders are Accidental Death Benefit Rider, Waiver of Premium Rider, and Critical Illness Rider.
- Check out customer reviews and testimonials: They are generally the most accurate indicator of a company's overall performance. They would tell policyholder exactly which is the best life insurance company in India based on what its past customers say about the company.
- Make sure that the company has strong financial stability: This is important to determine whether the company would be able to settle claims in the unfortunate event of policyholder untimely demise. This is particularly important to consider in the case of buying life insurance.
- Check for service to customers: Customer service is one of the key strengths of any company. The same holds for a life insurance provider as well. When buying an insurance plan, keep an eye out for the quality of customer service that the company provides. This would be an important indicator of how well policyholder is likely to be treated during his association with the insurer.
- Check out the product portfolio: Make sure that the company policyholder chooses has a wide range of products and services on offer to meet varied individual needs. It should not only offer life insurance policies but also other types of plans for other requirements of customers.

5.16. FACTORS TO CONSIDER BEFORE CHOOSING LIFE INSURANCE COMPANIES IN INDIA

As stated earlier, it is imperative to know which is the best life insurance company in India among the list of providers detailed above. Complete and accurate details on each can help make an informed choice and prove beneficial in the long term for your loved ones. Listed below are some factors that need to be considered while choosing life insurance companies in India:

- Look for need-based plans – While buying life insurance, it is better to go by the rule of thumb, which states that policyholder life cover should be at least 10 times his annual income. Make sure that the plan he chooses has sufficient coverage to support his family during financial instability in his absence.
- Check the Claim Settlement Ratio (CSR) – CSR is a very important aspect to take note of while buying a life insurance policy. CSR refers to the ratio of total claims

settled by the insurer as compared to the total claims received in a policy year. The higher the CSR, the greater the chances of the insurer settling claim during the year.

- Read up on reviews and ratings of customers – They can be highly valuable in determining the right insurance company for buying life insurance. Make sure to go through the reviews of the company policyholder opts for and check customer ratings to make an informed decision.
- Check the premium – The price of the insurance policy is the most important financial consideration to make. It is recommended to compare the policies offered by various insurers to find a policy at the best premium that suits policyholder budget and other requirements.

5.17. BEST LIFE INSURANCE COMPANIES IN INDIA: AN OVER VIEW

Over 24 IRDAI-registered insurance companies in India offer life insurance plans. When policyholder chooses to buy a life insurance policy, the first thing to consider is its reliability. It is therefore necessary to identify the most trusted life insurance companies based on their varying characteristics.

Some of the top features of the insurance company to look out for are low premium rates and high claim settlement ratio CSR. The extent of coverage offered under the life insurance plan is another important aspect to take note of. Based on these parameters, the following section lists the top life insurance companies in India that are worth consideration when buying a life insurance policy:

5.17.1. LIFE INSURANCE CORPORATION OF INDIA (LIC)

Life Insurance Corporation of India, popularly known as LIC, is the largest life insurance company owned by the Government of India. One of the best term life insurance companies, LIC came into existence in 1956 to make insurance accessible for every person in every corner of the country with 2,048 branch offices, 113 divisional offices, 8 zonal offices, and 1,381 satellite offices.

LIC, being the dominant insurance player, has a huge customer base of over 29 crore policyholders. It is a trusted insurance brand offering great convenience to customers through its wide range of services on the digital platform, branch offices, and other tie-ups. The company offers numerous life insurance products to meet the unique needs of a variety of customer segments. LIC also launched its chatbot, 'LIC Mitra', to effectively address all customer queries.

LIC has been consistently recognized and awarded for all the milestones achieved over the years. The company received 35 awards in 2021–2022; the most significant ones include the following:

- FICCI Insurance Industry Best Campaign Award
- India's Most Trusted Insurance Brand Award honored by Insurance Alerts
- Customer Service Excellence Award
- Reader's Digest Trusted Brand Award
- India's Most Trusted Brand in the BFSI Category
- Best Life Insurance Company of the Year and Most Preferred Life Insurance Company of the Year Award.

LIFE INSURANCE CORPORATION OF INDIA (LIC) POLICIES AND RIDERS

Policies Offered by LIC	Life Insurance Riders Available
Micro Insurance Plans	Premium Waiver Benefit Rider
Insurance Plans	Linked Accidental Death Benefit Rider
Term Assurance Plans	Premium Waiver Benefit Rider (with auto cover)
Endowment Plans	Accidental Death and Disability Benefit Rider
Money Back Plans	New Term Assurance Rider
Pension Plans	Accident Benefit Rider
Whole Life Plans	New Critical Illness Benefit Rider
Unit Linked Plans	
Withdrawn Plans	

5.17.2. MAX LIFE INSURANCE COMPANY

Max Life Insurance Company, founded in 2000, is the largest non-bank private sector insurance company in India. It is a joint venture between Indian Max India Ltd, a multi-business Indian corporation, and Mitsui Sumitomo Insurance Company, a Japanese insurer. Max Life Insurance is one of the fastest-growing insurance companies in India with assets under management worth Rs. 1,07,510 crores.

The company has a customer base of more than 32 lakh customers and has 269 offices all over India. It has an equally strong online presence, a wide portfolio of products, and multi-distribution channels offering high-quality customer services. Max Life Insurance allows you to select from multiple types of products.
Some of the famous recognitions and awards earned by Max Life Insurance Company are:

- Best Finance Team Of The Year by ET Ascent in 2022
- Best BFSI Brands 2022 by Economic Times
- Claims Service Leader and Excellence in Claims Service by CMO Asia Awards

Max Life Insurance Company Policies and Riders

Policies Offered by Max	Life Insurance Riders Available
Retirement Plans	Partner Care Rider
Term Insurance Plans	Accident Benefit Rider
NRI Plans	Critical Illness and Disability Rider
Term Insurance with Returns	Waiver of Premium Plus Rider
Cancer Insurance Plan	Critical Illness Benefit Rider
Unit Linked Insurance Plans	
Group Insurance Plans	
Child Plans	
Online Insurance Plans	
Savings & Income Plans	

5.17.3. HDFC LIFE INSURANCE COMPANY

Another of the top insurance companies in India is a joint venture between HDFC Ltd, a leading housing finance institution in India, and Standard Life Aberdeen, a global investment company. Also founded in 2000, HDFC Life offers a wide array of insurance and investment solutions to various customer segments.

HDFC Life serves customers across the country through its 372 branches, additional distribution touchpoints, and bancassurance partners. With a strong digital platform, services are easily accessible to customers across India. HDFC Life has received several accolades for its consistent contribution to the Indian insurance industry, some of the most notable ones including:

- ICAI Silver Shield Award in 2023
- One of the Best Companies for Women in India 2022 by Avatar and Semount
- YUVA Unstoppable Changemaker Award in 2021
- Superbrand 2021
- Best 50 PCI Companies in 2019
- Most Valuable Private Life Insurance Indian Brand
- Creative Excellence Award at INDIAA Awards 2018
- Best Life Insurance Company in India, Best Analytic Initiative of the Year, and Best Underwriting Initiative of the Year at BFSI Awards

HDFC Life Insurance Company Policies and Riders

Policies Offered by HDFC	**Life Insurance Riders Available**
Retirement – Annuity Plans	Term Rider
Term Insurance Plans	Income Benefit on Accident Disability Rider
Group Insurance Plans	Critical Illness Rider
Savings Plans	Accidental Death Disability and Dismemberment Benefit Rider
Child Plans	Group Illness Rider
ULIP Plans	Critical Illness Plus Rider
Retirement – Pension Plans	Protect Plus Rider

5.17.4. ICICI PRUDENTIAL LIFE INSURANCE

The company is promoted by ICICI Bank Limited and Prudential Corporation Holdings Limited. Founded in the year 2000, ICICI Prudential Life Insurance is one of the best insurance companies in India with a presence all over the country today, strong banc assurance channels, and multiple distribution channels.

ICICI Prudential Life's assets under management as of 31st December 2022 are estimated at Rs. 2,518.84 billion. With a customer-centric approach, the company offers various long-term protection and savings plans for a diverse customer segment. ICICI Prudential Life Insurance Company has received several accolades for excellence in the field of insurance, which include the following:

- Gold in the BFSI category in ET Brand Equity Kaleido Awards 2022
- Top 20 BSE100 companies by Institutional Investor Advisory Services India (IiAS) in 2022
- BrandZ Top 75 Most Valuable Indian Brands 2020 and Best Contact Centre' by the Customer Fest Leadership Awards 2021
- Life Insurance Company of the Year award at the India Summit and Awards 2019
- Life Insurance Provider of the Year by Outlook Money Awards 2018
- Best Term Insurance Provider of the Year award by Money Today Financial Awards 2017-18
- Best Customer Orientation in Life Insurance Award by Emerging Asia Awards 2018
- Best Growth in Life Insurance category by Emerging Asia Awards 2018

ICICI Prudential Life Insurance Policies and Riders

Policies Offered by ICICI	**Life Insurance Riders Available**
Guaranteed Return Plans	Critical Illness
Term Insurance	Income Benefit Rider
Savings / Endowment Plans	Waiver of Premium
Term Insurance with Returns	Permanent & Partial Disability
Retirement and Pension Plans	Accidental Death Rider
Unit Linked Insurance Plans	
Child Plans	

5.17.5. TATA AIA LIFE INSURANCE COMPANY

A joint venture between Tata Sons Private Limited, one of the largest business groups, and AIA Group Limited, Asia's largest insurance group, Tata AIA Life Insurance Company's assets under management on 31st December 2021 are Rs. 55,492 crores. One of the trusted insurance brands in India, Tata AIA Life offers numerous insurance solutions ranging from financial protection to wealth creation. The policies provide simple and easily affordable solutions for unique insurance needs along with excellent customer service.

Given below are some of the achievements earned by the company over the years:

- Extraordinaire Award at the 5th edition of Brand Vision Summit 2019-20
- 2019 Aon Best Employer Award
- Kincentric Best Employer Award for 6 years in a row

TATA AIA Life Insurance Company Policies and Riders

Policies Offered by TATA AIA	**Life Insurance Riders Available**
ULIP Plans	ULIP Riders
Term Insurance	Traditional Riders
Group Plans	Accidental Death and Dismemberment Rider
Saving Plans	Vitality Protect
Retirement Plans	Linked Comprehensive Protection Rider

Term Plans with Market-Linked Returns	Non-Linked Comprehensive Protection Rider
	Waiver of Premium Rider
	Waiver of Premium Plus Rider
	Vitality Protect Plus

5.17.6. BHARTI AXA LIFE INSURANCE COMPANY

Founded in the year 2006, the company is a joint venture between AXA Group and Bharti Enterprises. The strong financial expertise and domestic business excellence of these companies have laid a strong foundation for the company. Its assets under management as of 30th June 2022 were Rs. 11,025 crores.

Bharti AXA Life has introduced various innovative insurance products to cater to the unique needs of customers. Its distribution network spreads across 123 cities in India with 254 offices. The company offers various plans including protection plans, savings, health, and group insurance plans. Most of these plans are conveniently offered online.

Bharti AXA won the ASSOCHAM Award in March 2019 in recognition of excellence in the field of insurance and the award for customer service excellence.

Bharti AXA Life Insurance Company Policies and Riders

Policies Offered by Bharti AXA	**Life Insurance Riders Available**
Investment Plans	Premium Waiver Rider
Term Insurance	Group Accidental Death Benefit Rider
Endowment Plans	Life Linked Complete Shield Rider
Savings Plans	Accidental Death Benefit Rider
Yoddha Plans	Non-Linked Complete Shield Rider
Group Plans	Hospi Cash Benefit Rider
	Life Term Rider

5.17.7. BAJAJ ALLIANZ LIFE INSURANCE COMPANY

Founded in the year 2001, Bajaj Allianz Life Insurance is a joint venture with Bajaj Finserv Limited of Bajaj Group. The assets under management of the company during the fiscal year 2021-22 were Rs. 24,633 crore. The company has 582 branches across India offering innovative insurance solutions and timely service to various customer segments. Bajaj Allianz Life Insurance Company won several awards and recognitions for its contribution to the insurance industry, some of the most notable ones being:

- Best Risk Management Initiative – Life Insurance Award at Insure Next Awards & Summit 2022
- Top Riser Brand in Kantar BrandZ India 2022 Report
- Digital Technology Senate Awards 2021
- Red Hat APAC Innovations Award 2020
- Digital Marketer of the Year 2018 in the insurance category
- Customer Service Excellence Award at the NASSCOM BPM Strategy Summit 2018
- Top 75 Most Valuable Indian Brands 2019

Bajaj Allianz Life Insurance Company Policies and Riders

Policies Offered by Bajaj Allianz	Life Insurance Riders Available
Pension Plan	Life Linked Accident Protection Rider
Term Insurance	Individual Riders
Withdrawn Plans	Life Group New Terminal Illness Rider
ULIP	Accidental Permanent Total / Partial Disability Benefit Rider
On Sale Plans	Life Accelerated Critical Illness Rider
Saving Plan	Waiver of Premium Benefit Rider
Group Insurance Plans	Life Group Accident Death Benefit Rider
Investment Plans	Family Income Benefit Rider
Child Insurance Plans	Life Group Critical Illness Rider
	Accident Death Benefit Rider
	Group Rider
	Critical Illness Benefit Rider
	ULIP Waiver of Premium Benefit Rider
	ULIP Rider

5.17.8. SBI LIFE INSURANCE COMPANY

It is a joint venture between the State Bank of India (SBI), India's largest bank, and BNP Paribas Cardif, a French multinational bank and financial services company. Currently, SBI Life Insurance has an authorized capital of Rs. 20 billion (USD 290 million). SBI Life was first started as a bancassurance business but later extended to the multi-distribution channel. With pride in customer service excellence and product innovations, the company has been growing year after year and received a host of awards:

- Amiable Insurer in Life Insurance-Large Category in 2022
- Certificate of Excellence for Most Trusted Private Life Insurance Company in 2022
- Golden Peacock Award 2021 for Risk Management
- Insurer of the Year in 2020 by FICCI
- Best Covid Response Towards Customers, Towards Communities Award at ASSOCHAM 13th Global E-Summit 2020
- Brand of the Year 2016-17 Award in the insurance category
- Private Sector Life Insurance Company of the Year Award at the Fintelekt Insurance Awards
- Bancassurance Leader, Life Insurance in the large companies category

SBI Life Insurance is one of the market leaders for life insurance policies in India. It offers a variety of policies with several benefits for the policyholders.

SBI Life Insurance Company Policies and Riders

Policies Offered by SBI	Life Insurance Riders Available
Income Plans / Money Back Plans	Accidental Total and Permanent Disability Benefit Rider
Wealth Creation with	Accidental Death Benefit Rider

Insurance	
Protection Plans	Preferred Term Rider
Retirement Plans	Accidental Core Critical Illness
Saving Plans	Accidental Total Permanent Disability
Child Plans	Accelerated Core Critical Illness
Online Plans	Accidental Partial Permanent Disability
Combo Plans	Accelerated Extended Critical Illness
	Additional Extended Critical Illness
	Accident and Sickness Total Permanent Disability

5.17.9. RELIANCE NIPPON LIFE INSURANCE COMPANY

Founded in the year 2001, Reliance Nippon Life Insurance is one of the leading insurance companies in India catering to various segments of people. The company has more than 10 million policyholders and has made insurance accessible for many through its strong distribution network of 713 branches.

Reliance Life has a product for every possible need of the policyholder. Some of the most popular recognitions earned by the company are listed below:

- Insure Next Conference & Awards 2023 by Banking Frontiers for Best Claims Settlement
- Life Insurer Of The Year at BFSI Leadership Awards 2022
- Great Place To Work For in 2022
- Best Digital Customer Experience Award and Tech Circle Business Transformation Awards 2021
- Innovative Insurance Provider of the Year at ET BFSI Excellence Awards 2019
- Best Risk Innovation of the Year Award
- Best Life Insurance Company (innovative Products) Title

Reliance Nippon Life Insurance Company Policies and Riders

Policies Offered by Reliance	**Life Insurance Riders Available**
Pension Plans	Partner Care Rider
Term Insurance Plans	Accident Benefit Rider
NRI Plans	Critical Illness and Disability Rider
Investment Plans	Waiver of Premium Plus Rider
Child Plans	Critical Illness and Disability Rider
ULIP	

5.17.10. AEGON Life Insurance Company

Founded in the year 2008, Aegon Life Insurance is one of the best to offer various life insurance solutions to different customer segments. AEGON Life is a new-age company with a strong digital presence and a diverse product portfolio. Owing to his diverse range of products and excellent services, the company has received several awards and recognitions, some of which are shared as follows:

- Digital Company of the Year – 2020 Award
- ET BFSI Award in 2019

- E-business Leaders Award at Indian Insurance Awards
- Celent Model Insurer Asia Award
- Best Service Quality Program at Service Quality Awards in 2016
- Most recommended Life Insurance Brand 2013

AEGON Life Insurance Company Policies and Riders

Policies Offered by AEGON	**Life Insurance Riders Available**
Retirement – Annuity Plans	Partner Care Rider
Term Insurance Plans	Accident Benefit Rider
Group Insurance Plans	Critical Illness and Disability Rider
Savings Plans	Waiver of Premium Plus Rider
Child Plans	Critical Illness Benefit Rider
ULIP Plans	
Retirement – Pension Plans	

5.18. SUMMARY

Life insurance companies in India play a crucial role in providing financial security and protection to individuals and families against unforeseen events such as death, disability, and critical illnesses. These companies offer various life insurance products tailored to meet the diverse needs and preferences of customers. The Indian life insurance industry has witnessed significant growth and transformation over the years, driven by factors such as rising income levels, increasing awareness about the importance of insurance, favorable regulatory reforms, and the emergence of innovative distribution channels. Life insurance companies in India offer a wide range of products catering to different customer segments and financial objectives. These include term insurance, endowment plans, whole life plans, unit-linked insurance plans (ULIPs), retirement plans, and health insurance riders. Overall, life insurance companies in India play a vital role in the country's financial ecosystem, providing individuals and families with essential protection and financial planning solutions. With a conducive regulatory environment and evolving market dynamics, the industry is poised for further growth and innovation in the coming years.

5.19. KEY WORDS

1. **Risk Management:** Life insurance provides financial protection against the risk of premature death, ensuring that dependents are taken care of in the event of the insured's demise.
2. **Maturity Benefit:** For Protection + Savings policies, the Insurer pays a certain lump sum of money on completion of the policy term. This amount is known as the Maturity Amount.
3. **Premium:** A premium is the amount you pay to the insurer for receiving the benefits of the insurance policy. These payments can be made on a regular basis throughout the policy duration, for a limited number of years or just once, as per the options available under the policy you choose.

4. **Financial Security:** It offers a lump sum payment or periodic income to beneficiaries, helping them maintains their standard of living or fulfill financial obligations after the insured's death.
5. **Investment Component:** Some life insurance policies offer investment options, allowing policyholders to build cash value over time, which can be used for various purposes such as retirement planning or education funding.
6. **Tax Benefits:** Premiums paid towards life insurance policies often qualify for tax deductions under relevant tax laws, providing tax benefits to policyholders.
7. **Riders:** Additional features or benefits, known as riders, can be added to life insurance policies for an extra cost, providing coverage for specific events such as critical illness, disability, or accidental death.
8. **Claim Settlement:** Life insurance companies are responsible for processing and settling claims promptly and fairly in accordance with the terms and conditions of the policy.

5.20. SELF-ASSESSMENT QUESTIONS

Essay type questions

1. What is the meaning and definition of life insurance and what are the types of life insurance?
2. Describe the principles of life insurance and what are the factors affecting life insurance premium?
3. How to choose the right life insurance company in India? And explain the best life insurance companies working in India?
4. Write the importance of life insurance and what are the functions of life insurance Company in India.

Short type questions

1. What is life insurance premium?
2. What are the components of life insurance?
3. What are the types of life insurance?
4. What are the benefits of life insurance?

5.21. SUGGESTED READINGS

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3. M.S. Sahu: "Emerging Trends in Indian Insurance Industry", Excel Books Publications, New Delhi, India, 2011.
4. Mamta, "Life Insurance in India: Opportunities, Challenges, and Strategic Perspective", I.K. International Publishing House Pvt. Ltd. New Delhi, India, 2009.
5. Dr. R.R. Singh, "Indian Insurance Industry: Challenges and Opportunities", Deep & Deep Publications Pvt Ltd, New Delhi, India, 2009.

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LESSON – 6

IMPORTANT LIFE INSURANCE PRODUCTS AND POLICIES IN INDIA

Aims and Objectives:

After reading this lesson the student would know the following aims and objectives of:

- To understand the features and importance of life insurance policies
- To understand the different insurance riders
- To know the functioning of ULIPS
- To understand the working of conventional and annuity plans in India

Structure

6.1. INTRODUCTION

Life insurance is a policy which covers the risk of premature death. If, during the term of the policy, the life insured dies, the policy promises to pay a death benefit. Life insurance policies are legal contracts where, against the coverage offered by the insurance company, you are supposed to pay a premium for availing the coverage. Moreover, besides premature death, many life insurance plans also cover survival to the end of the policy tenure wherein a maturity benefit is paid. There is a big ‘if’ in the word ‘Life’ itself. The word ‘if’ represents all the challenges that life throws at you. Life is uncertain and the best way to deal with these uncertainties is to be prepared against them. One such uncertainty is death. While death is inevitable, premature death is uncertain and if it happens, it creates emotional as well as financial loss. While emotional loss cannot be compensated against, financial loss can be. This is where life insurance comes into the picture. Life insurance policies are designed to cover the risk of premature death. If the insured dies during the term of the policy, life insurance plans pay a death benefit.

The average penetration and density of life insurance in India is a measly 2.76%. There have been improvements in this arena but overall the growth has been rather slow in India. Not many people are aware of the benefits of life insurance and the numbers for penetration are an indicator of the same. Accidents and mishaps are strong indicators of how fragile human life can be and how we need to systemically insure our lives. It is an important tool for providing an individual's family with safety and security. It acts as a protective cover to safeguard the insured's dependents. In the event individuals do not insure their lives, their dependents end up facing the tragic loss of their loved one along with a whole host of liabilities such as rent, loans, EMI's and child services. Life insurance is crucial for families to feel security and a sense of confidence to continue their lives without losing their everyday stability.

6.2. IMPORTANCE OF LIFE INSURANCE PLANS:

Here are the reasons why life insurance plans are important –

- Life insurance policies provide financial security. They promise to give your family financial assistance in case of your premature death
- There are different types of life insurance plans and each plan helps you in fulfilling your life’s financial goals
- By investing in life insurance policies you can buy peace of mind for yourself as far are financial stability is concerned
- Life insurance policies also give you tax benefits and help in lowering your tax liability given these benefits of life insurance plans, you should invest in a suitable policy.

6.3. FEATURES OF LIFE INSURANCE PLANS

1. Policyholder- Policyholder is the individual who pays the premium for the life insurance policy and signs a life insurance contract with a life insurance company.
2. Premium - A premium is the cost the policyholder pays the life insurance company for covering his/her life.
3. Maturity - Maturity is the stage at which the policy term is completed and the life insurance contract ends.
4. Insured - Insured is the individual whose life is secured via the life insurance. After his/her death the insurance company is accountable to provide a financial amount to the dependents.

5. Sum Assured - The amount the insurance company pays the dependents of the insured if those events occur which are specified in the life insurance contract.

6. Policy Term - Policy term is the specified duration (listed in the life insurance contract) for which the insurance company provides a life cover and the time period during which the contract is active (listed in the life insurance contract).

7. Nominee - A nominee is an individual listed in the life insurance contract who is entitled to receive the predetermined compensation, as a part of the policy.

8. Claim - On the insured's demise, the nominees can file a claim with the insurance provider in order to receive the predetermined payout amount.

6.4. ADVANTAGES OF BUYING A LIFE INSURANCE POLICY

1. Death Benefits - Life insurance enables individuals to protect themselves and their families, in case of any unfortunate happening in the life of the insurer. The insurer pays an amount equivalent to the sum assured as specified in the contract along with applicable bonuses. This is known as the death benefit.

2. Wealth Creation through Investment Components - A few life insurance policies offer wealth creation benefits as well. In such life insurance plans, you can invest your premiums in different funds based on your risk appetite. These life insurance plans are excellent wealth builders in the long run. Invest 4G offered by Canara HSBC gives you the option of choosing from a range of seven funds. The fund options include both equity and debt investments and 4 different portfolio management strategies to help you maximise your gains.

3. Financial Security - The primary importance of a life insurance policy is that it provides your family with long-term financial security. Life insurance policies provide a lump sum money to financially support your family in the case of your early demise. Plans like iSelect Smart360 Term Plan term can look after the family’s regular expenses, future goals and any ongoing debts after your death.

4. Loan Option - A cheaper loan facility is one of the important benefits of life insurance plans. You can use your life insurance policy with the investment part for a loan as well. Life insurance plans like guaranteed savings plans, money back plans and whole life insurance policies acquire a cash value over time. You can borrow at a low rate of interest against this cash value.

5. Life Stage Planning - The importance of life insurance grows as you progress through your life stages. Life stages refer to the multiple major stepping stones like marriage, childbirth, home purchase, retirement, etc. You can use life insurance plans to prepare for each of these life stages. For example, term insurance for protection, child plan for child’s marriage and education, ULIP for building wealth, the pension plan for retirement, etc.

6. Assured Income Benefit - Assured Income benefit is another important benefit of life insurance plans. iSelect Smart360 Term Plan offer a regular income payout option for your family after your early demise. Similarly, life insurance pension plans can offer a long-term guaranteed income to you and your spouse.

6.5. WHY LIFE INSURANCE POLICY IS IMPORTANT FOR FINANCIAL SECURITY?

The importance of life insurance in your life cannot be overstated. It helps you and your family gets financially secure. There are many benefits of life insurance other than providing financial protection. It can help you in achieving different goals throughout your life as well.

Here are some reasons that depict the importance of life insurance.

1. Cover for Critical Illness Situations - The costs associated with healthcare are sky-rocketing. If the disease is critical like heart attack, respiratory issues etc, and then it is sure to dig a huge hole in your pockets. These diseases also take a lot of time to recuperate and require proper rest. Thus, during this time, you will not be able to earn as well. Life Insurance policies such as Canara HSBC Life Insurance term plan iSelect Smart360, cover critical/terminal insurance in all their plan options. Thus, you are given money the moment you are diagnosed.

2. Achieve Child Goals Safely - It's a given that as a parent, you would want the best for your child. You can align your life insurance policy so that you can help fulfill your child's goals of higher education or marriage. But these goals require a lot of money.

There are specific life insurance plans made to achieve these goals known as Child Plans. These not only include life cover but allow you to invest and build your corpus. Canara HSBC Life Insurance Child Plans such as Smart Junior Plan as well as invest 4G has a lot of strategies with which you can achieve your goal. Also, these come with a Premium Funding Benefit option that waives off the remaining premiums if you die during the policy. The policy is continued.

3. Enjoy a Safer Retirement - Retirement is one of the biggest milestones you look forward to throughout your working life. After retirement, you will no longer have your income by your side. Thus, it becomes important to accumulate enough funds so that you no longer have to worry post you retire. Retirement plans provide your life cover as well as a stream of regular income. Also, ULIPs such as invest 4G has a systematic withdrawal feature that helps you receive a regular sum of money for your expenses after retirement.

6.6. FACTORS TO CONSIDER BEFORE BUYING A LIFE INSURANCE POLICY

Here is a list of the factors that you should consider before you decide to buy a life insurance policy.

1. Sum Assured - The first and foremost thing to look at is the amount you will be covered for through your insurance. You are required to choose the sum assured before the commencement of the policy. Assess all the future needs and expenses of your family members before deciding an amount.

2. Duration of the Policy - This is the time for which your policy will be active. Life insurance policies come with different terms. They can range from 10 years to even covering for you till the age of 100. The longer the policy the lower can be your premium.

3. Additional Benefits of the Life Insurance Policy - Be sure to take note of the benefits involved in the policy. These can be bonuses, riders, etc. Riders enhance the scope of the policy. Make sure that your policy contains these benefits before buying.

4. Flexibility - The life insurance policy should be flexible. These can be in the form of providing multiple payment options, freedom to choose the mode and duration of payments, etc. The more flexible a policy is the more it is easy for you to customize according to your own.

5. Terms and Conditions - Make sure you do read the terms and conditions part associated with the policy thoroughly. There can be certain things that you might not be aware of or the agent did not communicate to you.

6. Claim Settlement - Last but not least is to consider the claim settlement process of the insurer. Go through the process so that you know the steps involved to get the claim. Also, check the claim settlement ratio of the company.

6.7. DIFFERENT TYPES OF LIFE INSURANCE POLICIES

As stated earlier, life insurance plans come in different variants. Let's understand these variants and their respective features-

6.7.1. TERM INSURANCE

Term insurance is the most basic type of life insurance policy. The policy promises death benefit during the term of the plan. On maturity, usually, nothing is paid. Term plans are the cheapest form of life insurance which gives you unmatched financial protection.

Salient features of term insurance

- Term plans allow high coverage levels at a low cost
- Coverage can be taken for very long durations going up to 30 or 35 years or till 85 years of age. Different plans have different options available

There are different types of term plans which are as follows:

1. Increasing term plans where the sum assured increases every year
2. Decreasing term plans where the sum assured reduces every year
3. Level term plans where the sum assured does not change
4. TROP or Term Plan with Return of premium option where the premiums paid are returned if the plan matures

Benefits of Term Insurance Plan

- It provides higher coverage for lesser premiums as compared to other life insurance products.
- TROP comes with a maturity benefit, which the sum total of all premiums is paid. No interest amount is paid on that.

6.7.2. WHOLE LIFE INSURANCE

Whole life plans, as the name suggests, run for your whole life and allow coverage till you reach 99 or 100 years. These plans are like term insurance plans but with indefinite coverage duration.

Salient features of whole life insurance plans

1. Coverage is allowed till 99 or 100 years of age
2. Different types of whole life plans are available in the market. You can buy endowment oriented plans, money back whole life plans, pure protection plans or even unit linked plans
3. Premiums under whole life plans are payable for a limited period
4. Under endowment oriented, money back or unit linked plans, there is also a maturity benefit if you survive till 99 or 100 years of age

Benefits of Whole Life Insurance Policy

- Unlike other insurance policies, it does not have a defined term. The sum assured is paid to the dependent upon the death of the policyholder.

- Apart from the sum assured upon your death, it also has a saving component. You can re-invest it letting the cash amount grow or can remit a part of the cash value during your lifetime. You can also avail a loan against the saving component.

6.7.3. ENDOWMENT ASSURANCE

Endowment plans are traditional savings-oriented life insurance plans. These plans provide coverage against premature death. Moreover, on maturity, a guaranteed maturity benefit is also promised. Endowment plans, therefore, promise insurance as well as savings.

Salient features of endowment assurance plans

1. Endowment assurance plans are a combination of insurance as well as investment options
2. Coverage duration can range from 10 years to up to 30 years
3. The plan usually offers guaranteed benefits on death or maturity at 99 years of age
4. The plan can be a participating or a non-participating plan.
    - Participating plans earn bonus
    - Non-participating plans do not earn bonus
5. Guaranteed additions or loyalty additions are also promised under many endowments' assurance plans

Benefit of Endowment Policies

Apart from the sum assured there is a saving component. You can use this to make goal-based savings and in case of financial emergencies, you can avail of a loan against it.

6.7.4. MONEY BACK PLAN

Money back plans are also called anticipated endowment plans because they are like endowment plans but with anticipated benefits. Under these plans, the sum assured is paid in installments at specified durations over the policy tenure. This allows liquidity while at the same time providing life insurance notes coverage.

Salient features of money back plans

1. The money back benefits are called survival benefits
2. Money back plans are offered as participating plans where bonuses are added
3. In case of death of the insured, the entire amount of sum assured is paid irrespective of the survival benefits already paid earlier
4. The tenure of a money-back plan often ranges from 12 or 15 years till 20 or 25 years.

Benefit of money back policies

The biggest advantage of money back policies is the liquidity they provide, i.e. you receive a percentage of the sum assured at regular intervals.

6.7.5. UNIT LINKED INSURANCE PLANS

Unit linked insurance plans are unique life insurance plans which provide the double benefit of insurance as well as investment returns. Premiums paid for these plans are invested in market linked funds. This fund then grows as per the performance of the market. If the insured dies during the policy tenure, a death benefit is paid. On maturity, the fund value is paid which is equal to the premiums invested along with the returns that they earned over the term of the policy.

Salient features of unit linked plans

1. There are different types of investment funds suitable for different risk appetites
2. You can choose the premium that you want to pay, the investment fund and the duration of the plan
3. Partial withdrawals are allowed after the completion of 5 policy years wherein you can withdraw from the fund
4. Switching is allowed for changing the selected investment fund
5. Many unit linked plans also allow additional premiums through top-ups
6. Higher of the sum assured or the fund value is paid on death. On maturity, however, the fund value is paid

Benefits of ULIP

Though there is no guaranteed return, ULIP provides a higher return than traditional policies with a savings component.

6.7.6. CHILD PLAN

Child insurance plans are life insurance plans which are created to secure your child's future. Under these plans, there is an inbuilt premium waiver rider. This rider waives the premiums in case of death of the parent who is also the policyholder. Though the premiums are waived, the policy continues and pays a benefit after the end of the term when the child needs it for higher education or marriage. Child insurance plans, therefore, ensure a corpus for the child's future whether the parent is alive or not.

Salient features of child insurance plans

1. Child plans can be traditional endowment or money back plans or unit linked plans
2. Only parents of minor children can buy the policy
3. The life insured can be parents or the minor child. The policyholder, however, would always be the parent
4. When the child attains 18 years, he/she becomes the policyholder. The policy, then, vests in the child's name
5. If the parent is the life insured, in case of death during the term, a death benefit is immediately paid. The plan, however, continues to run and the insurance company pays the premiums. Thereafter, on maturity, a maturity benefit is paid again

Benefits of Children's Insurance Plan

- Your children receive funds regularly, which they can use to fund their education costs.
- Also, if you have a daughter, consider investing in such plans to save for her marriage.

6.7.7. HEALTH PLAN

Life insurance companies also offer health insurance policies. These policies either cover specific illnesses or a list of critical illnesses. If the insured suffers from the illnesses covered by the plan, a lump sum benefit is paid as per the policy's benefit structure.

Salient features of health plans

1. The plans are offered for a period of 5 years to 30 years
2. The plans pay a lump sum benefit irrespective of the medical costs incurred
3. Heart related illnesses, cancer and other critical illnesses are some of the commonly covered illnesses under health plans

6.7.8. ANNUITY

Annuity plans or pension plans are retirement oriented life insurance plans. Under these plans you can either create a retirement corpus or avail lifelong incomes from an already accumulated corpus. Pension plans help you plan for your financial needs post retirement.

Salient features of pension plans

1. There are two types of pension plans – deferred annuity plans and immediate annuity plans
2. Under deferred annuity plans you can choose a policy tenure and pay premiums to build up a retirement corpus
3. Under immediate annuity plans annuity payments commence immediately after you buy the plan
4. Under deferred annuity plans, 1/3rd of the accumulated corpus can be withdrawn in cash through commutation. The remaining would then be used to avail annuities

Benefits of Annuity (Pension) Plan

- You can accumulate a good corpus for your retirement, which will help you to earn regular pension income.
- Knowing that you will have a steady income stream in retirement can give you peace of mind. You can enjoy your retirement years without being concerned about your finances.

6.8. LIFE INSURANCE RIDERS

Besides the above-mentioned types of life insurance plans, there are riders too which are additional coverage benefits. Riders are available with almost all types of life insurance plans (except health and immediate annuity plans). You can choose any rider as per your coverage needs by paying an additional premium.

Salient features of life insurance riders

1. Riders have their own sum assured which can be equal to or lower than the sum assured of the base policy
2. You can choose multiple riders
3. Each rider comes with an additional premium
4. Riders do not have any maturity benefit. They cover a specific contingency and pay a benefit only if that contingency occurs

6.9. TYPES OF LIFE INSURANCE RIDERS

Life insurance riders can be offered in the following types –

Type of rider	Meaning
Accidental death and disablement benefit rider	This rider pays an additional sum assured if the insured dies or becomes permanently disabled due to an accident
Critical illness rider	This rider covers a list of critical illnesses. If the insured suffers from any of the covered illnesses during the term of the policy, the rider pays a lump sum benefit
Premium waiver rider	This rider waives the premiums payable under the policy if the insured becomes disabled
Hospital cash rider	This rider pays a daily cash allowance if the insured is hospitalized for 24 hours or more
Term rider	This rider pays an additional sum assured if the insured dies during the policy tenure

6.10. CONVENTIONAL LIFE INSURANCE POLICIES

Conventional life insurance policies are not financial investments. While the main purpose of conventional life insurance policies is to provide death cover, some policies include an investment element which may pay bonuses (profits) to the investor. A person who invests in such a life insurance policy is seen as deriving income from a profit-making transaction. Bonuses accumulate on conventional life insurance policies during the term of the policy. Bonuses are not assessed as ongoing income during the life of the policy. However, on withdrawal, surrender or maturity of the policy, the difference between the total amount received on withdrawal, surrender or maturity and the sum of the purchase price and premiums paid by the investor is assessed as income for 12 months.

6.10.1. Bonus payments in pre-pension years

The difference between the total amount received by a pensioner on withdrawal, surrender or maturity of the policy, and the full cost of the policy over its lifetime, is regarded as a net return to the pensioner and is assessable as income at the time it is received. Bonus payments nominally accruing to the policy during pre-pension years are not excluded from the income assessment, as they fall within the definition of income at the time of receipt.

6.10.2. BONUS PAYMENTS THAT ARE NOT RECEIVED

Where a life insurance payment on withdrawal, surrender or maturity of a policy is not available for the pensioner's own use or benefit, it does not meet the definition of income and should be excluded from the assessment. This exception will not arise where the proceeds from the policy are gifted, as the normal disposal rules will apply. However, the proceeds may be excluded where, for example, one life insurance policy is terminated, with the proceeds immediately being applied by the life office to the arrears on another policy.

6.10.3. ASSESSMENT OF PARTIAL WITHDRAWALS

Where a pensioner receives only a partial payment from the full policy value, it is important to check that the policy is of a type that genuinely permits partial withdrawals. If there is satisfactory evidence that the non-withdrawn balance of the policy is continuing as a conventional life insurance product, the partial withdrawal may be separately assessed based on a pro-rata proportioning of the overall policy bonuses and costs.

6.10.4. ACCESSIBLE AMOUNTS ARE INCOME

Where the policy has matured but none, or only a partial withdrawal of the entitlement on maturity is accessed, the assessment is the same as if a withdrawal of the full amount had been made. This is because income is assessable when a person first has legal entitlement to it. It is not necessary that the funds be actually received by the pensioner, as legal control over the funds at the time that the policy matures is sufficient to satisfy the income test.

6.10.5. MATURED FUNDS NOT WITHDRAWN

Arrangements between the pensioner and the insurance company for the matured funds to remain with the insurance company in a different form should not be recognised, as the exemption of life insurance policies from the normal deeming rules for financial investments is based on the funds not being accessible to the pensioner prior to maturity.

6.10.6. FINANCIAL PENALTIES ON EARLY WITHDRAWAL

A pensioner should not be regarded as having a legal entitlement to access the full value of a policy if the policy provides for a significant financial penalty associated with the early surrender or redemption prior to maturity.

6.10.7. ASSESSMENT AFTER 12 MONTHS

On maturity, the continuing exemption of conventional life insurance policies from the deeming rules is no longer applicable as the funds become accessible. A partial (or nil) withdrawal of funds after maturity will result in some funds still being maintained by the insurance company. These funds should be regarded as deposit money, now falling within the definition of a financial asset, and should be deemed.

However, this deeming assessment should not commence until the 12 month assessment provided for under section 46A has concluded. This is because an assessment under this section requires a finding that the amounts are not otherwise being deemed.

6.11. PURPOSE OF CONVENTIONAL LIFE INSURANCE POLICIES

The main purpose of conventional life insurance policies is to provide death cover, however some policies also:

- mature and provide a benefit if the insured becomes totally disabled, or
- Include an investment element.

6.12. UNIT LINKED INSURANCE PLAN (ULIP)

A unit linked insurance plan (ULIP) is a multi-faceted product that offers both insurance coverage and investment exposure in equities or bonds. This product requires policyholders to make regular premium payments. Part of the premiums goes toward insurance coverage, while the remaining portion is pooled with assets from other policyholders and invested in either equities, bonds, or a combination of both.

- A unit linked insurance plan is a product that offers a combination of insurance and investment payout.
- ULIP policyholders must make regular premium payments, which cover both the insurance coverage and the investment.
- ULIPs are frequently used to provide a range of payouts to their beneficiaries following their death.
- ULIPs often have a lock-in period in which the plan cannot be broken; if the plan is surrendered, there are often penalty fees and tax implications.
- The underlying risk of ULIPs is in the securities selected, and ULIPs can lose investment capital.

6.13. UNDERSTANDING UNIT LINKED INSURANCE PLANS (ULIPS)

A unit linked insurance plan can be used for various purposes, including providing life insurance, building wealth, generating retirement income, and paying for the educations of children and grandchildren. In many cases, an investor opens a ULIP to provide benefits to their descendants. With a life insurance ULIP, the beneficiaries would receive payments following the owner’s death.

A unit linked insurance plan’s investment options are structured much like mutual funds, in that they pool investments with those from other investors. As such, a ULIP's assets are managed with an eye toward accomplishing a specified investment objective. Investors can buy shares in a single strategy or diversify their investments across multiple market-linked ULIP funds.

6.14. INVESTING IN A UNIT LINKED INSURANCE PLAN

Policyholders must commit an initial lump-sum payment when they first buy into a ULIP, followed by annual, semi-annual, or monthly premium payments. Although the premium payment obligations vary from product to product, in all cases, they are proportionally directed towards a designated investment mandate. The regular premium payments enable policyholders to systematically build up principal more quickly than could be accomplished by waiting for returns to accumulate. In addition, many ULIPs offer the option of "topping up", or adding significant lump sums to the balance.

Even though ULIPs are partly an insurance product, a focus on exposure to equities in the investment side of the product can raise investor risk.

ULIPs are unique in that they offer flexibility to investors, who may adjust their fund preferences throughout the duration of their investment. For example, they can shuttle between stock funds, bond funds, and diversified funds depending on their investment needs.

6.15. ADVANTAGES AND DISADVANTAGES OF ULIPS

The obvious benefit of ULIPs is the dual coverage; ULIPs provide both investment and insurance benefits. The life insurance portion of the premium is paid in part, and the remaining amount is invested in equity, debt, or a combination of the two. ULIPs provide flexibility in the form of premium payment alternatives, investment possibilities, and fund switching as investors can select the investment option that best fits their investing objectives and risk tolerance. Because ULIPs are created with long-term investment objectives in mind, they aid in building wealth over the long term. ULIPs have the potential to provide larger returns than conventional insurance plans because they invest in equities and debt securities. In addition, investors can set a policy and have auto-withdrawals automatically deposited into the plan to ensure long-term contributions. Following a predetermined lock-in period, ULIPs offer the option of partial withdrawal. This enables investors to take care of their urgent demands without giving up their policy entirely. In addition, depending on the state of the market and your investing objectives, ULIPs give you the choice of moving between funds. As a result, investors can transfer funds without terminating their insurance policies.

Despite its flexibility, there are some downsides to ULIPs. Charges for premium allocation, policy administration, and fund management are among the high fees associated with ULIPs. The returns on the investment may be greatly impacted by these ongoing, recurring charges. ULIPs make investments in debt and equity securities, both of which are exposed to market risks. There is no assurance of returns, and the investment's value may change based on market conditions. Like any other investment, there is the potential to lose capital contributed to the plan. Sometimes, you can't touch the ULIP balance for a period of time. For instance, a 5-year lock-in term for ULIPs prohibits investors from taking their money out before the period has ended. If investors require the money before the lock-in period is through, they may not have the flexibility they need. Alternatively, investors who choose to terminate their ULIP before the lock-in period is up can be required to pay exit fees. Last, for investors who demand a higher degree of insurance coverage, the insurance component of ULIPs might not be adequate. Investors might need to get more insurance coverage in such circumstances, thereby not having their entire need by a single ULIP alone.

- Offers the benefit of both insurance and investments
- May offer flexibility in the investments that can be chosen
- Are intended for long-term wealth creation
- May allow for partial withdrawals
- Often come with higher fees and administration charges
- Experience the same market exposure as any other investment
- May face a lock-in period where funds can't be touched
- May not meet all insurance needs

A ULIP combines investing options with life insurance coverage. Premiums are paid by policyholders, with a portion going toward life insurance coverage and the remainder being placed in other investment funds like stocks, bonds, or mutual funds. ULIPs allow people to participate in the financial markets and have the potential for investment growth while also providing life insurance cover.

6.16. ANNUITY LIFE INSURANCE PLANS

Annuity Plans are a type of insurance product that is available in India. Annuity Plans provide a guaranteed regular income stream to the policyholder in exchange for a lump-sum payment made to the insurance company. Under an annuity plan, the policyholder makes a one-time payment or several payments over a period of time. The insurance company, in turn, promises to provide regular payments to the policyholder for the rest of their life or for a specific period of time. This regular payment is called an annuity. There are different types of Annuity Plans available in India, including Immediate Annuity Plans, Deferred Annuity Plans, Variable Annuity Plans, and Joint Annuity Plans.

6.17. TYPES OF ANNUITY PLANS IN INDIA

There are different types of Annuity Plans available in India that cater to the diverse needs of investors. Here are some of the common types of Annuity Plans in India.

- **Immediate Annuity Plan -** As the name suggests, an Immediate Annuity Plan starts providing regular income immediately after the purchase. Investors need to make a lump-sum payment to the insurer, which then provides a fixed amount of income for life.
- **Deferred Annuity Plan -** Unlike immediate annuity plans, Deferred Annuity Plans provide regular income after a specific period. Investors can choose to pay a premium for a certain number of years, and the annuity payments start after the completion of the premium payment period.
- **Fixed Annuity Plan -** Fixed Annuity Plans provide a fixed income for a specific period. Investors can choose the duration of the annuity payments, which can be for a fixed number of years or until the investor's death.
- **Variable Annuity Plan -** Variable Annuity Plans offer market-linked returns and flexibility to choose the investment option. Investors can choose to invest in equity or debt funds as per their risk appetite and investment objectives.

6.18. WORKING OF ANNUITY PLANS IN INDIA

Annuity Plans work by investing a lump sum amount of money in an insurance company or financial institution, which then pays out regular payments to you. Each type of plan offers different features and benefits, depending on your personal financial goals and investment preferences. The payout options available for Annuity Plans include monthly, quarterly, half-yearly, and yearly payments, as well as options for increasing or decreasing payouts over time. You can also choose to receive payouts for a fixed period or for your entire life, depending on your preference.

6.19. BENEFITS OF ANNUITY PLANS

Here are some of the key benefits of Annuity Plans.

- **Guaranteed Income -** Annuity Plans offer a guaranteed income stream, providing financial stability during your retirement years. This ensures that you can continue to live a comfortable lifestyle without worrying about running out of money.
- **Flexibility -** Annuity Plans offer flexibility in terms of payout options, allowing you to choose the frequency and duration of payments that suit your needs. You can also choose to receive payouts for a fixed period or for your entire lifetime.
- **Tax Benefits -** Annuity Plans offer tax benefits, with premiums paid towards Annuity Plans eligible for tax deductions under section 80CCC of the Income Tax Act. Additionally, annuity payouts are taxed as income, but the tax liability is spread over a longer period of time, reducing the overall tax burden.

- **Death Benefit -** Annuity Plans also offer death benefits, ensuring that your loved ones are financially protected in case of your untimely demise. The nominee receives the remaining annuity payments, or the sum assured, depending on the type of plan chosen.
- **Hassle-Free Investment -** Annuity Plans are easy to invest in, with minimal paperwork and hassle-free claim settlement processes.

6.20. ELIGIBILITY CRITERIA FOR ANNUITY PLANS IN INDIA

Annuity Plans are a popular retirement savings option in India that provides a steady stream of income after retirement. Here are the common eligibility criteria for Annuity Plans in India.

1. **Age:** The minimum age for investing in an annuity plan is 30 years, while the maximum age is 85 years. The age limit may vary depending on the type of annuity plan chosen.
2. **Source of Income:** Individuals investing in Annuity Plans must have a regular source of income, such as salary, pension, or business income.
3. **KYC:** Individuals must complete the KYC (Know Your Customer) process to invest in an annuity plan. This involves providing identity and address proofs, as well as other relevant documents.
4. **Health status:** Some Annuity Plans may require individuals to undergo a medical examination to determine their health status. This is usually required for plans that offer higher payouts or longer payment durations.
5. **Nationality:** Indian citizens and non-resident Indians (NRIs) are eligible to invest in annuity plans. However, the rules and regulations may vary for NRIs depending on their country of residence.

It's important to note that the eligibility criteria may vary depending on the type of annuity plan chosen. It's recommended to check with the insurance company or financial institution offering the plan for more information on the eligibility criteria and documentation required.

6.21. HOW TO CHOOSE THE RIGHT ANNUITY PLAN IN INDIA

Choosing the right annuity plan in India is crucial to ensure a secure and comfortable retirement. Here are some factors to consider when choosing an annuity plan in India.

- **Your financial goals -** The first step in choosing an annuity plan is to determine your financial goals. You need to identify your retirement needs and the amount of income you would require during your retirement. You should consider factors like inflation, lifestyle, and any potential medical expenses when determining the amount of income you would need.
- **Type of plan -** There are several types of Annuity Plans available in India, including immediate annuity plans, deferred annuity plans, and fixed annuity plans. Each type of plan offers different features and benefits. For example, if you want to start receiving payouts immediately after investing, you should opt for an immediate annuity plan. On the other hand, if you have a long-term investment horizon and want to accumulate a corpus before starting to receive payouts, a deferred annuity plan may be a better option.

- **Payout options -** Annuity Plans offer a range of payout options, including monthly, quarterly, half-yearly, and annual payments. You should choose the payout frequency that suits your needs and financial goals. You should also consider plans that offer increasing payouts to keep up with inflation.
- **Payment duration -** Annuity Plans offer a range of payment durations, ranging from a fixed period of 5 to 10 years to the entire lifetime of the annuitant. You should choose a plan that offers a payment duration that suits your needs.
- **Charges -** Annuity Plans may involve various charges, including premium allocation charges, administration charges, and mortality charges. You should choose a plan that has low charges, as high charges can reduce the overall returns on your investment.
- **Reputation of the insurance company -** It's important to choose an annuity plan offered by a reputed insurance company with a strong track record of servicing customers.

6.22. SUMMARY

Life insurance products play a crucial role in providing financial protection and security for individuals and their families. Conventional life insurance, also known as whole life insurance or term life insurance, offers coverage for a specific period (term) or for the entire lifetime of the insured. Conventional life insurance policies offer death benefits to beneficiaries upon the death of the insured, providing financial protection to cover expenses like mortgage payments, debts, and income replacement. Unit-linked insurance plans (ULIPs) combine life insurance coverage with investment options, allowing policyholders to invest in various funds like equity, debt, or balanced funds. ULIPs offer flexibility by allowing policyholders to switch between different investment funds based on their risk appetite and market conditions.

Annuities are insurance products designed to provide a steady stream of income during retirement or for a specified period. Annuities offer a way to supplement retirement income and provide a source of guaranteed income, helping individuals manage longevity risk and ensure financial stability during retirement. In summary, conventional life insurance provides death benefits and savings, ULIPs offer insurance coverage with investment options, and annuities provide a steady stream of income during retirement. Each type of life insurance product has distinct features and benefits suited to different financial goals and needs.

6.23. KEY WORDS

1. **Term Life Insurance:**
   - Provides coverage for a specified term or duration.
   - Pays out a death benefit to beneficiaries if the insured passes away during the policy term.
   - Typically offers pure protection without any savings or investment component.
   - Premiums are generally lower compared to other types of life insurance.
2. **Whole Life Insurance:**
   - Offers coverage for the entire life of the insured.
   - Accumulates cash value over time, which can be accessed through policy loans or withdrawals.
   - Combines insurance protection with a savings/investment component.

- Premiums remain level throughout the policyholder's life.

3. **Endowment Plans:**
   - Provides both insurance coverage and savings/investment benefits.
   - Pays out a lump sum amount either on the maturity of the policy or in the event of the insured's death, whichever occurs earlier.
   - Offers guaranteed returns and bonuses, making it suitable for long-term financial goals such as education or retirement planning.
4. **Money-Back Policies:**
   - Offers periodic payouts (survival benefits) at specific intervals during the policy term.
   - Provides life insurance coverage along with periodic returns to policyholders.
   - Helps policyholders meet financial needs at various stages of life, such as children's education or marriage.
5. **Unit Linked Insurance Plans (ULIPs):**
   - Combines life insurance coverage with investment options in equity, debt, or hybrid funds.
   - Offers flexibility to switch between different investment funds based on market conditions or risk appetite.
   - Provides potential for higher returns compared to traditional life insurance plans but also involves market risk.
6. **Annuities:**
   - Provides a regular income stream to the policyholder during retirement or a specified period.
   - Can be purchased with a lump sum payment or through periodic premiums.
   - Offers options such as immediate annuities (payouts start immediately after purchase) or deferred annuities (payouts start at a later date).
7. **Pension Plans:**
   - Designed to provide income security during retirement years.
   - Accumulates funds over the policy term through regular contributions.
   - Offers various payout options such as annuities or lump sum withdrawals upon retirement.
8. **Child Plans:**
   - Specifically designed to secure a child's future financial needs such as education, marriage, or other expenses.
   - Provides both insurance coverage and savings/investment benefits.
   - Offers flexibility in premium payment terms and maturity benefits to meet evolving financial goals.

6.24. SELF-ASSESSMENT QUESTIONS

Essay type questions

1. Write the Features of life insurance plans and describe the different types of life insurance policies in India.
2. Define the Life insurance riders and what discuss the different types of life insurance riders

3. Why life insurance policy is important for financial security? And what are the factors to consider before buying a life insurance policy?
4. Describe Conventional life insurance policies and write the purpose of conventional life insurance policies in India.
5. How does annuity plans working in India. Benefits and types of annuity plans in India. Discuss.

Short type questions

1. Write the Importance of life insurance plans.
2. What are the advantages of buying a life insurance policy
3. Write the advantages and disadvantages of ulips

6.25. SUGGESTED READINGS

1. Arvind Kumar: Life Insurance: Concepts, Products, and Planning, McGraw-Hill Education Publications, New Delhi, 2016.
2. Santosh Sharma: Life Insurance: From Basics to Advanced, Notion Press Publications, Chennai, 2017.
3. Amar Saxena: Life Insurance: A Financial Planning Approach, Taxmann Publications Pvt. Ltd. New Delhi, 2018.
4. Rajiv Bajaj and S. N. Behl: Understanding Life Insurance: A Comprehensive Guide, Vision Books, New Delhi, 2018.
5. V. Venkata Krishnaiah: Life Insurance Marketing in India, PHI Learning Pvt. Ltd. New Delhi, 2018

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LESSON – 7

GROUP POLICIES AND MEDICAL EXAMINER

Aims and Objectives:

After reading this lesson the student would know the following aims and objectives of:

- To understand the purpose of the group life insurance
- To understand the requirements for group life insurance
- To know the types of group life insurance
- To understand the role and importance of the medical examiner

Structure

7.1 Introduction
7.2 Understanding group life insurance
7.3 Requirements for group life insurance
7.4 Benefits of group life insurance
7.5 Features of group life insurance
7.6 Advantages and disadvantages of group life insurance
7.7 Types of group life insurance
7.8 Life insurance and medical exams
7.9 Life insurance in India
7.10 Significance of medical exams
7.11 Medical exam process in India
7.12 Impact of medical exam results
7.13 Role and importance of the medical examiner
7.14 Summary
7.15 Key words
7.16 Self-assessment questions
7.17 Suggested readings

7.1 INTRODUCTION

A group life insurance policy is a type of life insurance plan that provides financial protection to the families of the members of a group in the event of their unexpected demise. It is a single product that extends life insurance coverage to the entire group. It applies to employer-employee relationships, such as business organisations, and non-employer-employee relationships, such as welfare associations. The objective of forming the group should have a meaningful purpose apart from requiring life insurance coverage.

What Is Group Life Insurance?

Group life insurance is offered by an employer or another large-scale entity, such as an association or labor organization, to its workers or members. It is fairly inexpensive, may even be free for certain employees, and is pretty common nationwide. Group life often has a relatively low coverage amount and is offered as a piece of a larger employer or membership benefit package. Members of a group life policy do not need to submit to a medical examination and are not subject to individual underwriting.

- Group life insurance is offered by an employer or another large-scale entity, such as an association or labor organization, to its workers or members.
- Group life insurance is fairly inexpensive and may even be free since many members pay into the group policy.
- Some organizations require group members to participate for a minimum amount of time before they are granted coverage, which is generally pretty basic.
- Group life policies do not require individuals to complete a medical exam or underwriting.
- Group life policy death benefits are generally limited.

Purpose of group life insurance

Group life insurance is a common employee benefit that provides a death benefit to the insured's beneficiaries if they die while part of the organization. The purpose is to provide financial support to the families of such employees.

7.2 UNDERSTANDING GROUP LIFE INSURANCE

Group life insurance is a single contract for life insurance coverage that extends to a group of people. By purchasing group life insurance policy coverage through an insurance provider on a wholesale basis for its members, companies are able to secure costs for each individual employee that are much lower than if they were to purchase an individual policy. That receiving group life insurance coverage may not have to pay anything out of pocket for policy benefits. People who choose to take more-advanced coverage alongside it may elect to have their portion of the premium payment deducted from their paycheck. Just as with regular insurance policies, insured parties are required to list one or more beneficiaries before the policy comes into effect. Beneficiaries can be changed at any point during the coverage period.

The typical group policy is for term life insurance, often renewable each year with a company's open-enrollment process. This is in contrast to whole life insurance, which provides coverage no matter when you die. Whole life insurance policies are permanent, have higher premiums and death benefits, and constitute the most popular type of life insurance. With group life insurance, the employer or organization purchasing the policy for its staff or members retains the master contract. Employees who elect coverage through the group policy usually receive a certificate of coverage, which is needed to provide to a subsequent insurance company in the event that an individual leaves the company or organization and terminates their coverage.

7.3 REQUIREMENTS FOR GROUP LIFE INSURANCE

Group life insurance policies generally come with certain conditions. Some organizations require group members to participate for a minimum amount of time before they are granted coverage. For instance, an employee may need to pass a probationary period before being allowed to take part in employee health and life insurance benefits. Coverage is normally only valid for as long as a member is part of the group. Once the member leaves, whether through resignation or firing, the coverage ends.

7.4 BENEFITS OF GROUP LIFE INSURANCE

Purchasing the group life insurance plan is beneficial for the group leader and the members of the group for the following reasons:

- **Single coverage** - The group life insurance death benefits apply to every single member of the group. Therefore, every member is a beneficiary of the life insurance coverage under a single common life insurance plan. The coverage is common irrespective of factors such as the members' age, gender, lifestyle, etc.,
- **Financial protection to the members' families** - The group term life insurance benefits the families of the members in the group by providing the death benefit to the nominee in the event of the unexpected death of the member. The family can use the lump sum to reduce their financial burden in the absence of the earning member of the family.
- **Affordable** - As the coverage is extended to a group of people, the premium becomes increasingly affordable. Therefore, it is accessible for people irrespective of age, gender, socio-economic status, lifestyle, etc. And suppose an employer provides the group life insurance policy as an employment benefit. In that case, the employer generally pays the entire Or the major portion of the premium for the insured employees.
- **Gratuity and superannuation benefits** - The employer can purchase group insurance based on a gratuity scheme to provide gratuity benefits to the employees based on their years of service in the organisation. On the other hand, group insurance based on superannuation benefits helps the employer accumulate funds to provide for the employees on their retirement.
- **Credit protection for lenders** - Group insurance policies provide financial protection to lending agencies and bankers. If the borrower or the debtor fails to repay the loan, the insurance plan will cover the loss suffered by the lenders.
- **Default coverage** - The coverage for a new employee is ensured when he joins the organisation by default when the respective employer makes the required additional payments if necessary.
- **Employee retention** - One of the most important group life insurance benefits is employee retention. When group life insurance is provided as an employment benefit, it increases the morale among the employees, making them feel more secure and reducing the employee attrition rate.
- **Hassle-free process for the members** - The employees or the members are not generally required to undergo a medical screening process to avail of the group life insurance benefits. In addition, the claim settlement process for the nominee based on the group life insurance coverage is simple and hassle-free compared to purchasing individual life insurance plans elsewhere.
- **Tax benefits** - The premium paid by the employer for the benefit of the employees is considered a business expense under Section 37(1) of the Income Tax Act, 1961. And if the employee contributes to the premium, the payment will qualify for a tax deduction under Section 80(C). Furthermore, the life insurance plan payouts will qualify for a tax exemption under Section 10(10D) of the Income Tax Act 1961.
- **Experienced fund managers** - Experienced fund managers extend their help to employers by providing the benefits of group life insurance plans such as gratuity, superannuation benefits, etc.

7.5 FEATURES OF GROUP LIFE INSURANCE

The group life insurance benefits are based on certain features that define the terms and conditions of the policy.

- **The master contract** - The employer or the group organiser will purchase the master contract in a group life insurance plan and will be responsible for making the premium payments regularly. The premium will be based on the number of members and the coverage amount. If the number of members increases, there will be a corresponding increase in the premium. The master contract will be issued to the sole policyholder detailing the persons covered, terms and conditions, and the benefits of the group life insurance.
- **Contributory and non-contributory insurance** - If the group insurance plan is provided as an employment benefit and sponsored by the employer to the employee, there will be no financial requirement from the employee, and it is referred to as the non-contributory group insurance plan. On the other hand, in a contributory group life insurance plan, the employee will have to pay a nominal amount which might be a small proportion of the premium, and the employer will pay the remaining amount.
- **Coverage period** - The life insurance coverage extends to the members until they are part of the group and ceases to exist after they leave the group, like the employee post-retirement in an organisation.

7.6 ADVANTAGES AND DISADVANTAGES OF GROUP LIFE INSURANCE

The biggest appeal group life insurance has for employees are its value for money. Group members typically pay very little, if anything at all. Any premiums are drawn directly from their weekly or monthly gross earnings. Qualifying for group policies is easy, with coverage guaranteed to all group members. Unlike individual policies, group insurance doesn’t require a medical exam.

However, low cost and convenience aren’t everything. Group life insurance generally comes with only basic coverage, which means it may not fulfill the needs of policyholders. Typical amounts are $20,000, $50,000, or one or two times the insured’s annual salary. That’s why experts say it should be treated as a perk and supplemented with a separate individual policy, rather than being seen as sufficient standalone coverage.

Another drawback is that the employer controls the policy, which means your premiums can increase based on decisions that your employer makes. If an organization opts to terminate group life insurance—or a person decides to switch jobs—coverage usually stops. However, the former employee does have an option to continue coverage at the individual level. This means the policy is converted from a group life policy to an individual one, which comes with higher premiums. While many people may not want the greater cost, those who are otherwise uninsurable will benefit from the conversion, as a medical exam still would not be required.

Some organizations allow group members to purchase more coverage than basic life insurance. That extra voluntary coverage may make financial sense because even the added premium will still be based on the less-expensive group rate. That part of the policy also may be portable between jobs. Unlike the basic group policy, additional coverage often requires applicants to answer a medical questionnaire, but it may not require an actual physical exam. That could be a good option for people whose health issues might make it difficult to qualify for an affordable individual policy.

7.7 TYPES OF GROUP LIFE INSURANCE

1. **GROUP TERM INSURANCE:** Group term insurance is the most common type of group life insurance is that renews yearly. This type of insurance provides only a death benefit and is the least expensive option.

2. **GROUP UNIVERSAL LIFE** Group universal life is more expensive, but offers the opportunity to build cash value alongside the death benefit. Variable group universal life is similar but offers an investment option for increasing the potential returns on the cash value portion.

7.7.1. GROUP TERM LIFE INSURANCE

Group term life insurance is a type of temporary life insurance in which one contract is issued to cover multiple people. The most common group is a company where the contract is issued to the employer who then offers coverage to employees as a benefit. Many employers provide, at no cost, a base amount of group coverage plus options for employees to purchase supplemental coverage for themselves as well as their spouses and children. Group term is also sold by various associations and professional organizations.

Group term life insurance is relatively inexpensive compared to individual life insurance. As a result, participation is high.

- Many employers offer basic group term life insurance at no cost to employees as part of a benefits package.
- You can often purchase additional coverage for yourself or your family members.
- When you leave a job, you may be able to convert a group term life insurance policy to an individual life insurance policy. However, the cost could go up.
- It may be prudent to have group term life insurance and an individual life insurance policy at the same time.

7.7.1.a. How group term life insurance works

Life insurance is available to 57% of private company employees and 83% of government employees through the workplace, according to the U.S. Bureau of Labor Statistics. Group life insurance policies are generally written as term insurance and offered to employees who meet eligibility requirements, such as being a permanent employee who has been with the company for at least 30 days. Group term life insurance coverage can be adjusted for qualifying life events or during an open enrollment period. The standard amount of coverage is usually tied to the covered employee's annual salary, with premiums primarily based on the insured's age. Employers typically pay most or all of the premiums for basic coverage. Additional amounts, ordinarily in multiples of the employee's annual salary, may be offered for an extra premium paid by the employee.

As with other types of life insurance, group term pays out a death benefit to the beneficiary you choose if you pass away while the policy remains in effect. Insured members often receive certificates of insurance as proof of coverage. If your company offers group term life insurance, you may not be able to "take it with you" if you change jobs. Employer-provided group term life insurance is not always a portable benefit.

7.7.1.b. ADVANTAGES AND DISADVANTAGES OF GROUP TERM LIFE INSURANCE

Group term coverage is generally inexpensive, especially for younger people. Participants are not normally required to go through an underwriting process, as all eligible employees are automatically covered. However, unlike individual term insurance plans, which typically lock in a rate for 20 to 30 years, most group plans have rate bands in which the cost of insurance automatically goes up in increments (for example, at ages 30, 35, 40, etc.). The premiums for each rate band are outlined in the plan document provided by the employer.

While inexpensive, the amount of coverage offered by group life insurance may not be enough for many families. Employers or association groups offering the insurance often limit the total coverage available to employees or members based on factors such as tenure, base salary, number of dependents, and employment status, Participants cannot customize group term coverage to meet individual needs like they could with their own policy.

Lastly, group term coverage often ends when an individual's employment terminates. Some employers do allow ex-employees to maintain the same coverage, known as porting the life insurance. Former employees could also possibly convert the group term to an individual permanent policy. The conversion options vary, may not be automatic, and could require underwriting. Consequently, an individual could be offered a policy with a much higher premium. Also, the policies available when converting may be limited and are not always the most competitive products.

Some employers only offer accidental death & dismemberment insurance. AD&D policies only cover deaths or severe injuries resulting from an accident (rather than from natural causes) and contain significant coverage limitations. Always read the fine print to be sure you understand your group coverage and benefits

7.7.1.c. REQUIREMENTS FOR GROUP TERM LIFE INSURANCE

Typically, all employees are automatically enrolled in the base coverage once they meet the eligibility requirements. Those requirements vary by plan and employer. They can include working a certain number of hours per week or being an employee for a certain period of time. Group term life sold by associations (such as fraternal organizations, trade groups, and charitable groups) includes other requirements, such as maintaining membership in the organization.

The availability of supplemental group term coverage also differs among employers. They may offer extra coverage for the employee beyond the base insurance, as well as optional insurance for a spouse and/or children. In some plans, individuals can only enroll for supplemental insurance when they are initially employed or upon a qualifying life event, such as the birth of a child. In other plans, supplemental group term coverage can be added during open enrollment periods.

Supplemental coverage may require underwriting. Usually, it is a simplified underwriting process whereby the insurance applicant answers some questions to determine eligibility rather than undergoing a physical exam. The carrier then decides whether or not it will offer the additional coverage.

7.7.2. GROUP UNIVERSAL LIFE POLICY

A group universal life policy is a form of universal life insurance offered to a group of people at a lower cost than what is typically offered to an individual. Group universal life insurance is commonly purchased by corporations that want to provide their employees with life insurance coverage. These policies provide each insured party with permanent insurance coverage with an option to grow their savings.

- A group universal life policy is universal life insurance offered to a group of people at a lower cost than what is typically offered to an individual.
- Employers may cover the entire cost of coverage or split premiums with employees through regular pre-tax payroll deductions.
- These policies also come with a savings component, allowing cash to accumulate in a guaranteed account with a fixed interest rate.
- Employees can choose to make withdrawals at any time without any tax penalties or leave the cash to accumulate.

7.7.2.a. HOW GROUP UNIVERSAL LIFE POLICIES WORK

Many businesses feature group universal life insurance as part of their employee benefits package. In some cases, coverage may be extended to spouses and other immediate family members of employees as well. Like other policies, group universal life insurance pays a death benefit to the insured party's beneficiaries but also features a savings component—two distinctly different financial benefits. Policyholders choose coverage that starts with the amount of their base salary. From there, the amount of coverage depends on the individual's financial situation and the needs of their beneficiaries. For instance, someone who earns $50,000 per year may choose coverage option of $150,000—three times their salary—based on their current situation. This amount is paid to their beneficiaries upon their death as long as the premiums are paid.

Employers may cover the cost of the premiums in their entirety, while others split the cost of coverage with their employees through pre-tax payroll deductions. The cost of coverage is much less than paying for an individual policy. It's akin to buying food items in bulk. The cost to cover each individual is much cheaper because the policy is designed to cover a large group, just as purchasing a large amount of a particular grocery item is cheaper on a per-item basis than buying each item separately.

Policies generally accumulate cash value after about a year—an amount that increases every year thereafter. These sums are relegated to a guaranteed account, earning the policyholder a minimum fixed interest rate. Cash value is available for withdrawal at any time, at any age— usually without tax penalties. Policyholders may choose to leave the savings in the policy and allow the cash value to grow. Employees can start, change, or stop additional premiums at any time, without charge. Policyholders also get the convenience of making contributions via payroll deductions, or they may contribute any lump sum in addition to their premiums. Cash values generally accumulate after a year, grow at a fixed rate, and can be accessed tax-free at any time.

7.7.2.b. ADVANTAGES AND DISADVANTAGES OF A GROUP UNIVERSAL LIFE POLICY

Life insurance can be expensive and may have many different requirements. Taking group coverage through your employer can be cheaper than taking out an individual policy on

your own. You may also be able to get guaranteed coverage without having to answer too many medical questions.
Some employers also provide some other benefits with these policies:

- **Portable coverage:** This allows you to continue coverage even when you change jobs or retire.
- **Accelerated benefits:** This type of coverage is extended to anyone diagnosed with a terminal illness
- **Waiver of premium:** You may not have to pay a premium if you become totally disabled.

There are also some distinct disadvantages to group coverage. First, if you don't have portable coverage, you will lose your policy if and when you leave or lose your job. Secondly, because the policy is provided through your employer, you may not be able to get as much coverage as you want and/or need. Keep in mind, if you want to increase the amount of coverage, you're probably going to have to pay more and you'll likely have to take a medical exam.

7.8. LIFE INSURANCE AND MEDICAL EXAMS

Life insurance is a crucial financial tool that provides protection and financial security to individuals and their families against uncertainties like death, disability, or critical illness. In India, life insurance plays a significant role in the financial planning of individuals, offering various types of policies tailored to meet diverse needs. Medical examinations are often a prerequisite for obtaining life insurance coverage, ensuring that the insurer assesses the applicant's health status accurately.

7.9. LIFE INSURANCE IN INDIA:

- Life insurance in India is primarily regulated by the Insurance Regulatory and Development Authority of India (IRDAI). It oversees the functioning of insurance companies, ensures policyholder protection, and maintains the integrity of the insurance sector.
- Life insurance policies in India can be broadly categorized into term insurance, whole life insurance, endowment plans, money-back policies, ULIPs (Unit Linked Insurance Plans), and pension plans.
- Term insurance provides pure risk coverage for a specified term, offering financial protection to the insured's beneficiaries in case of the insured's demise during the policy term.
- Endowment plans combine insurance coverage with savings/investment components, offering both protection and returns upon maturity.
- ULIPs offer investment options along with insurance coverage, allowing policyholders to invest in equity, debt, or hybrid funds based on their risk appetite.
- Insurance companies in India offer a range of riders/add-ons such as critical illness cover, accidental death benefit, waiver of premium, etc., enhancing the coverage of the base policy.

7.10. SIGNIFICANCE OF MEDICAL EXAMS:

- Medical exams are crucial for life insurance underwriting as they help insurers assess the applicant's health status, identify pre-existing medical conditions, and determine the risk associated with insuring the individual.
- These exams typically include tests like blood pressure measurement, blood tests (e.g., lipid profile, blood glucose levels), urine analysis, ECG (Electrocardiogram), and sometimes additional tests based on the applicant's age, medical history, and sum assured.
- Medical exams enable insurers to calculate appropriate premiums based on the applicant's health risk. Individuals with better health profiles often qualify for lower premiums, while those with pre-existing conditions may face higher premiums or even exclusions.
- The medical exam process aims to ensure fairness in premium determination and prevent adverse selection, where individuals with higher health risks might be more inclined to purchase insurance, leading to higher claims for the insurer.

7.11. MEDICAL EXAM PROCESS IN INDIA:

- Upon applying for life insurance, the insurer schedules a medical examination for the applicant at a designated diagnostic center or arranges for a paramedic to visit the applicant's location for the tests.
- The applicant is typically required to fast before the medical tests, especially for parameters like blood glucose and lipid profile.
- Results of the medical tests are directly communicated to the insurer's underwriting team, who then evaluate the applicant's health status and determine the risk associated with insuring them.
- Based on the medical examination findings, the insurer may offer standard rates, impose a loading (higher premium), offer coverage with specific exclusions, or even decline the application if the risk is deemed too high.

7.12. IMPACT OF MEDICAL EXAM RESULTS:

- If the medical exam reveals favorable health parameters, the applicant may qualify for standard rates, enjoying lower premiums and broader coverage.
- However, if the medical exam uncovers pre-existing conditions or indicates higher health risks, the insurer may impose a loading on the premium, offer coverage with exclusions related to specific health conditions, or even reject the application.
- In some cases, individuals may opt for policies that do not require medical exams, such as guaranteed issue or simplified issue policies, which typically have higher premiums and lower coverage limits.

7.13. ROLE AND IMPORTANCE OF THE MEDICAL EXAMINER

The role and importance of the life insurance medical examiner in India are significant, as they play a crucial role in assessing the health status of insurance applicants, determining the risk associated with insuring them, and ensuring the integrity of the insurance underwriting process. Below is a detailed note on the role and importance of the life insurance medical examiner in India:

1. **Assessment of Health Status:**

- The primary responsibility of a life insurance medical examiner is to conduct comprehensive medical examinations of insurance applicants to assess their health status accurately.
- Medical examiners are trained professionals equipped with the knowledge and skills to perform various medical tests and assessments required by insurance companies, including measuring blood pressure, conducting blood tests, ECG (Electrocardiogram), urine analysis, and other relevant diagnostic procedures.
- They follow standardized protocols and guidelines to ensure consistency and accuracy in assessing the health parameters of applicants.

2. **Risk Determination:**

- Based on the results of the medical examinations, the medical examiner assists the insurance underwriters in evaluating the health risk associated with insuring the applicants.
- They provide detailed reports on the applicant's health status, highlighting any pre-existing medical conditions, abnormalities, or risk factors that may affect the applicant's insurability or premium determination.
- Medical examiners help underwriters make informed decisions regarding premium calculation, coverage limits, and any additional terms or conditions that may apply to the insurance policy based on the applicant's health risk.

3. **Integrity of Underwriting Process:**

- The role of the medical examiner is crucial in maintaining the integrity and fairness of the insurance underwriting process.
- By conducting thorough medical examinations and providing accurate assessments of the applicant's health status, medical examiners ensure that insurers have reliable information to make informed underwriting decisions.
- They adhere to ethical standards and professional integrity, ensuring confidentiality, impartiality, and transparency throughout the medical examination process.

4. **Customer Service and Communication:**

- Medical examiners often interact directly with insurance applicants during the medical examination process, providing them with guidance, instructions, and support to ensure a smooth and efficient experience.
- They communicate effectively with applicants, explaining the purpose and procedures of the medical exams, addressing any concerns or questions they may have, and ensuring that applicants feel comfortable and informed throughout the process.
- Medical examiners serve as representatives of the insurance company, contributing to a positive customer experience and building trust and confidence in the insurance company's services.

5. **Continuous Professional Development:**

- Medical examiners undergo regular training, education, and professional development to stay updated on the latest medical advancements, diagnostic techniques, and regulatory requirements relevant to their role.
- They strive to enhance their knowledge and skills to perform their duties effectively and efficiently, ensuring the highest standards of quality and accuracy in medical examinations for life insurance purposes.

7.14. SUMMARY

Group life insurance plans help secure the members and their families and provide financial protection. It applies to the employer-employee and non-employer-employee relationships, and benefits vary based on this distinction. The group insurance plan provides wider financial coverage to the group members. It helps to increase the morale among the members and increase the productivity of the purpose of the group. In addition, it is extremely affordable, simple, and easy to manage.

Life insurance and medical exams in India are interconnected, with the latter playing a pivotal role in underwriting and premium determination. Medical exams ensure that insurers accurately assess the health risk associated with insuring individuals, maintaining fairness in premium calculation and risk management. It's essential for individuals to provide accurate information during the underwriting process and undergo medical exams honestly to avoid any discrepancies or potential claim rejections in the future. In conclusion, life insurance and medical exams form integral components of financial planning and risk management in India, providing individuals with the much-needed protection and peace of mind against life's uncertainties.

7.15 KEY WORDS

1. **Group Insurance:** Insurance coverage provided to a group of individuals, such as employees of a company or members of an organization, under a single master policy.
2. **Master Policy:** The primary insurance contract between the insurer and the group policyholder, outlining the terms, conditions, and benefits of the group insurance plan.
3. **Group Policyholder:** The entity, often an employer or organization that purchases the group insurance policy and extends coverage to its members.
4. **Employee Benefits:** Various types of insurance coverage offered by employers to their employees as part of their overall compensation package, including health insurance, life insurance, disability insurance, and others.
5. **Medical Examination**: A comprehensive evaluation of an individual's health status conducted by a medical professional, often required as part of the underwriting process for insurance coverage.
6. **Risk Assessment:** The process of evaluating the likelihood of an insured event occurring, such as illness or death, based on various factors including medical history, lifestyle, and occupation.
7. **Physical Examination:** A series of medical tests and evaluations performed by a medical examiner to assess an individual's overall health and identify any pre-existing conditions that may affect their insurability.

8. **Medical Records:** Documentation maintained by healthcare providers containing details of an individual's medical history, including diagnoses, treatments, and test results, often requested by insurers during the underwriting process.

7.16 SELF-ASSESSMENT QUESTIONS

Essay type questions

1. What is group life insurance and describe the Requirements for group life insurance.
2. What are the features of group life insurance and write the types of group life insurance.
3. What are the Advantages and disadvantages of group life insurance
4. What is the significance of medical exams and write the medical exam process in India?

Short type questions

1. What are the benefits of group life insurance?
2. Describe the role and importance of the medical examiner?
3. Analyse the impact of medical exam results?

7.17 SUGGESTED READINGS

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LESSON - 8
TYPES OF GENERAL INSURANCE

Aims And Objectives

- To understand the various types of insurance.
- To understand the history of various types of insurance in India.
- To know the benefits of Insurance.

STRUCTURE

8.1. INTRODUCTION

Insurance is a legal agreement between two parties i.e., the insurance company (insurer) and the individual (insured). In this, the insurance company promises to make good the losses of the insured on happening of the insured contingency. The contingency is the event which causes a loss. It can be the death of the policyholder or damage/destruction of the property. It's called a contingency because there's an uncertainty regarding happening of the event. The insured pays a premium in return for the promise made by the insurer.

Insurance contracts that do not come under the ambit of life insurance are called general insurance. The different forms of general insurance are fire, marine, motor, accident and other miscellaneous non-life insurance. The tangible assets are susceptible to damages and a need to protect the economic value of the assets is needed. For this purpose, general insurance products are bought as they provide protection against unforeseeable contingencies like damage and loss of the asset. Like life insurance, general insurance products come at a price in the form of premium.

8.2. MEANING OF INSURANCE

Insurance is a means of protection from financial loss in which, in exchange for a fee, a party agrees to compensate another party in the event of a certain loss, damage, or injury. It is a form of risk management, primarily used to protect against the risk of a contingent or uncertain loss.

An entity which provides insurance is known as an insurer, insurance ompany, insurance carrier, or underwriter. A person or entity who buys insurance is known as a policyholder, while a person or entity covered under the policy is called an insured. The insurance transaction involves the policyholder assuming a guaranteed, known, and relatively small loss in the form of a payment to the insurer (a premium) in exchange for the insurer's promise to compensate the insured in the event of a covered loss. The loss may or may not be financial, but it must be reducible to financial terms. Furthermore, it usually involves something in which the insured has an insurable interest established by ownership, possession, or pre-existing relationship.

The insured receives a contract, called the insurable policy, which details the conditions and circumstances under which the insurer will compensate the insured, or their designated beneficiary or assignee. The amount of money charged by the insurer to the policyholder for the coverage set forth in the insurance policy is called the **premium**. If the insured experiences a loss which is potentially covered by the insurance policy, the insured submits a claim to the insurer for processing by a claims adjuster. A mandatory out of pocket expense required by an insurance policy before an insurer will pay a claim is called a deductible (or if required by a health insurance policy, a copayment). The insurer may hedge its own risk by taking out reinsurance, whereby another insurance company agrees to carry some of the risks, especially if the primary insurer deems the risk too large for it to carry.

Represented in a form of policy, Insurance is a contract in which the individual or an entity gets the financial protection, in other words, reimbursement from the insurance company for the damage (big or small) caused to their property. The insurer and the insured enter a legal contract for the insurance called the insurance policy that provides financial security from the future uncertainties. In simple words, insurance is a contract, a legal agreement between two parties, i.e., the individual named insured and the insurance company called insurer. In this agreement, the insurer promises to help with the losses of the insured on the happening contingency. The insured, on the other hand, pays a premium in return for the promise made by the insurer.

8.3. NATURE OF INSURANCE

As a result of the evolution of the insurance industry, service providers can now meet the requirements of a wide variety of customers who require specific coverage. As a result of technological advancements, insurance companies can now provide customers with services that are both more personalized and simpler to obtain. Here is an overview of nature of insurance with a detailed explanation for your convenience.

8.4. WHAT IS GENERAL INSURANCE IN INDIA

Insuring about anything, except human life is known as general insurance. It helps us protect the things we value the most, like our cars, homes and other such valuables. It significantly differs from a life insurance policy, as Life Insurance is a long-term policy and General Insurance is particularly based on per-year renewal. And all the risks that aren't included in a Life Insurance are covered in the plans of a General Insurance. General insurance is a contract where the particular company provides you with the particular amount, as promised. It comprises personal insurance like accident, liability insurance, which includes all the legal liabilities, property insurance that are against burglary or fire, and Health Insurance.

8.5. NEED OF GENERAL INSURANCE

The concept of a General Insurance may be alien to many, which is why they fail to see why it is essential to have a General Insurance. Some reasons for equipping yourself with General Insurance are:

- Protection from financial losses
- To ensure your own and your dependent's health
- To safeguard your family
- Saves you from mental pressure
- Helps to lead a stress-free life.

8.6. HISTORY OF GENERAL INSURANCE

The General Insurance history divided into two methods. There are:

8.6.1. Early Methods

Merchants have sought methods to minimize risks since early times. Pictured, *Governors of the Wine Merchant's Guild* by Ferdinand Bol, c. 1680.

Methods for transferring or distributing risk were practiced by Chinese and Indian traders as long ago as the 3rd and 2nd millennia BC, respectively. Chinese merchants travelling treacherous river rapids would redistribute their wares across many vessels to limit the loss due to any single vessel capsizing.

Codex Hammurabi Law 238 (c. 1755–1750 BC) stipulated that a sea captain, ship-manager, or ship charterer that saved a ship from total loss was only required to pay one-half the value of the ship to the ship-owner.[3] In the *Digesta seu Pandectae* (533), the second volume of the codification of laws ordered by Justinian I (527–565), a legal opinion written by the Roman jurist Paulus in 235 AD was included about the *Lex Rhodia* ("Rhodian law"). It articulates the general average principle of marine insurance established on the island of Rhodes in approximately 1000 to 800 BC, plausibly by the Phoenicians during the proposed Dorian invasion and emergence of the purported Sea Peoples during the Greek Dark Ages (c. 1100–c. 750).

The law of general average is the fundamental principle that underlies all insurance. In 1816, an archeological excavation in Minya, Egypt produced a Nerva–Antonine dynasty-era tablet from the ruins of the Temple of Antinous in Antinoöpolis, Aegyptus.The tablet prescribed the rules and membership dues of a burial society collegium established in Lanuvium, Italia in approximately 133 AD during the reign of Hadrian (117–138) of the Roman Empire.[7] In 1851 AD, future U.S. Supreme Court Associate Justice Joseph P. Bradley (1870–1892 AD), once employed as an actuary for the Mutual Benefit Life Insurance Company, submitted an article to the *Journal of the Institute of Actuaries*. His article detailed an historical account of a Severan dynasty-era life table compiled by the Roman jurist Ulpian in approximately 220 AD that was also included in the *Digesta*.

Concepts of insurance has been also found in 3rd century BC Hindu scriptures such as Dharmasastra, Arthashastra and Manusmriti. The ancient Greeks had marine loans. Money was advanced on a ship or cargo, to be repaid with large interest if the voyage prospers. However, the money would not be repaid at all if the ship were lost, thus making the rate of interest high enough to pay for not only for the use of the capital but also for the risk of losing it (fully described by Demosthenes). Loans of this character have ever since been common in maritime lands under the name of bottomry and respondentia bonds. The direct insurance of sea-risks for a premium paid independently of loans began in Belgium about 1300 AD.

Separate insurance contracts (i.e., insurance policies not bundled with loans or other kinds of contracts) were invented in Genoa in the 14th century, as were insurance pools backed by pledges of landed estates. The first known insurance contract dates from Genoa in 1347. In the next century, maritime insurance developed widely, and premiums were varied with risks. These new insurance contracts allowed insurance to be separated from investment, a separation of roles that first proved useful in marine insurance. The earliest known policy of life insurance was made in the Royal Exchange, London, on the 18th of June 1583, for £383, 6s. 8d. for twelve months on the life of William Gibbons.

8.6.2 Modern Methods

Insurance became far more sophisticated in Enlightenment-era Europe, where specialized varieties developed. Lloyd's Coffee House was the first organized market for marine insurance. Property insurance as we know it today can be traced to the Great Fire of London, which in 1666 devoured more than 13,000 houses. The devastating effects of the fire converted the development of insurance "from a matter of convenience into one of urgency, a change of opinion reflected in Sir Christopher Wren's inclusion of a site for "the Insurance Office" in his new plan for London in 1667."[13] A number of attempted fire insurance schemes came to nothing, but in 1681, economist Nicholas Barbon and eleven associates established the first fire insurance company, the "Insurance Office for Houses", at the back of the Royal Exchange to insure brick and frame homes. Initially, 5,000 homes were insured by his Insurance Office.[14]

At the same time, the first insurance schemes for the underwriting of business ventures became available. By the end of the seventeenth century, London's growth as a Centre for trade was increasing due to the demand for marine insurance. In the late 1680s, Edward Lloyd opened a coffee house, which became the meeting place for parties in the shipping industry wishing to insure cargoes and ships, including those willing to underwrite such ventures. These informal beginnings led to the establishment of the insurance market Lloyd's of London and several related shipping and insurance businesses.

Life insurance policies were taken out in the early 18th century. The first company to offer life insurance was the Amicable Society for a Perpetual Assurance Office, founded in London in 1706 by William Talbot and Sir Thomas Allen. Upon the same principle, Edward Rowe Mores established the Society for Equitable Assurances on Lives and Survivorship in 1762.

It was the world's first mutual insurer and it pioneered Age based premiums based on mortality rate laying "the framework for scientific insurance practice and development" and "the basis of modern life assurance upon which all life assurance schemes were subsequently based.".

In the late 19th century "accident insurance" began to become available. The first company to offer accident insurance was the Railway Passengers Assurance Company, formed in 1848 in England to insure against the rising number of fatalities on the nascent railway system.

The first international insurance rule was the York Antwerp Rules (YAR) for the distribution of costs between ship and cargo in the event of general average. In 1873 the "Association for the Reform and Codification of the Law of Nations", the forerunner of the International Law Association (ILA), was founded in Brussels. It published the first year in 1890, before switching to the present title of the "International Law Association" in 1895.

By the late 19th century governments began to initiate national insurance programs against sickness and old age. Germany built on a tradition of welfare programs in Prussia and Saxony that began as early as in the 1840s. In the 1880s Chancellor Otto von Bismarck introduced old age pensions, accident insurance and medical care that formed the basis for Germany's welfare state. In Britain more extensive legislation was introduced by the Liberal government in the National Insurance Act 1911. This gave the British working classes the first contributory system of insurance against illness and unemployment. This system was greatly expanded after the Second World War under the influence of the Beveridge Report, to form the first modern welfare state.

In 2008, the International Network of Insurance Associations (INIA), then an informal network, became active and it has been succeeded by the Global Federation of Insurance Associations (GFIA), which was formally founded in 2012 to aim to increase insurance industry effectiveness in providing input to international regulatory bodies and to contribute more effectively to the international dialogue on issues of common interest. It consists of its 40 member associations and 1 observer association in 67 countries, which companies account for around 89% of total insurance premiums worldwide.

8.7. BIRTH OF GENERAL INSURANCE COMPANIES

The year 1850 marked a significant milestone in the history of general insurance in India. The Triton Insurance Company, based in Kolkata, became the first general insurance company to be established in the subcontinent. It offered policies covering a wide range of risks, including fire, marine, and accident insurance. With the passing of the Indian Insurance Companies Act in 1928, the sector witnessed rapid growth. The Act provided a regulatory framework for insurance companies and established the need for solvency margins to protect policyholders. Several Indian and foreign companies entered the market, offering a diverse range of insurance products to cater to the evolving needs of individuals and businesses.

8.8. GENERAL INSURANCE CORPORATION OF INDIA

General Insurance Corporation of India Limited, abbreviated as GIC Re, is an Indian public sector reinsurance company which has its registered office and headquarters in Mumbai. It was incorporated on 22 November 1972 under Companies Act, 1956. It was the sole nationalized reinsurance company in the Indian insurance market until the insurance market was open to foreign reinsurance players by late 2016 including companies from Germany, Switzerland and France. GIC Re's shares are listed on BSE Limited and National Stock Exchange of India Ltd.

The business of general insurance was nationalised through The General Insurance (Emergency) Provisions Ordinance promulgated on 13 May 1971 and thereby the business being carried on by 107 entities was consolidated and restructured into four companies namely The New India Assurance Company Limited, Bombay, United India Fire & General Insurance Company Limited, Madras, Oriental Fire & General Insurance Company Limited, Bombay and

National Insurance Company Limited, Calcutta (New India Assurance Co. Ltd., United India Insurance Co. Ltd., The Oriental Insurance Co. Ltd., and National Insurance Company Co. Ltd. respectively).The General Insurance Business (Nationalisation) Act, 1972 (GIBNA) that followed paved the way for the Government to take over ownership of these businesses. Accordingly, GIC was incorporated on 22 November 1972 as a private company under Companies Act, 1956 in Bombay and received its Certificate for Commencement of Business on 1 January 1973. GIC's stated role was to function as the holding company of the four companies, and superintend, control and carry on the business of General insurance on behalf of the Government of India.

The first Chairman of GIC was A Rajagopalan, an Actuary and an officer of the Indian Administrative Service (IAS). M K Venkateshan and S K Desai were appointed the two Managing Directors of GIC. On 1 January 1973, GIC was notified as the reinsurer under Section 101 A of Insurance Act, 1938, making it the Indian reinsurer for receiving obligatory cessions, a role hitherto played by two companies called India Reinsurance Corporation Limited (India Re) and Indian Guarantee and General Insurance Company Limited (Indian Guarantee). GIC was reborn as a pure reinsurance company in November, 2000. It was re-notified as 'Indian reinsurer' under Insurance Act, 1938 and continued to receive obligatory cessions from direct insurers. It continued writing foreign inward reinsurance business purely on its own account from 1 April 2002. With effect from 21 March 2003, its four subsidiaries (NICL, United India Insurance, and New India Assurance) were delinked from GIC by an administrative order from the Ministry of Finance and became directly owned by the Government.

8.9. FEATURES OF GENERAL INSURANCE

- The policies cover financial damage and pay customers for their losses. General insurance products give financial stability often in the event of a disaster.
- General insurance policies are also sometimes required by law. Motor insurance policies, for example, are required there under the Motor Vehicles Act of 1988. Similarly, whether customers are traveling to Continental nations, customers must have valid international health insurance coverage. When customers purchase such compulsory plans, the customer satisfies a legal requirement and avoids committing an infringement.
- General insurance products cover personal funds in the event of an emergency. As a result, the customer may have used the savings to achieve customer financial objectives
- Tax advantages are available with health insurance policies, which are a sort of general insurance plan. The insurance premiums for this kind of plan were deductible per Section 80D. Such deduction reduces overall tax payments, cutting customer tax bills and allowing customers to save money.

8.10. GENERAL INSURANCE TYPES

In today's time, almost every asset can be insured. All non-life insurance products are categorized under general insurance. Let us understand the most common insurance types.

General Insurance is related to all other aspects of human life apart from the life aspect and it includes health insurance, motor insurance, fire insurance, marine insurance and other types of insurance such as cattle insurance, sport insurance, crop insurance, etc. We will be discussing the various types of general insurances in the following lines.

8.10.1. Fire Insurance

Fire insurance is a type of general insurance policy where the insurer helps in paying off for any damage that is caused to the insured by an accidental fire till the specified period of time, as mentioned in the insurance policy.

Generally, fire insurance policy is valid for a period of one year and it can be renewed each year by paying a premium, which can be a lump sum or in instillments.

The claim for a fire loss must satisfy the following conditions:

i. It should be an actual loss

ii. The fire must be accidental and not done intentionally.

8.10.2. Marine Insurance:

Marine insurance is a contract between the insured and the insurer. In marine insurance, the protection is provided against the perils of the sea. The instances of dangers in sea can be collision of ship with rocks present in sea, attacking of the ship by pirates, fire in ship. Marine insurance covers three different types of insurance which are ship hull, cargo and freight insurance.

8.10.2.1. Ship or Hull Insurance: As the ship is exposed to many dangers at the sea, the insurance covers for losses caused by damage to the ship.

8.10.2.2. Cargo Insurance: The ship carrying cargo is subjected to many risks which can be theft of cargo, lost goods at port or during the voyage. Therefore, insuring the cargo is essential to cover for such losses.

8.11. FREIGHT INSURANCE

In the event of cargo not reaching the destination due to any kind of loss or damage during transit, the shipping company does not get paid for the freight charges. Freight insurance helps in reimbursing the loss of freight caused due to such events. Marine insurance is a contract of indemnity where the insured can recover the cost of actual loss from the insurer in event of any loss occurring to the insured item.

8.12. CATTLE INSURANCE

In case of cattle insurance, the owner of the cattle receives an amount in the event of death of the cattle due to accident, disease or during pregnancy.

8.13. CROP INSURANCE

Crop insurance is a contract for providing financial support to the farmers in the event of crop failure due to drought or flood.

8.14. BURGLARY INSURANCE

Burglary insurance comes under the insurance of property. Here the insured is compensated in the event of a burglary for the loss of goods, damage occurred to household goods and personal effects due to burglary, larceny or theft.

8.15. HEALTH INSURANCE

It covers the risk of becoming sick and protects from any financial trouble in case of medical expenses. Also called medical insurance, it covers hospitalization charges among other expenses based on policy terms. Getting health insurance is prudent & necessary in uncertain times, especially during the COVID-19 pandemic.

Health insurance is an effective safeguard for protection against rising healthcare costs. Health insurance is a contract that is made between an insurer and an individual or a group where the insurer agrees to provide health insurance against certain types of illnesses to the insured individual or individuals. The premium can be paid in instalments or as a lump sum amount and health insurance policy is renewed every year by paying the premium.

The health insurance claims can be done either directly in cashless or reimbursement availed after treatment is done. Health insurance is available in the form of Mediclaim policy in India. Most insurance providers require individuals to pay upfront but Navi allows monthly EMIs as low as Rs. 241/month.

Health insurance policies cover the cost of medical treatments. Dental insurance, like medical insurance, protects policyholders for dental costs. In most developed countries, all citizens receive some health coverage from their governments, paid through taxation. In most countries, health insurance is often part of an employer's benefits.

8.16. VEHICAL INSURANCE

Vehicle insurance covers the risk of financial loss due to accidents & other damages to the vehicle. It helps to avoid unnecessary & unexpected expenses on vehicles. Also called motor insurance, it is mandatory in India. Motor vehicle insurance is a popular option for the owners of motor vehicles. Here the owners' liability to compensate individuals killed by negligence of motorists is borne by the insurance company.

There are two types of vehicle insurance available in India:

- Third-party Insurance: It basically covers harm caused to third parties by the insured vehicle.
- Comprehensive Insurance: It covers third party liability as well as any damage done by the vehicle owner.

Note: it is essential to read the insurance policy document to know what is covered and what is not.

8.17. TRAVEL INSURANCE

All of us love to travel, but the unexpected loss can occur anytime, anywhere. Travel insurance takes care of all issues such as:

- Delayed trips
- Cancelled flights
- Unexpected hotel reservation cancellation.
- Lost luggage and,
- Stolen passport.

So, next time, get travel insurance before planning that awaited trip.

8.18. HOUSE INSURANCE

Owning a house is a dream for all. Yet, having a house is a job half done. Home insurance is a necessity in today's time. It protects your house structure & its contents.

The protection is available not only against natural disasters but also man-made disasters such as fire, theft, etc. Moreover, a sense of security gives you mental peace & happiness. Home insurance policies divide the insurance coverage into two parts: house structure and its content. It is necessary to understand the difference between the two.

A structure-only policy will insure only the structure of the house while a content-only policy will cover just the content. Therefore, a comprehensive policy covering both the structure and content must be chosen. A fully furnished house is an expensive asset, the cost of repairing or refurbishing a house is high. It is always advisable to choose a comprehensive house insurance plan to avoid any risk related toa house.

8.19. CYBER ATTACK INSURANCE

Cyber Insurance is a business lines insurance product intended to provide coverage to corporations from Internet-based risks and more generally from risks relating to information technology infrastructure, information policy, information governance liability, and activities related thereto.

8.20. OTHER TYPES OF INSURANCES

All risk insurance is an insurance that covers a wide range of incidents and perils, except those noted in the policy. All-risk insurance is different from peril-specific insurance that cover losses from only those perils listed in the policy. In car insurance, all-risk policy includes also the damages caused by the own driver.

Bloodstock insurance covers individual horses or a number of horses under common ownership. Coverage is typically for mortality as a result of accident, illness or disease but may extend to include infertility, in-transit loss, veterinary fees, and prospective foal. Business information insurance covers the loss of income, and the expenses incurred, after a covered peril interrupts normal business operations.

Défense Base Act (DBA) insurance provides coverage for civilian workers hired by the government to perform contracts outside the United States and Canada. DBA is required for all U.S. citizens, U.S. residents, U.S. Green Card holders, and all employees or subcontractors hired on overseas government contracts. Depending on the country, foreign nationals must also be covered under DBA. This coverage typically includes expenses related to medical treatment and loss of wages, as well as disability and death benefits.

Expatriate insurance provides individuals and organizations operating outside of their home country with protection for automobiles, property, health, liability and business pursuits.

Hired-in Plant Insurance covers liability where, under a contract of hire, the customer is liable to pay for the cost of hired-in equipment and for any rental charges due to a plant hire firm, such as construction plant and machinery.

Legal expenses insurance covers policyholders for the potential costs of legal action against an institution or an individual. When something happens which triggers the need for legal action, it is known as "the event". There are two main types of legal expenses insurance: before the event insurance and after the event insurance.

Livestock insurance is a specialist policy provided to, for example, commercial or hobby farms, aquariums, fish farms or any other animal holding. Cover is available for mortality or economic slaughter as a result of accident, illness or disease but can extend to include destruction by government order.

Media liability insurance is designed to cover professionals that engage in film and television production and print, against risks such as defamation.

Nuclear incident insurance covers damages resulting from an incident involving radioactive materials and is generally arranged at the national level. (See the nuclear exclusion clause and, for the United States, the Price-Anderson Nuclear industries indemnity Act.

Over-redemption insurance is purchased by businesses to protect themselves financially in the event that a promotion ends up becoming more successful than was originally anticipated and/or budgeted for.

Pet insurance insures pets against accidents and illnesses; some companies cover routine/wellness care and burial, as well.

Pollution insurance usually takes the form of first-party coverage for contamination of insured property either by external or on-site sources. Coverage is also afforded for liability to third parties arising from contamination of air, water, or land due to the sudden and accidental release of hazardous materials from the insured site. The policy usually covers the costs of cleanup and may include coverage for releases from underground storage tanks. Intentional acts are specifically excluded.

Purchase insurance is aimed at providing protection on the products people purchase. Purchase insurance can cover individual purchase protection, Warranties, guarantees, care plans and even mobile phone insurance. Such insurance is normally limited in the scope of problems that are covered by the policy.

Tax insurance is increasingly being used in corporate transactions to protect taxpayers in the event that a tax position it has taken is challenged by the IRS or a state, local, or foreign taxing authority

Title insurance provides a guarantee that title to real property is vested in the purchaser or mortgagee, free and clear of lies or encumbrances. It is usually issued in conjunction with a search of the public records performed at the time of a real estate transaction.

Travel insurance is an insurance cover taken by those who travel abroad, which covers certain losses such as medical expenses, loss of personal belongings, travel delay, and personal liabilities.

Tuition insurance insures students against involuntary withdrawal from cost-intensive educational institutions

Interest rate insurance protects the holder from adverse changes in interest rates, for instance for those with a variable rate loan or mortgage

Divorce insurance is a form of contractual liability insurance that pays the insured a cash benefit if their marriage ends in divorce.

8.21. BENEFITS AND FEATURES OF GENERAL INSURANCE IN INDIA

The features and benefits of general insurance policies in India are enumerated below:

- In many cases, opting for general insurance policies are compulsory by law. For example, Motor Vehicles Act, 1988, has made motor insurance plans compulsory. One fulfils legal obligations after buying mandated insurance policies. Moreover, this also acts as a protection from the offence of violation.
- General insurance plans provide compensation if anyone suffers a loss. Thus, they protect one's savings in case an emergency arises and serve as an added layer of financial protection.
- There are many general insurance plans which provide tax benefits. For example, Section 80C of ITA allows tax deductions for premiums paid for health insurance policies. It helps a person to save tax by lowering the taxable portion of the income.

8.22. GENERAL INSURANCE COMPANIES IN INDA

Given below is the list of top general insurance companies in India in 2022:
- Aditya Birla Capital
- Acko
- ICICI Lombard
- Navi
- SBI General Insurance
- Reliance General Insurance
- Oriental Insurance
- Royal Sundaram
- United India
- TATA AIG Insurance
- Life Insurance

It is a type of financial protection that, upon the insured person's demise, pays a benefit to the policyholder's beneficiaries. In the circumstance of the insured person's passing, it is intended to provide the dependents or beneficiaries with the financial support they need. There are several distinct categories of life insurance, such as term life insurance, whole life insurance, and universal life insurance. Each of these categories of life insurance has a unique set of characteristics and advantages.

8.23. SUMMARY

Insurance is a means of protection from financial loss in which, in exchange for a fee, a party agrees to compensate another party in the event of a certain loss, damage, or injury. It is a form of risk management, primarily used to protect against the risk of a contingent or uncertain loss. Life insurance policies were taken out in the early 18th century. The first company to offer life insurance was the Amicable Society for a Perpetual Assurance Office, founded in London in 1706 by William Talbot and Sir Thomas Allen. Upon the same principle, Edward Rowe Mores established the Society for Equitable Assurances on Lives and Survivorship in 1762. The year 1850 marked a significant milestone in the history of general insurance in India. The Triton Insurance Company, based in Kolkata, became the first general insurance company to be established in the subcontinent.

In summary, types of insurance policies are of complex financial instrument that covers a broad variety of different things. People and businesses require this level of knowledge to make well-informed judgments regarding the insurance and financial protection they require. Insurance is crucial in today’s society as it lessens the chance of unfortunate events, helps in getting ready for the unforeseen, and guarantees fair compensation for those facing financial losses. To summarize, the of insurance is vital for creating a fair and equitable society.

8.24. KEY WORDS

General Insurance - General Insurance is particularly based on per-year renewal. And all the risks that aren't included in a Life Insurance are covered in the plans of a General Insurance. General insurance is a contract where the particular company provides you with the particular amount, as promised. It comprises personal insurance like accident, liability insurance, which includes all the legal liabilities, property insurance that are against burglary or fire, and Health Insurance.

Fire insurance- Fire insurance is a type of general insurance policy where the insurer helps in paying off for any damage that is caused to the insured by an accidental fire till the specified period of time, as mentioned in the insurance policy.

Marine insurance – It is a contract between the insured and the insurer. In marine insurance, the protection is provided against the perils of the sea. The instances of dangers in sea can be collision of ship with rocks present in sea, attacking of the ship by pirates, fire in ship. Marine insurance covers three different types of insurance which are ship hull, cargo and freight insurance.

Burglary insurance – Burglary insurance comes under the insurance of property. Here the insured is compensated in the event of a burglary for the loss of goods, damage occurred to household goods and personal effects due to burglary, larceny or theft.

Vehicle insurance - It covers the risk of financial loss due to accidents & other damages to the vehicle. It helps to avoid unnecessary & unexpected expenses on vehicles. Also called motor insurance, it is mandatory in India.

Cyber Insurance - It is a business lines insurance product intended to provide coverage to corporations from Internet-based risks and more generally from risks relating to information technology infrastructure, information policy, information governance liability, and activities related thereto.

8.25. SELF-ASSESSMENT QUESTIONS:

I) ESSAY TYPE QUESTIONS:

1. Define General Insurance? What are the types of general insurance in India?
2. Briefly explain about general insurance in India?

II) SHORT TYPE QUESTIONS:

1. What is General Insurance
2. Write a note on General Insurance Corporation in India.
3. What are the types of General Insurance?

8.26. SUGGESTED READINGS

1. Ackman, R.C., Green, P.A.G., and Young, A.G.(1982).Estimating Claims Outstanding. General Insurance Monograph. Institute of Actuaries.
2. Tapas Kumar Parida, Debashis Acharya (2016). *The Life Insurance Industry in India: Current State and Efficiency*. Springer. p. 2.

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LESSON - 9

MAJOR INSURANCE COMPANIES, PRODUCTS AND POLICIES IN INDIA

Aims and Objectives:

After completion of this lesson, you should be able to understand:

- About the Insurance Companies of India.
- Importance of Insurance in India.
- Insurance surveyor functions.
- General Insurance products.

STRUCTURE

9.1. INTRODUCTION

General Insurance Corporation of India (GIC Re) is a professional Reinsurer and provides comprehensive reinsurance services to all the direct property and casualty insurers in Indian Market. GIC Re also assumes reinsurance from foreign insurance companies. GIC Re has started leading the reinsurance programs of several insurance companies in neighbouring SAARC Countries, Southeast Asia, Middle East, and African continent. To offer its international clientele an easy accessibility and efficient service, GIC Re has enhanced its global presence by opening offices in London, Malaysia, and representative office in Russia.

Have ever wondered how your valuables like home, car, jewellery would remain protected against theft in case you're away from home? That's when general insurance would come into focus. If you want to protect your tangible assets from damage or loss, read how insurance will help you do so with ease. You may have a life insurance policy that commits to secure the future of your loved ones in case of your sudden death. Just like it is necessary to safeguard one's life from unforeseen events, similarly, you can also choose to protect your assets like motor, health, home, and others by purchasing a general insurance policy. General insurance is an agreement between a policyholder and insurer wherein the insurance company protects your valuable assets from fire, theft, burglary, or any other unfortunate accident.

9.2. INSURANCE COMPANIES IN INDIA

India's Insurance industry is one of the premium sectors experiencing upward growth. This upward growth of the insurance industry can be attributed to growing incomes and increasing awareness in the industry. India is the fifth largest life insurance market in the world's emerging insurance markets, growing at a rate of 32-34 per cent each year. In recent years the industry has been experiencing fierce competition among its peers which has led to new and innovative products within the industry. Foreign Direct Investment (FDI) in the industry under the automatic method is allowed up to 26% and licensing of the industry is monitored by the insurance regulator the Insurance Regulatory and Development Authority of India (IRDAI).

The insurance industry of India has 57 insurance companies - 24 are in the life insurance business, while 34 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. There are six public sector insurers in the non-life insurance segment. In addition to these, there is a sole national re-insurer, namely General Insurance Corporation of India (GIC Re). Other stakeholders in the Indian Insurance market include agents (individual and corporate), brokers, surveyors and third-party administrators servicing health insurance claims.

The insurance industry has undergone numerous transformations in terms of new developments, modified regulations, proposals for amendments and growth in 2022. These developments have opened new avenues of growth for the industry while ensuring that insurers stay relevant with changing times and the latest digital disruptions.

The Insurance Regulatory and Development Authority India (IRDA) is vigilant and progressive and is determined to achieve its mission of 'Insurance for all by 2047', with aggressive plans to address the industry's challenges.

The growth of the insurance market is being supported by important government initiatives, strong democratic factors, conducive regulatory environment, increased partnerships, product innovations, and vibrant distribution channels.

Insurance Industry was largely dominated by offline channels like corporate agents, offline brokers or banks. Today, rapid digitization, product innovation and progressive regulation policies have made it possible for consumers to buy insurance through multiple distribution channels with the click of a button. The instability of the covid-19 pandemic highlighted the necessity for consumers to invest in products that would increase financial security, one of them being life insurance.

9.2.1. LIFE INUSRANCE CORPORATION OF INDIA

LIC stands for Life Insurance Corporation of India. It started its operations as a corporate firm in September 1956 after the Life Insurance of India Act was passed by India's Parliament in June 1956. The LIC Act came into effect from July 1956. It helped in the nationalization of the private insurance industry in India. LIC of India was formed by merging 154 life insurance companies, 16 foreign companies and 75 provident companies. It is one of the largest financial institutions in India. It has an asset value of over 2,529,390 crores. The headquarters of LIC is in Mumbai, Maharashtra.

9.2.1.1. Role of LIC in Indian Economy

LIC is known as India's largest government-owned life insurance and investment corporation. The main role of LIC is to invest in global financial markets and different government securities after gathering funds from people through their various life insurance policies. At least 75% of these gathered funds are to be invested in Central and State Government securities, as stated by one of the LIC rules.

Popularly known as LIC, the company made its debut in India over 100 years ago. The company has the highest market share of life insurance companies in India 2024. It has a diversified product portfolio covering various segments across individual products and group products.

- The company has the highest market cap in the list of top 10 insurance companies in India, Rs. 5,40,660.80 cr.
- The PE ratio of the company stands at 15.02 as of 16th January 2024.
- As of 16th January 2024, the 1Y return on investments in LIC company is 20.53 per cent.
- The stock shows good signs of profitability and efficiency, with a return on equity of 124.54 per cent.

9.2.1.2. Functions of LIC

The major functions of LIC are as follows: -

- Collect people's savings in exchange for an insurance policy and promote savings in the country.
- Protect the capital of the people by investing funds into government securities.
- Issue insurance policies at affordable rates
- Provide various loans like direct loans to industries, housing loans, loans to various national projects at reasonable interest rates.

9.2.1.3. Objectives of LIC

- LIC aims to spread awareness about the importance of life insurance among people living in rural areas and people who are a part of socially and economically backward classes.

- It aims to meet several life insurance needs of the community people who are subjected to change with the changing social and economic environment.
- It aims to conduct business economically while taking into consideration that the money belongs to the policyholders.
- It aims to maximize the mobility of people's savings through attractive insurance-linked savings.
- It aims in providing utmost job satisfaction to all the agents and employees of the corporation and promotes building a co-operative work environment to deliver efficient service with courtesy to its insured public.
- It aims to deploy the funds to the best advantage of the investors and the community as well.

Types of LIC Life Insurance Plans

LIC provides numerous schemes to its policyholders. It offers different schemes for different categories and segments of the Indian economy. It is the largest insurance policy company in terms of the number of policies it has issued to date. Some of the policies are as follows:-

- LIC's Jeevan Pragati
- LIC's Jeevan Labh
- LIC's Single Premium Endowment Plan
- LIC'S Jeevan Lakshya
- LIC's Jeevan Tarun

9.2.2. BAJAJ FINANCIAL LIMITED

The company is a core investment company and the holding company for the various financial services business under the Bajaj Group, India's most diversified non-banking finance company. Bajaj Finserv also participated in housing and developer financing through Bajaj Housing Finance Ltd and digital broking, equity trading, and wealth management through Bajaj Financial Securities Ltd.

- The company's current market cap is Rs. 2,59,803.78 cr.
- Among the list of 'top 10 insurance company in India', the earnings CAGR of the company is 20.19 per cent over the last 5 years, which is the highest.
- The current PE ratio of the company stands at 40.49.

9.2.3. SBI LIFE INUSRANCE COMPANY LIMITED

Established in the year 2000, SBI Life is listed on both the NSE and the BSE. The company has overtaken HDFC Life Insurance Company Ltd in the list of 'Top market share of insurance companies in India'. an authorised share capital of Rs. 20 bn. and a paid-up share capital of Rs. 10 bn. The key financial highlights of the company are as follows.

- The company's current market cap is Rs. 1,43,182.36 cr.
- The PE ratio of the company is 83.2 as of 16th January 2024.
- As of 16th January 2024, the 1Y return on investments in SBI Life Insurance Company Ltd is 9.93 per cent.

9.2.4. HDFC LIFE INUSRANCE COMPANY LIMITED

Formed as a joint venture between HDFC Limited and Standard Aberdeen PLC, HDFC Life is India's leading life insurance provider. Though The company has been recording strong financial growth in the past few years, it lost a sizable amount of market cap in 2023 and fell a position in the list of 'Top Listed Insurance Companies in India. Here's the key financial highlights of the company.

- The company's revenue has grown at an average annual rate of 17.1 per cent over the last 5 yrs. This growth is more than the industry average growth rate of 13.27 per cent.
- Over the last 5 years, the debt-to-equity ratio of the company has been 3.62 per cent, vs the industry average of 171.57 per cent.
- The PE ratio of the company stands at 96.56 as of 16th January 2024.

9.2.5. ICICI PRUDETIAL LIFE INSURANCE COMPANY LIMITED

ICICI Prudential was the first life insurance company to list on the Indian stock exchange. It was launched in 2001 and is a joint venture between ICICI Bank Limited and Prudential Corporation Holdings Limited. The financial highlights of the company are as follows:

- The company's current market cap is Rs. 75,199.70 cr.
- The PE ratio is 92.44 as of 16th January 2024.
- Over the last 5 years, the debt-to-equity ratio has been 7.63 per cent, vs the industry average of 171.57 per cent.

9.2.6. ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED

One of India's largest general insurance providers, ICICI Lombard, has issued more than 2.17 cr. policies and has settled more than 1.6 month. claims at the end of FY 2022-2023. The key financial highlights of the company are as follows.

- The company's market cap is Rs. 67,580.82 cr.
- The PE ratio is 39.09 as of 16th January 2024.
- While the industry delivered an average net income of 9.71%, the company's net income averaged 14.94% over the last 5 yrs.
- In the last 5 years, the company's revenue grew at an average annual rate of 17.35% as against the industry average of 13.27 per cent.

9.2.7. GENERAL INSURANCE CORPORATION OF INDIA

Incorporated in 1972, General Insurance Corporation of India is a reinsurance company. Its domestic business provides reinsurance to direct general insurance companies in India, and the international reinsurance business provides the same to several international companies.

- Over the last 5 years, this top listed insurance company in India has the average net income of 17.02 per cent, vs the industry average of 9.71 per cent.
- As of 16th January 2024, the market cap of the company is Rs. 54,596.93 cr.

- The PE ratio of the stock is 7.90.

9.2.8. NEW INDIA ASSURANCE COMPANY LTD

Incorporated in 1973, The New India Assurance Co Ltd is an India-based government-owned multinational general insurance company whose products include personal, commercial, industrial, liability, and social insurance.

- The market cap of this top listed insurance company in India is Rs. 35,753.36 cr.
- The PE ratio of the stock is 34.12.
- The 1Y return of this listed insurance company is 68.77 per cent, which is the highest among the best insurance companies in India.

9.2.9. STAR HEALTH AND ALLIED INSURANCE COMPANY LIMITED:

A leading name in the general insurance segment, Star Health is a standalone health insurance provider. The company has settled more than 5.2 month. claims since it began operations in 2006. The key financial details of the company are as follows.

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- As of 16th January 2024, the company's net worth stood at Rs. 32,476.37 cr.
- Over the last 5 years, the debt-to-equity ratio has been 13.39%, vs the industry average of 171.57 per cent.

9.2.10. FINANCIAL SERVICES LTD

Incorporated in 1988, Max Financial Services Limited is the holding company for Max Life Insurance Company Limited. The company is engaged in the life insurance business through Max Life Insurance Company Limited.

- The PE ratio of the stock is 84.59.
- Over the last 3 years, the revenue growth has averaged 23.10 per cent, vs the industry average of 19.88 per cent.
- The stock's market cap is Rs. 32,014.57 cr. as of 16th January 2024.

9.3 GENERAL INSURANCE PRODUCTS

General insurance covers home, your travel, vehicle, and health (non-life assets) from fire, floods, accidents, man-made disasters, and theft. Different types of general insurance include motor insurance, health insurance, travel insurance, and home insurance. A general insurance policy pays for the losses that are incurred by the insured during the period of the policy. Today it is crucial to know about the different types of general insurance because of the numerous benefits they offer. Read on to know more about them:

9.3.1. HOME INSURANCE

As the home is a valuable possession, it is important to secure your home with a proper **home insurance policy**. Home and household insurance safeguard your house and the items in it. A home insurance policy essentially covers man-made and natural circumstances that may result in damage or loss.

9.3.2. MOTOR INSURANCE

Major Insurance provides coverage for your vehicle against damage, accidents, vandalism, theft, etc. It comes in two forms, third-party and comprehensive. When your vehicle is responsible for an accident, third-party insurance takes care of the harm caused to a third-party. However, you must take into account one fact that it does not cover any of your vehicle's damages. It is also important to note that third-party motor insurance is mandatory as per the Motor Vehicles Act, 1988. A comprehensive insurance policy safeguards your vehicle against fire, earthquake, theft, impact damage, etc. Additionally, it provides coverage against any third-party liability in the case of third-party property damage, bodily injury, or death.

9.3.3. TRAVEL INSURANCE

When you are travel internationally and suffer losses because of loss of baggage, trip cancellation, or delay in flight, a travel insurance policy safeguards you. You may also be offered cashless hospitalization if you are hospitalized while travelling.

9.3.4. HEALTH INSURANCE

Many hesitate to invest in health insurance, pushing it behind as an unnecessary expense, but in the case of a medical emergency, this preparedness can go a long way. Health insurance is a policy assurance providing immediate financial help when confronted with a medical emergency of various natures like illness, injury, or accident.

How does it work? An insurance policy is framed between two parties, the policyholder, and the insurance company. The medical expense is borne by the insurance company up to the sum insured against a premium paid by the insured. The insurance company compensates medical expenses either with cashless treatment, where the insurance company makes payments to the healthcare centre, or reimbursement, where the policyholder clears expenses and claims reimbursement from the insurance company.

Health insurance is a vital tool for risk mitigation and helps you deal with medical emergencies. A health insurance plan covers hospitalization expenses up to the sum insured. When it comes to health insurance, one can opt for a standalone health policy or a family floater plan that offers coverage for all family members.

9.4 INSURANCE SURVEYOR FUNCTIONS

Insurance policies are of different kinds depending upon the level of protection required by you in various stages of life. Not just for life and health, a lot of people also buy insurance to cover their home, machinery at business, and cargo, among others. However, when a claim is filed, there could be differences between what an insurer and the insured believe the actual loss in a particular situation to be. Accordingly, if there is a claim that is expected to go beyond a certain defined limit under a general insurance policy, the insurer sends a surveyor or a loss assessor to determine the damage. Ideally, the surveyor and loss assessors are expected to observe the damage and submit their report about it independent of the insurer and the insured.

They play a vital role in general insurance claims. Let us read a little more about them. A surveyor is essentially a professional link between the insured and the insurer. An individual or a corporate entity willing to be a surveyor and loss assessor has to undergo an application process, as decided by the Insurance Regulatory and Development Authority of India (IRDAI). IRDAI has defined the specific eligibility criteria for different kinds of surveyors. For instance, to become a surveyor and loss assessor for motor insurance, one must have qualifications in mechanical or automobile engineering. Surveyor for marine insurance requires qualifications in marine engineering or naval architecture; and surveyor of a crop insurer requires a degree in agricultural sciences. IRDAI maintains a list of all the surveyors in the country on its website.

Surveyors come into the picture when estimated losses are in excess of Rs50,000 for a motor insurance claim and over Rs1 lakh in other insurance claims, such as for fire or marine insurance. IRDAI reviews these limits every 3 years. The surveyor can be appointed either by the insurer or the insured. However, the surveyor's report is not binding on the insurer. In case the insured is not satisfied by the final settlement offered by an insurer, she can approach the insurance ombudsman. Technically, even an insured can appoint a surveyor. However, it might be difficult for you to appoint one. The terms related to surveyors and loss assessors in most insurance policies make it difficult for an insured to appoint a surveyor. Moreover, insurers have an institutional mechanism in place to appoint these professionals and pay them their fees. If you want to appoint your own surveyor, you would have to pay for it.

A surveyor and loss assessor, whether appointed by insurer or insured, is expected to submit the report to the insurer within 30 days of being appointed—and a copy of the report to the insured as well, with comments on the assessment of loss. If required, the surveyor can seek an extension while keeping the insured informed about the same. However, regardless of any extensions, a surveyor has to submit the report within 6 months from the date of appointment. If the insurance company finds a survey report to be incomplete, it can ask the surveyor for an additional report, which needs to be submitted within 3 weeks. Such an additional report can be sought only one time during a single claim cycle. So, if you feel that a claim that you are about to lodge could be more than Rs50,000 for a motor insurance or Rs1 lakh for other general insurance policies, maintain all the records of the accident or the insured event. Try not to disturb the scene where the accident or incident took place. It is also your responsibility to cooperate with the surveyor.

As observed above the basic idea regarding the role of a surveyor can be understood. In this section, we will be focusing on the diverse roles of insurance surveyors in a detailed manner. Beginning with, it can be said that the primary role of insurance surveyors can be assessing the genuine loss and avoiding any false alarms. Just like agents, surveyors are also not employees rather the insurance companies hire these professionals. Now, coming back to the roles of an insurance surveyor, it can be said that an insurance surveyor investigates, quantifies, manages, validates and manages the losses which may arise from any eventuality and reports therefore to the insured or the insurer as per the case. Here are certainly other roles that may be performed by the insurance surveyor: –

1. Firstly, it is crucial to maintain confidentiality and remain neutral. This should be done by ensuring that there is no jeopardy in terms of the claims of the one who is insured and the liability of the one who is the insurer.
2. A repeated inspection is also conducted of that particular property which may have gone through a loss.

3. The surveyor shall also engage in examination, enquiry, investigation, verification and constant check regarding the source and situation of the loss in the query which shall include the degree of loss, nature of possession and insurable interest.
4. The survey conduction whenever required is also an important role of the surveyor.
5. Further, regarding the loss, the estimation of the loss, the measurement of loss, the determination of the report and the quantum of the subject are also done by the surveyor.
6. The surveyor can also assess the liability as per the insurance contract.
7. It can also be the surveyor's role to satisfy the queries of the one who is insured as well as that of the insurer.
8. The surveyor can also comment on the salvage and the disposal as and when it is required.
9. The surveyor may also take expert opinion if required for a particular case.
10. Lastly, the surveyor can also point out any discrepancy which they find to be there in the wording of the policy.

Thus, there are several significant points that can be included under the heading of the role of the insurance surveyor. As mentioned above, a few of these crucial and notable points are discussed so that the reader can better learn about the role of a surveyor.

9.5 SUMMARY

General Insurance Corporation of India (hereinafter referred to as "GIC Re") is a professional Reinsurer and provides comprehensive reinsurance services to all the direct property and casualty insurers in Indian Market. Insurance implies the protection from financial loss. It is one of the forms of risk management, mainly used to hedge against the risk of an unforeseen loss. Insurance is represented in the form of policy. In India, the history of insurance finds its roots in the mentions of the writings of Manu (Manusmrithi), Kautilya (Arthasastra), and Yagnavalkya (Dharmasastra). Popularly known as LIC, the company made its debut in India over 100 years ago. The company has the highest market share of life insurance companies in India 2024. It has a diversified product portfolio covering various segments across individual products and group products. Popularly known as LIC, the company made its debut in India over 100 years ago. The company has the highest market share of life insurance companies in India 2024. It has a diversified product portfolio covering various segments across individual products and group products. They play a vital role in general insurance claims. Let us read a little more about them. A surveyor is essentially a professional link between the insured and the insurer. An individual or a corporate entity willing to be a surveyor and loss assessor has to undergo an application process, as decided by the Insurance Regulatory and Development Authority of India (IRDAI).

9.6. KEY WORDS

1. Life Insurance:

- Term Insurance: Provides coverage for a specified term or period.
- Whole Life Insurance: Offers coverage for the entire life of the insured.
- Endowment Plans: Combines insurance protection with savings/investment benefits.
- Unit Linked Insurance Plans (ULIPs): A type of life insurance where a part of the premium is invested in market-linked funds.

- Money Back Policies: Policies that provide periodic payments during the policy term.
- Pension Plans/Annuities: Insurance products designed to provide a regular income post-retirement.

2. Health Insurance:

Individual Health Insurance: Covers medical expenses of an individual.
Family Floater Health Insurance: Provides coverage for the entire family under a single policy.
Critical Illness Insurance: Offers coverage for specific critical illnesses.
Mediclaim Policies: Another term for health insurance policies.
Group Health Insurance: Coverage provided to a group of individuals, such as employees of a company.
Senior Citizen Health Insurance: Specifically designed for elderly individuals.

3. Motor Insurance:

Third-party Insurance: Mandatory insurance covering damages caused to third parties.
Comprehensive Insurance: Provides coverage for own damages as well as third-party liabilities.
Own Damage Cover: Covers damages to the insured vehicle.
No Claim Bonus (NCB): Bonus offered for every claim-free year.
Add-On Covers: Additional coverage options to enhance the standard policy.

4. General Insurance:

Home Insurance: Covers damages to the insured home and its contents.
Fire Insurance: Protection against damages caused by fire.
Travel Insurance: Provides coverage for travel-related risks like trip cancellations, medical emergencies, etc.
Personal Accident Insurance: Covers accidental death and disability.
Marine Insurance: Covers goods transported via sea or waterways.
Commercial Insurance: Insurance for businesses, covering various risks.

5. Rural Insurance:

Crop Insurance: Protection against crop failure due to natural calamities.
Livestock Insurance: Covers loss of livestock due to various risks.
Weather-based Crop Insurance: Insurance based on weather conditions affecting crop yield.
Rural Health Insurance: Health insurance tailored for rural populations.
Rural Life Insurance: Life insurance products designed for rural communities.

6. Regulatory Bodies:

Insurance Regulatory and Development Authority of India (IRDAI): Regulatory body overseeing the insurance sector in India.

7. Online Insurance:

Digital Insurance Platforms: Online platforms facilitating the purchase and management of insurance policies. Online Policy Purchase: Buying insurance policies through digital channels. Insurtech Companies: Companies leveraging technology to innovate in the insurance sector.

8. Claims Process:

Claim Settlement Ratio: Ratio of claims settled by an insurance company to the total claims received.

Cashless Claims: Facility where insured individuals can avail of medical treatment without paying cash up front.

Reimbursement Claims: Claims where insured individuals pay for expenses and later get reimbursed.

Claim Intimation Process: Procedure for informing the insurance company about a claim.

9.7 SELF-ASSESSMENT QUESTIONS

I) ESSAY TYPE QUESTIONS:

1. Explain about general insurance in India? Briefly explain about types of general insurance companies?
2. What is meant by General Insurance? What are the general insurance products, policies and features of surveyor?

II) SHORT TYPE QUESTIONS

1. Importance of general insurance in India?
2. Insurance Surveyor functions?
3. What are the types of general insurance products?

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LESSON - 10

HEALTH INSURANCE: NATURE, FEATURES AND TYPES

Aims and Objectives:

- To understand the concept of Health insurance.
- To understand various types, nature and features of Health insurance.
- To know the benefits of Health Insurance.

STRUCTURE

10.1 INTRODUCTION

Health insurance is an agreement whereby insurance company agrees to undertake a guarantee of compensation for medical expenses in case the insured falls ill or meets with an accident which leads to hospitalization of the insured. Generally, insurance companies have tie-ups with the leading hospitals so as to provide cashless treatment to the insured. In case the insurance company has no tie-ups with the hospital, they reimburse the cost of expenses incurred by the insured. The government also promotes health insurance by providing a deduction from Income Tax. Health insurance is a vital financial safety net that offers protection against rising medical expenses. It provides coverage for various healthcare needs, ensuring individuals can access quality medical services without facing significant financial burdens. Hence, it is important to understand the features of health insurance, shedding light on the essential aspects that every policy holder should aware of all these concepts.

Experts from the healthcare industry will unanimously tell you that health insurance is the best care for India's healthcare problems and the recent surge in premium for health insurance policies certainly conforms to that view. In spite of being a loss-making proposition for most insurers, for an industry that is only a couple of decades old in India, there is certainly a lot of optimism about its future prospects. Though health insurance came to India in the form of Central Government Health Insurance Scheme for government employees and the Employees State Insurance Scheme for employees in the private sector - but it was only in 1986 that the first health insurance product was launched in the country. Since then, things have certainly changed and now along with the government-sponsored general insurance companies, there are 20 private sector insurance companies operating in India and offering their products.

In 1986 when 'Mediclaim' was first launched by the Indian government it offered minimum and maximum health coverage of INR 15,000 and INR 5 Lakh respectively. Today the minimum sum assured by the public sector insurance companies is INR 50,000 and INR 1 Lakh for the private sector companies while 95% of the online health insurance policies the minimum sum assured is INR 3 Lakh. The cost of healthcare in India has grown at an exponential rate in the last decades or so, and any medical procedure that costs around INR 10,000 during the 80s and 90s now cost more than INR 50,000. Moreover, many treatment procedures like Angioplasty, MRI scan or CT scan were not even known during that time. Introduction of new and advanced technology has made the cost of medical procedures to soar, and with the arrival of the corporate hospitals, they have actually increased multifield. According to a report published by Marsh India medical inflation in India is currently pegged at just over 18% and consumers those once bought policies with of INR 1 Lakh sum assured are now willingly ready to pay premiums of INR 1 Lakh for policies that offer Rs 1 Crore as sum assured.

In India, health insurance started only as a cover for individual citizens and their families and then it offered reimbursement for hospital treatment only. There were also sub-limits and caps on every single item covered by the policies. But as health care started to evolve the sub-limits were removed during the 1990s and with an increasing number of private hospitals and improved life expectancy more and more people started to buy health insurance policies. Third party administrators were introduced by the Insurance Regulatory and Development Authority (IRDA) in 2001, which acted as the link between the hospitals and the companies and in turn allowed the insurance companies to offer cashless facilities on their products. The advent of the service sector, especially the IT sector contributed to the growth of group insurance and presently the number of health insurance in India has become more than double of the number of policies sold in the year 2003-04.

10.2 TYPES OF HEALTH INSURANCE

Every individual is different and has a unique set of needs. A single health insurance product is not enough to cover every person's individual requirement. This is precisely where there are a number of different types of health insurance plans available. Let's take a look at what they are:

10.2.1. INDIVIDUAL HEALTH INSURANCE

You can purchase an individual health insurance policy to provide cover for yourself, your spouse, your children and your parents. These policies typically cover all kinds of medical expenses, including hospitalisation, daycare procedures, hospital room rent and more. Under an individual health insurance plan, each member has their own sum insured amount. So, let's say you've taken an individual plan for yourself, your spouse and both your parents with a sum insured of INR 8 lakhs. Each of you will be able to claim a maximum amount of 8 lakhs per policy year against your health insurance.

10.2.2 FAMILY FLOATER HEALTH INSURANCE

A family floater plan allows to cover your family members under a single policy and everybody shares the sum insured amount. These plans are typically more affordable than individual plans since the sum insured is shared. Let's say you purchase a family floater plan for you and your spouse with a sum insured of INR 8 lakhs. In a single policy year, you can make claims worth only INR 8 lakhs. Your spouse may make claims worth INR 6 lakhs and you could make claims worth INR 2 lakhs or vice-versa. Typically, family floater plans are ideal for young nuclear families.

10.2.3 SENIOR CITIZENS HEALTH INSURANCE

These health plans have been designed specifically keeping the medical needs and requirements of senior citizens in mind. Most senior citizens policies offer additional cover, such as domiciliary hospitalisation and even some psychiatric benefits. Since older citizens are more likely to have health issues, these policies may require a full medical check-up beforehand and could be more expensive than regular insurance policies.

10.2.4 CRTICAL ILLNESS INSURANCE

There are a number of lifestyle-related diseases that are on the rise. Health issues such as cancer, stroke, kidney failure and cardiac diseases can be very expensive to deal with and manage long-term. This is precisely why critical illness insurance policies have been created. They can either be purchased as a rider or add-on with your regular health insurance plan or separately as their own plan. These policies offer cover for very specific issues and often provide claim payouts as a single lump sum payment after the diagnosis of a critical illness.

10.2.5 GROUP INSURANCE

Unlike individual and family floater policies, group health insurance plans can be purchased by a group manager for a large number of individuals. For example, an employer can purchase group insurance for all their employees or a building secretary may purchase such a plan for all the residents of the building. These plans are fairly affordable, but they often only provide cover for basic health issues. Employers often purchase these plans as an additional benefit for employees.

10.3 BENEFITS OF HEALTH INSURANCE

Purchasing health insurance is crucial for a number of reasons. Let's take a look at the most important benefits of our health insurance policies.

1. **HELPS DEAL WITH RISING MEDICAL COSTS:** People purchase health insurance policies to safeguard their finances against ever-rising medical costs. An accident or medical emergency could end up costing you more than a few thousand rupees. With a medical insurance plan, you enjoy cover for everything from ambulance charges to daycare procedures, making it easier for you to get the care you need to recover.

2. **CRITICAL ILLNESS COVER**: Many health insurance policies will also offer cover for critical illnesses at an additional cost. Given the rising incidence of lifestyle-related diseases today, this is another crucial cover to have. You will be provided with a lump sum payout in case you are diagnosed with any of the covered critical illnesses. These issues are often very expensive to deal with and manage, so critical illness cover is another vital benefit of having health insurance.

3. **EASY CASHLESS CLAIMS:** Every health insurance provider will tie-up with a number of network hospitals where you can enjoy cashless claims. This makes the entire process of receiving emergency medical care much easier. At a network hospital, you aren't really required to pay for any of the covered treatments. For all valid claims, we'll take care of the medical costs, without you having to pay for anything, except non-covered expenses and the mandatory deductibles.

4. **ADDED PROTECTION:** If you enjoy cover under a group health insurance plan, you may wonder why you should purchase your own health insurance policy. Well, individual health insurance plans offer provider more and better cover than group plans. Additionally, if you happen to leave the group at any time, you risk losing the cover, which could make you and your finances vulnerable.

5. **TAX SAVINGS**: Under Section 80D of the Income Tax Act, 1961, premiums paid towards the upkeep of health insurance policies are eligible for tax deductions. For a policy for yourself, your spouse, your children and parents below the age of 60, you can claim a deduction of up to INR 25,000 per year from your taxable income. If you've also purchased a policy for a parent who is over the age of 60, you can claim an additional deduction of INR 50,000.

10.4 FEATURES OF HEALTH INSURANCE

As discussed, most health insurance plans provide coverage for different types of medical conditions and emergencies. Here we will look at some of the important features, you as a customer should look at while buying a health insurance plan.

1. **WAITING PERIOD CONCERNING PRE-EXISTIONG ILLINESS**: Once you buy a health insurance plan, certain illnesses do not automatically become a part of this insurance coverage. This is especially true for certain existing illnesses. They become eligible to be covered only after a certain waiting period. This waiting period, however, can be different for different health insurance plans. Thus, do check on the waiting period as it can range from a few months, to even years depending upon the policy. A shorter waiting period will provide you with the right coverage immediately.

2. **SUM INSURED OR POLICY COVERAGE**: This is the maximum amount of expense you can incur which will be either reimbursed by the insurer or paid for directly to the hospital. In case, your total medical expenses go beyond your sum insured, you will be forced to pay from your pocket. Ensuring you take the right sum insured thus, becomes important. Choosing the amount which will ensure enough coverage without you having to dip into your savings, thus becomes important. Do look for this while deciding on your health insurance plans.

3. **SUB- LIMITS**: Another area that can be quite expensive when undergoing medical treatment is the room rent. The room rent is mostly tied to the sum insured. It is generally 1-2% of the total sum insured. In the case of the ICU, the room rent allowed is a little higher. It is, however, important that you examine your policy closely to ensure this amount is enough for your needs.

4. **NETWORK OF HOSPITALS AVALIABLE FOR TREATMENT:** The cashless facility available with a health insurance plan is dependent on the network of hospitals that have a tie-up with the insurance company. The larger the network, the easier it will be for you to pay cashless for the treatment. However, if the network hospitals are smaller in number, then you may be required to pay on your own before the expenses can be reimbursed by the insurer. A large network of hospitals thus makes it easier to get treatment without any hassles. The insurance company in this case settles the bill directly. Do look for the list of hospitals available for cashless treatment when you buy health insurance.

5. **NO CLAIM BONUS:** Just like auto insurance, when health insurance is not claimed in a specific year, the company pays you a no-claim bonus by offering a higher sum insured with no change in premium. Thus, you get higher coverage by paying the same premium as you were paying earlier. You should thus examine the no-claim bonus policy of the insurer while deciding on the health insurance plan.

6. **CO-PAYMENT OPTIONS**: In a co-pay option, the policyholder pays for a percentage of the medical expenses incurred, while the rest is paid by the insurer. For example, if the total cost of the medical treatment was Rs 10,000, 10% of this cost, which is Rs. 1000, will be paid by the policyholder first, before the insurance company pays the rest of 90% which is Rs. 9000. One can opt for a plan with a minimum co-pay percentage to reduce one's liability.

7. **EXCLUSION IN THE POLICY**: Some health insurance plans also contain clauses related to exclusions. This refers to certain illnesses or diseases which are not covered in the health insurance plan. Please read through this clause thoroughly, to avoid getting any last-minute shocks at the time of making a claim.

8. **PRE AND POST HOSPITALIZATION EXPENSION:** These are the expenses incurred before and after the hospitalisation. One should examine the number of days for which pre-and post-hospitalisation expenses will be covered by the insurer. Generally, 30 days of pre-hospitalisation and 60 days of post-hospitalisation expenses are covered. It is, however, better to read through and ensure you are appropriately covered in the chosen health insurance plan. These are some of the features which are part of the various health insurance plans.

10.5 HEALTH INSURANCE COMPANIES IN INDIA

Health Insurance is an essential investment in today's world, where medical expenses are continuously rising. With numerous health insurance companies operating in India, choosing the right one can be overwhelming. Each company has its unique strengths and benefits, ensuring that you can find a plan that suits your needs and budget. Choosing the right health insurance company and plan is crucial in today's world of rising medical costs. It not only offers financial protection but also ensures peace of mind in times of medical emergencies. By choosing the right plan, you can avail cashless hospitalization, reimbursement for medical expenses, and tax benefits. Moreover, most insurance companies offer additional benefits such as health check-ups, free teleconsultations, and discounts on gym memberships, making it a cost-effective investment in your health and well-being. So, it's essential to do your research and choose a plan that caters to your specific needs and fits your budget.

10.5.1. LIST OF HEALTH INSURANCE COMPANIES IN INDIA

Claim settlement ratio of health insurance companies is a crucial factor to consider when choosing a health insurance plan in India. It indicates the proportion of claims that are settled by the insurer in a given year. A higher claim settlement ratio implies that the insurance company has a better track record of settling claims The Insurance Regulatory and Development Authority of India (IRDAI) releases the claim settlement ratio of health insurance companies on an annual basis. However, it is important to note that the claim settlement ratio should not be the only criterion to select a health insurance company. Other factors like coverage, premium, network hospitals, and customer service should also be taken into account.

TABLE-10.1

HEALTH INSURANCE COMPANIES IN INDIA

S.No.	NAME OF THE HEALTH INSURANCE COMPANY	HEALTH CLAIM BANK NAME	DESCRIPTION
01	ICICI LAMBARD HEALTH INSURANCE	ICICI BANK	Joint venture with Canada-based Fairfax Financial Holdings Limited Wide network of hospitals across India
02	HDFC ERGO HEALTH INSURANCE	HDFC BANK	Joint venture with Munich Re Group Comprehensive range of health insurance plans Cashless hospitalization and critical illness coverage
03	NIVA BUPA HEALTH INSURANCE	NIVA INDIA LIMITED	Joint venture with UK-based Bupa Wide network of hospitals, features like cashless hospitalization, maternity benefits, and cover for critical illness
04	SBI GENERAL HEALTH INSURANCE	STATE BANK OF INDIA	Joint venture with Insurance Australia Group, with a variety of health insurance alternatives

			Hospitalization with cashless facility, and coverage for critical illnesses.
05	BAJAJ ALLIANZ HEALTH INSURANCE	BAJAJ FINSERV LIMITED	Joint venture with Allianz SE, with a selection of health insurance policies Hospitalization without the need for cash, and safeguarding against critical illnesses.
06	RELIANCE HEALTH INSURANCE	RELIANCE CAPITAL	Subsidiary of Reliance Capital, with an array of health insurance choices Cashless hospitalization, and coverage for critical ailments.
07	KOTAK MAHINDRA HEALTH INSURANCE	KOTAK MAHINDRA BANK	Subsidiary of Kotak Mahindra Bank, with a diverse range of health insurance plans It includes hospitalization that is cashless, and protection against critical illnesses.
08	AXIS BANK HEALTH INSURANCE	AXIS BANK	Offers an assortment of health insurance options Hospitalization without the need for cash, and coverage for critical illnesses.
9	BANK OF BORADA HEALTH INSURANCE	BANK OF BORADA	Offers a wide selection of health insurance offerings developed in collaboration with top insurance firms It includes features such as cashless hospitalization, maternity benefits, and coverage for critical illnesses.
10	PUNJAB NATIONAL BANK HEALTH INSURANCE	PUNJAB NATIONAL BANK	Assortment of health insurance products co-created with renowned insurance companies It provides benefits such as cashless hospitalization, maternity coverage, and protection against critical ailments.

It is a leading standalone health insurance company in India, with an impressive ICR of 56.09% for the fiscal year 2020-2021. They provide health insurance policies to individuals of all age groups, with a range of benefits. These benefits include cashless hospitalisation across +7600 network hospitals pan India, cashless claim authorization within 30 minutes, and coverage for life-threatening illnesses under their Critical care health insurance plan.

10.5.2 OTHER HEALTH INSURANCE COMPANIES IN INDIA:

1. **STAR HEALTH AND ALLIED INSURANCE COMPANY:** It provides comprehensive medical plans for individuals and families, with coverage options of up to 2 crores. Their plans offer numerous benefits, such as an in-house claim settlement procedure for cashless hospitalization facilities, coverage for patients with Diabetes and HIV+, access to over 13,000 hospitals for cashless medical treatment, lifetime renewability option for most plans, and a customizable top-up health insurance plan.

2. **TATA AIG GENERAL INSURANCE COMPANY LIMITED:** It was established in 2001 as a joint venture between American International Group and the TATA Group. It has since become a prominent name in the Indian insurance industry and has partnered with over 7200 hospitals across India for cashless treatment. Tata AIG offers a range of health insurance plans tailored for individuals, families, senior citizens, critical illnesses, and medical emergencies. These plans come with several benefits, including lifelong renewability without any loading if no claim has been filed, coverage for medical treatment taken at home, and reimbursement for alternative treatments such as Homeopathy, Siddha, Unani, and Ayurveda.

3. **MANIPAL CIGNA HEALTH INSURANCE COMPANY:** It is a relatively new entrant in the Indian insurance market, having been launched in 2014. For the fiscal year 2020-2021, its Incurred Claim Ratio stood at 61.13%. Customers can choose from a range of health plans, including top-up health plans, critical illness plans, accidental care plans, and lifestyle plans. The sum insured for various plans ranges from Rs. 0.25 lakh to up to 10 crores. In most medical plans, the insurer provides 100% sum restoration of the sum insured. Customers can easily track health insurance claims online. Most health plans are customizable to meet customers' individual needs and preferences. The insurer offers one of the most comprehensive critical illness plans, covering nearly 30 major illnesses.

4. **BAJAJ ALLIANZ GENERAL INSURANCE COMPANY:** It is a well-known player in the Indian insurance market with health insurance products that cater to specific age groups. The company was the first to provide captive TPA services with additional benefits. The insurer offers three major health insurance products, namely Health Guard, Silver Health, and Star Package, with coverage for individuals, families, and senior citizens. Bajaj Allianz health insurance plans are designed to cover life-threatening illnesses like strokes, tumours, and cancer. Moreover, the insurer provides cashless claim settlement facilities in more than 6500 hospitals and offers international coverage with the Global personal guard health plan. The company has a reputation for settling cashless claims within 60 minutes, making it a popular choice among customers.

5. **IFFCO TOLDO GENERAL INSURANCE:** Established in 2000, is a collaborative enterprise between Indian Farmers Fertiliser Cooperative Limited (IFFCO) and Tokio Marine Group, one of Japan's most prominent insurance groups. IFFCO, known as the world's largest fertilizer manufacturer, holds a 51% stake in the company, while the remaining 49% is owned by the Tokio Marine Group. The company specializes in general insurance, providing a range of health insurance plans, car insurance plans, bike insurance plans, travel insurance plans, home insurance plans, and corporate policies such as property insurance and liability insurance. IFFCO Tokio General Insurance offers various health insurance plans, including individual health insurance plans, family floater health insurance plans, and senior citizen health insurance plans.

6. **NAVI HEALTH INSURANCE:** It is a recently established online insurance company that offers various health insurance plans to cater to the diverse health insurance requirements of individuals. The company began operations in 2017 and is a subsidiary of Navi Technologies. Its mission is to provide straightforward, affordable, and easily accessible health insurance to the people of India. Navi Health Insurance is categorized as a general insurance company and, in addition to health insurance, it offers a wide range of plans including car insurance, bike insurance, property insurance, gadget insurance, and commercial insurance. The company boasts a vast network of over 10,000 hospitals that provide cashless treatment with minimal hassle. Navi Health Insurance has a streamlined claim settlement process, which is why it is often the preferred choice for those seeking health insurance coverage.

7. **CARE HEALTH INSURANCE:** It formerly known as Religare Health Insurance, is a standalone health insurance company that is a joint venture between Reliance Enterprises Limited, Union Bank of India, and Corporation Bank. The company offers a wide range of health insurance plans to cater to the diverse healthcare needs of individuals. These plans include individual health insurance plans, maternity health insurance plans, family floater health insurance plans, senior citizen health insurance plans, and critical illness health insurance plans. Some of the popular plans offered by the insurer are Care Freedom, Care, and Care Senior Policy, which offer distinct features and coverage benefits at affordable premiums.

8. **THE ORIENTAL INSURANCE COMPANY:** It is established in 1947, is a provider of various health insurance products to its policyholders. Its head office is located in New Delhi, with over 29 regional offices and approximately 1,800 offices spread across the nation. Additionally, the company conducts operations in Nepal, Dubai, and Kuwait. The health insurance plans offered by the insurer cater to both urban and rural populations. A wide network of hospitals is available for cashless treatment. The company's health insurance plans are budget-friendly, making it a preferred choice among policyholders.

9. **NEW INDIA GENERAL INSURANCE**: It is a general insurance company that has a global presence with operations in 28 countries, and is based in Mumbai, India. The company provides an extensive range of insurance products, including various health insurance plans, catering to the specific needs of different sections of society. The health insurance plans offered by the company are priced affordably, and provide coverage for a range of healthcare expenses, such as in-patient hospitalisation expenses, pre- and post-hospitalisation expenses, daycare expenses, organ donor expenses, road ambulance expenses, and more.

10.6 HOW TO CHOOSE THE BEST HEALTH INSURANCE COMPANY IN INDIA

Choosing the best health insurance company is a crucial decision because it affects both your health and your financial security. Here are some steps that will support you in making an informed decision:

1. **DETERMINE YOUR REQUIREMENTS:** Begin by assessing your requirements and budget. Take into account your family's medical history, your age, your current health condition, and any specific health concerns you may have. Once you've determined your needs, look into various health insurance companies in India. You can get information from online reviews, customer feedback, and ratings, as well as friends and family who have purchased health insurance.

2. **CHECK THE NETWORK OF HOSPITALS:** The size and quality of a health insurance company's hospital network are frequently used to determine its quality. Verify that the insurance company has a network of hospitals with which you are familiar, and which are easily accessible to you.

3. **COMPARE POLICIES:** Examine the policies provided by various insurance companies. Look for co-payments, waiting periods, sub-limits, and exclusions. Choose a policy that meets your needs and fits your budget.

4. **ANALYZE THE CLAIM SETTLEMENT RATIO:** The claim settlement ratio is the percentage of claims settled by an insurance company in a given year. Look for an insurance company with a high claim settlement ratio because it indicates the company's dependability and trustworthiness.

5. **CONSULT AN EXPERT:** If you're still unsure about which insurance company to go with, talk to a professional who can walk you through the process and help you make an informed decision.

6. **CUSTOMER CARE:** Finally, look into the customer service provided by the company. Ascertain that they have a customer support team that is available 24 hours a day, 7 days a week to assist you with any questions or issues regarding your policy.

10.7 SUMMARY

Health insurance is an agreement whereby insurance company agrees to undertake a guarantee of compensation for medical expenses in case the insured falls ill or meets with an accident which leads to hospitalization of the insured. Experts from the healthcare industry will unanimously tell you that health insurance is the best care for India’s healthcare problems and the recent surge in premium for health insurance policies certainly conforms to that view. In spite of being a loss-making proposition for most insurers, for an industry that is only a couple of decades old in India, there is certainly a lot of optimism about its future prospects. In India, health insurance started only as a cover for individual citizens and their families and then it offered reimbursement for hospital treatment only. There were also sub-limits and caps on every single item covered by the policies. But as health care started to evolve the sub-limits were removed during the 1990s and with an increasing number of private hospitals and improved life expectancy more and more people started to buy health insurance policies. You can purchase an individual health insurance policy to provide cover for yourself, your spouse, your children and your parents. These policies typically cover all kinds of medical expenses, including hospitalisation, daycare procedures, hospital room rent and more. A family floater plan allows you to cover your family members under a single policy and everybody shares the sum insured amount. These plans are typically more affordable than individual plans since the sum insured is shared. These health plans have been designed specifically keeping the medical needs and requirements of senior citizens in mind. There are a number of lifestyle-related diseases that are on the rise. Health issues such as cancer, stroke, kidney failure and cardiac diseases can be very expensive to deal with and manage long-term. Unlike individual and family floater policies, group health insurance plans can be purchased by a group manager for a large number of individuals. Choosing the best health insurance company is a crucial decision because it affects both your health and your financial security.

10.8 KEY WORDS

Individual Insurance - It is the insurance which is taken to cover an individual. These policies typically cover all kinds of medical expenses, including hospitalisation, day-care procedures, hospital room rent and more. Under an individual health insurance plan, each member has their own sum insured amount.

Family floater Health Insurance - A family floater plan allows to cover your family members under a single policy and everybody shares the sum insured amount. These plans are typically more affordable than individual plans since the sum insured is shared.

Senior Citizens Health Insurance - These health plans have been designed specifically keeping the medical needs and requirements of senior citizens in mind. Most senior citizens policies offer additional cover, such as domiciliary hospitalisation and even some psychiatric benefits. Since older citizens are more likely to have health issues, these policies may require a full medical check-up beforehand and could be more expensive than regular insurance policies.

Critical Illness Insurance - There are a number of lifestyle-related diseases that are on the rise. Health issues such as cancer, stroke, kidney failure and cardiac diseases can be very expensive to deal with and manage long-term. This is precisely why critical illness insurance policies have been created. They can either be purchased as a rider or add-on with your regular health insurance plan or separately as their own plan. These policies offer cover for very specific issues and often provide claim pay-outs as a single lump sum payment after the diagnosis of a critical illness.

10.9. SELF-ASSESSMENT QUESTIONS

I) ESSAY TYPE QUESTIONS

1. What is meant by health insurance? Nature and features of health insurance?
2. Elucidate about health insurance and types of health insurance?

II) SHORT TYPE QUESTIONS:

1. Types of health insurances?

2. Health Insurance Companies in India?
3. What are the features of Health Insurance?

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LESSON – 11

HEALTH INSURANCE: PRODUCTS, POLICIES AND FEATURES

Aims and Objectives:

After completion of this lesson, you should be able to understand:

- About Health Insurance in India.
- Features, types and advantages of Health Insurance in India.

STRUCTURE

11.1. INTRODUCTION

Health insurance in India is a growing segment of India's economy. The Indian healthcare system is one of the largest in the world, with the number of people it concerns: nearly 1.3 billion potential beneficiaries. The healthcare industry in India has rapidly become one of the most important sectors in the country in terms of income and job creation. In 2018, one hundred million Indian households (500 million people) do not benefit from health coverage. In 2011, 3.9 per cent of India's gross domestic product was spent in the health sector. Policies are available that offer both individual and family cover. Out of this 3.9 per cent, health insurance accounts for 5-10 percent of expenditure, employers account for around 9% while personal expenditure amounts to an astounding 82.0 per cent. In the year 2016, the NSSO released the report "Key Indicators of Social Consumption in India: Health" based on its 71st round of surveys. The survey carried out in the year 2014 found out that, more than 80.0 per cent of Indians are not covered under any health insurance plan, and only 18.0 per cent (government funded 12.0 per cent) of the urban population and 14.0 per cent (government funded 13.0 per cent) of the rural population was covered under any form of health insurance.

11.2 FEATURES OF HEALTH INSURANCE POLICY

The features of health policies classified given below the types:

1. **SIMPLICITY:** Whether it's something as simple as buying a phone or a washing machine, there are multiple brands and options out there. Besides online retailers, there are the official stores, partner stores, and more. The same goes for group Mediclaim. In general, the insurance space is very large and extensive. There are numerous players along with an abundance of intermediaries, like agents and brokers. Although they're helpful, as an HR, you have to dip your hands into many processes and follow-ups. This is extremely time-consuming. The simplicity comes in when you pick a reliable partner that handles all the tasks and ensures your plate is not full with work related to health benefits. At Loop, from the start of the process, we simplify insurance for you and your organization. With Loop, you can set up health insurance coverage in minutes, not days. Moving further along, whether it's claims, endorsements, or customer support, everything is available on the go. Plus, we handle all processes from start to finish. It's almost like auto-piloting your health benefits process, so we reduce your workload while ensuring employees are healthy and happy!
2. **CUSTOMIZATION:** From choosing your own pizza toppings to choosing the colour of your iPhone, everything nowadays is customizable**.** This includes group Mediclaim too. In fact, it's one of the key features that makes corporate insurance stand out. As an organization, you can survey your employees, analyse your needs, and base on this, tailor make a plan designed specifically to meet your unique requirements. Every policy comes with a base plan and sum insured in place, to which you can add what you desire. For instance, if your business is into manufacturing and your workforce comprises largely blue-collar workers, you can easily opt for a Group Medical Cover (GMC) with an add-on of Group Personal Accident (GPA) cover. This GPA cover gives your staff additional protection and financial support for unexpected and unforeseen circumstances.
3. **MEDICAL COVERAGE FOR FAMILY MEMBERS AND DENDENTS:** Managing health insurance policies, such as a family floater plan from different insurers, especially with large family members, is not easy! Each plan comes with different terms and conditions, claim processes, and additional requirements that can make the entire process a burden on top of the illness. Compare this to group medical insurance where you have the

option of seeking medical coverage for your family members and dependants under the same policy. It makes life so much easier and it's straightforward. Typically, GMC plans cover the insured member, i.e., the employee, their spouse, children, their parents, and in-laws. This extended medical coverage may come for free or there's a small fee - it varies from insurer to insurer.

4. **PRE AND POST HOSPITALIZATION EXPENSES:** Pre-hospitalization expenses are medical expenses you incur before the insured member is admitted to the hospital. This can include various tests or screenings as prescribed by a doctor, like X-rays, blood tests, urine tests, blood count, etc. Group mediclaim covers these costs, provided they're borne within or before 30 days of admission to the hospital. Again, this varies from provider to provider. Similarly, post-hospitalization medical expenses are costing the insured member incurs after you're discharged. This includes any tests, medicines, screening, etc. to ensure you or the patient recovers well. Most often, these costs are covered for up to 60 days, but again, this varies from provider to provider.
5. **NO WAITING PERIOD:** With respect to the waiting period**,** how individual insurance works is you need to wait approximately 3 to 4 years before your health insurance coverage kicks in. During this time, **you** cannot make a claim or seek the benefits from your policy. Not only is the wait long, but you're also unprotected. Unlike individual insurance, group medical insurance does not have a waiting period. Whether it's for pre-existing diseases, a critical illness, or related to specific diseases, you have the option to waive off waiting periods**.** This ensures that medical coverage kicks in for the insured member, their parents, children, and spouse from day one of the policy**.**
6. **COVERAGE FOR PRE-EXISTING DISEASES:** Pre-existing diseases are any conditions you suffer from and were diagnosed within the 4 years before you purchased health insurance. This can include medical coverage for anything like allergies, blood pressure, diabetes, cancer, etc. When you purchase group medical insurance**,** you automatically get medical coverage for pre-existing diseases. This means you can raise a claim for a pre-existing disease almost instantly, as there's no waiting period either. This is especially good for policies that cover family members, as older individuals are at higher risk.
7. **NO PRE-MEDICAL SCREENING:** As a potential policyholder of an individual plan, one of the first things you must do is to undergo a pre-medical test. This test determines the status of your health and helps insurers determine a suitable plan. Sometimes, the results lead to some individuals not getting covered due to previous conditions like cancer. Fortunately, for those insured members covered by group medical insurance, this is not the case. Since the policy takes into account a large group, pre-medical screenings are waived off**.** Irrespective of age, previous conditions, etc. you are assured of getting medical coverage for medical expenses.
8. **MATERNITY COVER**: Yet another feature that makes group medical insurance a sought-after option is coverage for expenses related to maternity. Which is typically an additional coverage under a health insurance policy. Maternity cover under group mediclaim primarily covers medical expenses related to delivery**.** Furthermore, the newborn baby **is** covered for up to 90 days. Post this 90-day period, you can add the child to the base plan too.
9. **HASSLE-FREE CLAIMS**: With group mediclaim, especially with providers like Loop, there is no interference from intermediaries. As the HR or the employee, you're directly in contact with the claim assistance team at Loop who will help coordinate and settle the claims process. This way, the added follow-ups, lack of knowledge, etc. don't come into play. Plus, with 24X7 claims support, you can reach the team at any time. In essence, with a comprehensive group health plan**,** such facilities ensure that claims are settled quickly, **s**aving you a ton of time, patience, and energy**.**

10. **ADDED BENEFITS:** Group medical insurance is like a cake**,** it's incomplete without the cherry on top - aka the added benefits. Whether you talk about employees or HRs, Loop offers loads of benefits for both at no additional cost**.**

11.3. TYPES OF HEALTH INSURANCE IN INDIA:

The types of health insurance policies in given below the types:

11.3.1. INDIVIDUAL HEALTH INSURANCE PLANS:

This is the most common type of health insurance plan in India. Such a policy only covers an individual. It takes care of your medical costs in case you get admitted into a hospital. The premium in such cases will depend on personal factors such as your age, medical history, etc.

11.3.2. FAMILY HEALTH INSURANCE PLANS:

As the name suggests, this type of health insurance plan covers the entire family. It is similar to an individual policy except that the sum insured in this case is usually higher and is shared between the family members. One of the main advantages of such an insurance plan is that you need not manage different policies. Moreover, such policies are also more cost-effective than buying an individual policy for each member.

11.3.3. SENIOR CITIZEN HEALTH INSURANCE PLANS:

These health insurance policies are specially designed for senior citizens who are usually above the age of 60. Since old people are more likely to make a claim, the premium to be paid is higher in such cases. Also, many insurers don't stress on a pre-medical screening or exclude pre-existing diseases before granting senior citizen insurance because old age often comes with health issues.

11.3.4. CRITICAL ILLNESS INSURANCE PLANS:

A critical illness insurance plan insures you for fatal diseases such as kidney ailments, heart attacks, cancer, paralysis, etc. In such cases, the policyholder receives a lumpsum amount on the diagnosis of the covered illness. Unlike individual policies, no hospitalization is needed for claiming the money. Such a plan is advisable for those who have a history of such illnesses in their family.

11.3.5. PERSONAL ACCIDENT INSURANCE PLANS:

Accidents are common and the expenses they bring along can drain all your savings. A personal accident insurance covers the cost of medical treatment needed after an accident. Usually, such a policy offers benefits against 3 events – partial disability, total disability, and death due to accident.

11.3.6. MATERNITY INSRANCE PLANS:

These are women-specific health insurance plans. Such plans provide coverage for pre-natal and post-natal expenses along with the delivery and ambulance cost. A baby cover is also provided wherein the expenses related to the new-born baby are covered up to a certain duration. Most maternity plans have a waiting period before they get active. Thus, it is prudent to buy such cover as soon as a woman gets married. These can also be taken as an add on to a basic policy.

11.3.7. UNIT LINKED INSURANCE PLANS:

Unit Linked Insurance Plans or ULIPs are insurance plans that double up as investments. When you pay the premium, a part of it is utilized for providing cover to you, as usual. The remaining amount of the premium is invested in a mix of equity and debt. With ULIPs, you not only secure your health but also build wealth for the future with the returns.

11.4 INDIVIDUAL HEALTH INSURANCE:

Individual health policy is a coverage that the insured person purchases on their own to maintain their health and take care of medical care whenever required by the insured person. A medical insurance premium is required to be paid before claiming your cover. It is a common misconception that an individual health insurance provide coverage for a single person, while in reality, you can add multiple family members in individual health insurance and provide them coverage on individual sum insured basis depending on the requirements. For Example - You may take single Individual health insurance for you, your spouse & mother and can take cover for 8 Lakh for you, 7 lakhs for your spouse and 15 lakhs for your mother. You can customize family member and sum insured as per your requirement.

If something untoward happens to you, like a serious illness or a car accident, hospital expenses can quickly pile up. In such an event, an individual health insurance policy can come to your rescue by taking care of the staggering expenses. Individual health insurance is the policy purchased by an individual for himself or his family based on his needs and budget. Such a policy covers all pre and post hospitalisation expenses, including the charges for diagnostic tests, ambulance, and room rent. Apart from injury due to accidents, individual health insurance also covers pre-existing diseases and critical illnesses subject to conditions of the waiting and survival period. Moreover, it provides a cashless facility when the treatment is done in any of the network hospitals, and even for non-cashless treatment, the amount is reimbursed after a successful verification process.

All in all, individual health insurance helps you save money on hospitalisation expenses, doctor's visits, prescription drugs, and other medical services. Individual health insurance offers medical coverage for a single individual, wherein the sum insured depends on the specific healthcare needs of that individual. The premium payable depends on varied factors, including the age of the insured person, his medical history, etc. In individual health insurance plans, the benefits are extended to an individual only, therefore the person becomes eligible for individual sum assured rather than a floating sum assured. Such a plan is best suited for individuals looking for higher protection than a family floater plan and for those with greater health risks.

11.4.1. ADVENTAGES OF INDIVIDUAL HEALTH INSURANCE:

Health is one of the most crucial factors that have a direct bearing on your happiness. But since everyone experiences some breakdown in health at some point or the other, it is essential to stay prepared for it. Notably, in today’s time, when all kinds of health problems like cancer, tuberculosis, heart attacks have become so common, having a health insurance plan is a must. The various advantages offered by Individual Health Insurance plan are as follows-

11.4.2. PROVIDES CASHLESS FACILITIES:

Every insurer has a list of network hospitals. So, whenever you as a policyholder get admitted in any of these hospitals, you can avail cashless facility for your hospitalisation. This means that the insurer will settle the payments due with the hospital under your cashless health insurance.

11.4.3. COVERS PRE AND POST HOSPITALIZATION:

Under this policy, you will also receive financial coverage for all expenses related to pre- and post-hospitalization. This may include diagnostic tests and medication, which an individual may need, before or after hospitalization. However, the number of days, before and after admission that is included in the ambit of this coverage differ from insurer to insurer. We offer pre-hospitalization coverage of up to 60 days, which extends for up to 90 days post-discharge.

11.4.4. NO CLAIM BONUS:

In case, you do not make any claim during the policy period; then you shall also receive a no claim bonus. You can utilize this bonus money to pay off the next premium amount.

11.4.5. TAX BENEFITS:

Another great benefit of health insurance is that your premium payments towards the policy will reduce your taxable income. This will help in reducing your tax liability. Individual health insurance is subject to Section 80D of the Income Tax Act which allows a tax deduction of up to ₹25000 on the premium paid towards such policy.

11.4.6. MEDICAL CHECKUP:

Under this policy, you can even go for medical tests, which will help you avail tax deductions. Under section 80D, expenses incurred on health checkups will be covered up to ₹5000, which means that along with the premium, costs on medical checkups will also reduce your tax liability by ₹5000.Individual health insurance policy will thus, provide you a comprehensive cover for everything from medicine and drug costs to cost of medical procedures. With all these benefits together, it ensures that you have excellent preventive healthcare benefits by your side along with financial stability at the time of a medical emergency. So, buy individual health insurance and reap all the benefits.

11.5 FAMILY HEALTH INSURANCE

A family health insurance plan is a type of medical insurance. It gives coverage for the entire family's major and minor medical expenses. Family health insurance plan enables you to access high-quality healthcare in case of a medical emergency. Family health insurance plans are a great way to ensure that all members of your family have access to quality healthcare services without having to pay separate premiums for each individual. These plans typically offer a higher sum insured, wider coverage, and a range of benefits and features that can help you save money on medical expenses. The best family health insurance plan covers the entire family, including your spouse, children, parents, and parents-in-law, and can offer a cost-effective solution to a family's insurance needs.

11.5.1 BENEFITS OF FAMILY HEALTH INSURANCE:

The benefits of family insurance given below:

1. **COVERAGE FOR THE ENTIRE FAMILY:** Health insurance plans for family cover all the family members under one plan. You can cover yourself, your spouse, dependent children, dependent parents and even dependent parents-in-law. In fact, there are some plans which allow you to cover your extended family too. So, family medical insurance plans are a one-stop health insurance solution for all your family members. They also allow health insurance for parents who need affordable health cover.

2. **THE PREMIUM ARE AFFORDABLE**: The premium payable for a family medical insurance plan is much cheaper compared to the premium payable for individual plans for each family member. Thus, the plan allows affordable coverage and is lighter on your pockets.

3. **EVERY COVERED MEMBER GETS HIGH COVERAGE:** The sum insured under the family floater policy can be used entirely by any member who falls ill. As such, each family member has complete access to the sum insured and can avail a high coverage if you choose an optimal sum insured level.

4. **MATERNITY COVERAGE IS ALLOWED UNDER MANY PLANS:** For a young couple who would be starting a family in the near future, family health plans having maternity coverage is a good choice. These plans allow coverage for maternity related expenses.

5. **COMPREHENSIVE COVER:** Family health plans come with different coverage benefits, and you can compare and choose a plan which has the most inclusive coverage features. When you do so, your family can enjoy complete coverage, and you would ensure peace of mind knowing that every major medical expense would be covered by the plan.

6. **NOW MEMBERS CAN BE EASILY ADDED:** Family floater plans allow you the convenience of adding new family members. If there is a new member in your family (childbirth), you can easily avail coverage for the child from the middle of the policy term, depending upon the terms and conditions of the policy. You would just have to make a request to the insurance company, pay an additional premium and the child would be covered under the policy without any hassles.

7. **TAX BENEFIT**: The last and also the most important benefit in family floater health plans is that they allow you tax benefits. You can enjoy a tax deduction of up to INR 25,000 when you buy a family floater policy. This deduction increases to INR 50,000 if you are a senior citizen. Moreover, if you buy a separate family floater health

insurance for parents, you can avail an additional deduction of INR 25,000 which also increases to INR 50,000 if your parents are senior citizens.

11.6. GROUP HEALTH INSURANCE:

Family health insurance plans are a great way to ensure that all members of your family have access to quality healthcare services without having to pay separate premiums for each individual. These plans typically offer a higher sum insured, wider coverage, and a range of benefits and features that can help you save money on medical expenses. The best family health insurance plan covers the entire family, including your spouse, children, parents, and parents-in-law, and can offer a cost-effective solution to a family's insurance needs.

Group health insurance cover is offered to the employees of an organization, which can also be extended to cover their family. The policy covers indemnification of medical expenses incurred by the insured during hospitalization and any illness or injury suffered. Group health insurance cover is offered to the employees of an organization. It can be either pre or post hospitalization medical expenses and can be covered up to 30 days and 60 days and covers age from 91 days to 80 years.

11.6.1 BENEFITS OF GROUP HEALTH INSURANCE:

The benefits of group insurance given below:

1. **IMPROVED EMPLOYEE RETENTION:** At the forefront of employer benefits is the capacity to enhance employee retention. Access to comprehensive health coverage fosters a sense of value among employees, contributing to overall job satisfaction and loyalty.

2. **SUPPORT FOR MENTAL WELL-BEING:** Acknowledging the importance of mental well-being, Group Health Insurance often includes coverage for mental health services, contributing to a more engaged and productive workforce.

3. **TAX BENEFITS FOR EMPLOYEES:** A strategic financial move, employers can enjoy tax benefits by providing Group Health Insurance. The premiums paid are tax-deductible, presenting a financial incentive to invest in employees' health.

4. **PROTECT EMPLOYEES FROM SEVERE HEALTH ISSUES:** Health emergencies can wreak havoc on an individual's finances. Group Health Insurance acts as a safety net, ensuring employees can access quality healthcare without the burden of exorbitant medical expenses.

5. ***PROVIDE COVERAGE FOR THEIR FAMIES:*** Going beyond individual employees, Group Health Insurance plans often extend coverage to employees' family members, presenting a holistic solution that caters to the health needs of entire households.

6. **THE BENEFIT OF BEING PEOPLE FIRST:** Group Health Insurance showcases a company's commitment to a people-first culture, contributing to a positive work environment and fostering stronger employee loyalty.

7. **LOWER PREMINMS:** In the realm of cost-effectiveness, Group Health Insurance premiums are typically lower than individual health insurance premiums, making it an economical choice for both employers and employees.

11.7. SUMMARY

Health insurance plans work as a safety blanket that provides the true warmth of financial safety whenever need it the most. Healthcare expenses have risen over the years with medical inflation. But an increase in your medical expenses does not mean that your health insurance policy needs to be expensive too. In the world of healthcare in India, Individual Health Insurance stands as a shield against unexpected medical costs. Illness can strike anytime and the cost of treatments, medicines and other medical expenses can run into lakhs. Thus, buying health insurance should be one of the first steps of an individual's financial planning journey. There are different types of health insurance plans in India. You must assess your needs and personal conditions before choosing one. This is the most common type of health insurance plan in India. Such a policy only covers an individual. It takes care of your medical costs in case you get admitted into a hospital. Health is one of the most crucial factors that have a direct bearing on your happiness. But since everyone experiences some breakdown in health at some point or the other, it is essential to stay prepared for it. Health insurance plans for family cover all the family members under one plan. You can cover yourself, your spouse, dependent children, dependent parents and even dependent parents-in-law.

11.8. KEY WORDS

Personal Accident Insurance Plans: Accidents are common and the expenses they bring along can drain all your savings. A personal accident insurance covers the cost of medical treatment needed after an accident. Usually, such a policy offers benefits against 3 events – partial disability, total disability, and death due to accident.

Maternity Insurance Plans: These are women-specific health insurance plans. Such plans provide coverage for pre-natal and post-natal expenses along with the delivery and ambulance cost. A baby cover is also provided wherein the expenses related to the new-born baby are covered up to a certain duration. Most maternity plans have a waiting period before they get active. Thus, it is prudent to buy such cover as soon as a woman gets married. These can also be taken as an add on to a basic policy.

Unit Linked Insurance Plans: Unit Linked Insurance Plans or ULIPs are insurance plans that double up as investments. When you pay the premium, a part of it is utilized for providing cover to you, as usual. The remaining amount of the premium is invested in a mix of equity and debt. With ULIPs, you not only secure your health but also build wealth for the future with the returns.

Individual Health Insurance: Individual health policy is a coverage that the insured person purchases on their own to maintain their health and take care of medical care whenever required by the insured person. A medical insurance premium is required to be paid before claiming your cover. It is a common misconception that an individual health insurance provide coverage for a single person, while in reality, you can add multiple family members in individual health insurance and provide them coverage on individual sum insured basis depending on the requirements.

11.9 SELF-ASSESSMENT QUESTIONS

ESSAY TYPE QUESTIONS:

1. Define health insurance products and types of health insurance policies in India?
2. What are the health insurance policies in India?

SHORT TYPE QUESTIONS:

1. Individual health insurance policy?
2. Features of health insurance policies?
3. What are the benefits of family health insurance?

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LESSON - 12
INSURANCE CONTRACT

Aims and Objectives:

After completing this lesson, the student is able to demonstrate the following:

- What is insurance contract
- What is the need for terms and conditions of Insurance contract
- Some important terms used in contract and conditions along with features of contract
- How to Register as Insurance Agent for a company

Structure

12.1 INTRODUCTION

An insurance contract is a contract between an insurer and the insured whereby the insurer has a legal duty to pay benefits to a third party in the case that a defined event occurs. It is an agreement between Insured and Insurer enforceable by law. Here Insurer promises to pay sum assured on occurrence of an event like death. In exchange insured promises to pay regular premium. Insurance contracts can be characterized as conditional, unilateral and bilateral, aleatory, and contracts of adhesion.

In general, an insurance contract must meet four conditions in order to be legally valid: it must be for a legal purpose; the parties must have a legal capacity to contract; there must be evidence of a meeting of minds between the insurer and the insured; and there must be a payment or consideration.To meet the requirement of legal purpose, the insurance contract must be supported by an insurable interest (see further discussion below); it may not be issued in such a way as to encourage illegal ventures (as with marine insurance placed on a ship used to carry contraband).

The requirement of capacity to contract usually means that the individual obtaining insurance must be of a minimum age and must be legally competent; the contract will not hold if the insured is found to be insane or intoxicated or if the insured is a corporation operating outside the scope of its authority as defined in its charter, bylaws, or articles of incorporation.The requirement of meeting of minds is met when a valid offer is made by one party and accepted by another. The offer is generally made on a written application for insurance. In the field of property and liability insurance, the agent generally has the right to accept the insured's offer for coverage and bind the contract immediately. In the field of life insurance, the agent generally does not have this power, and the contract is not valid until the home office of the insurer has examined the application and has returned it to the insured through the agent.

The payment or consideration is generally made up of two parts—the premiums and the promise to adhere to all conditions stated in the contract. These may include, for example, a warranty that the insured will take certain loss-prevention measures in the care and preservation of the covered property. Hence, Reading your policy helps you verify that the policy meets your needs and that you understand your and the insurance company's responsibilities if a loss occurs. Many insureds purchase a policy without understanding what is covered, the exclusions that take away coverage, and the conditions that must be met in order for coverage to apply when a loss occurs.

12.2 Insurer and Insured

'Insurer and insured' are two primary terms of the legal contract of insurance. An insurer is an entity promising payment against covered losses, while an insured is the entity whose loss the insurance policy covers.Any insurance policy is a legal contract between the insurer and the insured. However, in life insurance policies there can also be beneficiaries or nominees. For example, Raja insures the goods in his warehouse against loss from fire by paying a premium to ABC General Insurance. Here Raja is insured and ABC General is the insurer. In case of a life insurance, the insurer will pay the benefit amount if the insured dies within the policy term. The insurer will pay the death benefit amount to the nominee.

Who is an Insurer?

An insurer is generally a company that promises to cover your financial losses due to the specific, unfortunate events listed in your insurance policy. The insurer will charge a sum as a premium for the promise of insurance. The premium acts as a consideration in the insurance contract and makes it legally binding.

What does an Insurer do?

1. Assesses the risk of your proposed cover

An insurance contract covers your financial losses due to a specified risk. However, the risk varies for different proposers. The assessment of the possibility of the loss due to the covered risk is the job of the insurer. This is also called underwriting in insurance.

2. Background checks your information

It is the insurer's responsibility to ensure that the accepted risk cover proposals meet all the required insurance principles. For example, you can buy insurance only on a car you own permanently or temporarily. Thus, the insurer is expected to verify all claims of ownership and title before accepting the insurance proposal.

3. Provides a quote based on the information

The insurer is expected to pool funds from a large number of proposers who might be exposed to the risk. The insurer is also responsible for distributing the funds to those contributors who incur the loss in the future.

Thus, the insurer must be fair and equitable when it comes to distributing the fund pool and charge a higher premium to those more likely to claim the funds. Thus, the insurer offers a quote as per the risk assessment of your proposal.

4. Gives detailed information about the policy

Insurance is a contract based on the principle of 'utmost good faith.' This means that both the insurer and the insured must provide truthful and relevant information to each other about each other.

While the proposer provides all relevant information about the risk and material at risk in the proposal form, the insurer publishes the detailed contract to the insured. The insured can also have a grace period for rejecting the contract.

5. Takes care of coverage and claims after you purchase the policy

A claim is the moment of truth for the insured and the responsibility of the insurer. The insurer must verify all the documents related to the claim and assess the extent of the loss. Once the loss value has been ascertained, the insurer must process the claim fast so as to relieve the grieving party of the financial burden.

Who is an Insured?

Insured is a person or legal entity whose financial losses are covered by the insurance policy. Under general and health insurance policies the insured is entitled to receive the benefit amount from the insurer for the covered financial loss. However, in the case of life insurance plans insured is only covered under the plan and the life cover benefit goes directly to the nominees.

Example of Insured

You can buy Mediclaim insurance for yourself, your spouse and your children as insured under the policy. You can also buy Mediclaim for parents who will be insured under the policy. In these policies, the benefit from the insurer passes directly to the affected insured. For instance, if one of the parents is hospitalized, Mediclaim will directly cover their cost of healthcare.

If you are the primary breadwinner of the family and buy a term insurance cover, you are the insured in the policy. You must choose a nominee in the policy to ensure that the benefits pass on to your family member. In the event of your early demise, your nominee(s) will receive the insurance benefit in the way you had selected at the time of purchase.

The Basics of an Insurance Contract

There are four basic parts to an insurance contract:

- Declaration Page
- Insuring Agreement
- Exclusions
- Conditions

It is important to understand that multi-peril policies may have specific exclusions and conditions for each type of coverage, such as collision coverage, medical payment coverage, liability coverage, and so on. You will need to make sure that you read the language for the specific coverage that applies to your loss.

The Declaration Page

This page is usually the first part of an insurance policy. It identifies who is the insured, what risks or property are covered, the policy limits, and the policy period (i.e. time the policy is in force).

For example, the Declarations Page of an automobile policy will include the description of the vehicle covered (e.g. make/model, VIN number), the name of the person covered, the premium amount, and the deductible (the amount you will have to pay for a claim before an insurer pays its portion of a covered claim).

Similarly, the Declarations Page of a life insurance policy will include the name of the person insured and the face amount of the life insurance policy (e.g. $25,000, $50,000, etc.).

The Insuring Agreement

This is a summary of the major promises of the insurance company and states what is covered. In the Insuring Agreement, the insurer agrees to do certain things such as paying losses for covered perils, providing certain services, or agreeing to defend the insured in a liability lawsuit. There are two basic forms of an insuring agreement:

- Named–perils coverage, under which only those perils specifically listed in the policy are covered. If the peril is not listed, it is not covered.
- All–risk coverage, under which all losses are covered except those losses specifically excluded. If the loss is not excluded, then it is covered. Life insurance policies are typically all-risk policies.

The Exclusions

Exclusions take coverage away from the Insuring Agreement. The three major types of Exclusions are:

- Excluded perils or causes of loss
- Excluded losses
- Excluded property

Typical examples of excluded perils under a homeowners policy are **flood, earthquake, and nuclear radiation**. A typical example of an excluded loss under an automobile policy is damage due to wear and tear. Examples of excluded property under a homeowners policy are personal property such as an automobile, a pet, or an airplane.

The Conditions

Conditions are provisions inserted in the policy that qualify or place limitations on the insurer's promise to pay or perform. If the policy conditions are not met, the insurer can deny the claim. Common conditions in a policy include the requirement to file a proof of loss with the company, to protect property after a loss, and to cooperate during the company's investigation or defense of a liability lawsuit.

Definitions

Most policies have a Definitions section, which defines specific terms used in the policy. It may be a stand-alone section or part of another section. In order to understand the terms used in the policy, it is important to read this section.

Endorsements and Riders

An insurer may change the language or coverage of a policy at the time of the policy renewal. Endorsements and Riders are written provisions that add to, delete, or modify the provisions in the original insurance contract. In most states, the insurer is required to send you a copy of the changes to your policy. It is important that you read all Endorsements or Riders so you understand how your policy has changed and if the policy is still adequate to meet your needs.

12.3 NEED FOR TERMS AND CONDITIONS

Often the insurance policies are criticized for the detailed terms and conditions it carries as opaque or technical wordings which are not understood by common people. No doubt the simple wording of a contract is always a desirable feature for any contract and the industry is consciously working to make it as simple as possible but many a times the criticism is unfair. For example, If you pick up any document hard or soft copy or OS update in any industry, which has an agreement or a contract, offer, free offer, software update or any sale purchase proposition you will always find the word terms and conditions apply in fine print. Most of the purchase or download will not take place unless you agree to the terms of the agreement which run into thousands of words which no one wants to read.

The same is position in insurance policy also. In insurance, the **insurance policy** is a contract between the insurer and the policyholder, which determines the claims which the insurer is legally required to pay. In exchange for a consideration known as the premium, the insurer promises to pay for loss caused by perils covered under the policy.

No company can cover an unlimited amount of risk. It is not financially advisable. Based on the available data about probability of loss its frequency and severity it determines a fair amount of premium by homogenizing the risk category and class. And when it charges a fixed amount of premium it also needs to fix a boundary within which the contract operates. The law of numbers decides the scope of cover, amount of premium and terms of contract. Any insurance company has limited capacity to cover the risk and has to be fair to all the other policyholders who have contributed to the premium pool. If there are no terms and conditions the cover will become open ended and unlimited which will be unfair to investors and other members of the society who contribute the capital to share the risk.

The terms and conditions are decided by experienced underwriters in a fair manner and are mostly standardized. Insurance contracts are generally considered contracts of adhesion because the insurer draws up the contract and the insured has little or no ability to make material changes to it. This is interpreted to mean that the insurer bears the burden if there is any vagueness in any terms, conditions of the contract. The principle known as **contra** proferentem prevails which means that any ambiguity should be construed against the drafter of the contract

Insurance contracts are governed by the principle of **utmost good faith**, which requires both parties of the insurance contract to deal in good faith and in particular, imparts on the insured a duty to disclose all material facts that relate to the risk to be covered. Therefore it is necessary that every policy will have terms and conditions governing the contract though the need for simplifying the wordings for common policies is appreciated by the industry and while launching new products the efforts are made to make it simple.

12.4 SOME WIDELY USED TERMS AND DEFINITIONS

- ✓ **Insurer** shall be XYZ Company.
- ✓ **Policyholder** shall be the person who has signed an insurance contract with the Insurer.

- ✓ **Insured person (hereinafter also: the Insured)** shall be the person who owns the insured object. The Insured is entitled to insurance indemnity, unless otherwise provided by law or insurance contract.
- ✓ **Beneficiary** shall be the person who has been assigned as such in insurance contract by the Policyholder with the written consent of the Insured. In case of insured event, the Beneficiary is entitled to insurance indemnity as provided by insurance contract.
- ✓ **Client** (Policyholder, Insured person, Beneficiary, injured party) shall be the person to whom the Insurer provides the insurance service or who has contacted the Insurer in order to use the insurance service**.**
- ✓ **Client data** (including personal data) shall be any information that is known to the Insurer about the client**.**
- ✓ **Personal** data shall be any information about a natural person. Chief processor of personal data shall be the Insurer and authorized processors shall be the persons assigned as such by the Insurer.
- ✓ **Insurance cover** shall be the obligation of Insurer, delimited by the terms and conditions of insurance contract, to pay the insurance indemnity or to perform other actions provided by insurance contract in case of insured event.
- ✓ **Period of insurance** shall be the validity period of insurance cover, unless otherwise provided by insurance contract.
- ✓ **Insurance validity** area shall be the place of insurance or the insurance area for which the insurer is obligated to perform his contractual obligations if an insured event has occurred in this place or area. The Insurer shall have no contractual liabilities regarding the events taking place outside the insurance validity area.
- ✓ **Insured event** shall be an event defined in the insurance contract that is unexpected and unforeseen. In case of the occurrence of insured event, the Insurer shall meet his contractual liabilities.
- ✓ **Insured object** shall be the life and health of the insured person, or the item, right, obligation or expenses of the insured person for which the insurance contract was concluded.
- ✓ **Insured risk** shall be the threat against which the insurance is purchased.
- ✓ **Policy** shall be the document issued by the Insurer, which attests the conclusion of insurance contract. Policy may also have another heading.
- ✓ **Deductible** (sometimes also: “retention“) shall be the sum of money or another denomination (percentage of loss, period, etc.) specified in insurance contract by which the Insurer’s obligation to perform is reduced.
- ✓ **Insurance indemnity** shall be the sum of money or non-financial benefit (e.g. replacement, restoration), which is used as provided by insurance contract in the occurrence of insured event for compensating the resulting property loss.

12.5 TERMS AND CONDITIONS

A valid legal contract must follow certain conditions which are binding on all parties. These conditions are listed below:

1. **Offer and Acceptance**

Here to be insured proposes with definite terms and conditions and Insurer can revert with three options:

- ➢ Accept the proposal under standard T & C
- ➢ Reject the proposal by giving specific answer
- ➢ Revise by giving a counter offer.

2. Consideration

To enforce the contract. Proposer must pay a premium which is called consideration. This premium is given in exchange of promise by Insurer to pay claim. So a contract is valid only if the Insurer accepts the application form along with premium and insurer accepts the proposal and confirms the same in writing.

3. **Legal Purpose**

A contract is valid only if the purpose of contract is legal. Insurance purpose is considered legal as insurer is managing the risk and insurer is creating a pool for risk management

4. Competent Parties

A legal contract must be made with competent person which means contract cannot be made with minors, mentally infirm and people under use of drug. Insurer in India must have a license from IRDA.

12.6 FEATURES OF INSURANCE CONTRACT

Given below are the few features of Insurance contract, these features are unique:-

1. Aleatory

Insurance contracts are Aleatory as promise comes into picture only on occurrence of event. This occurrence of event is based on probability and occurrence of event is not controlled by any party.

2. Adhesion

Here contract is prepared by insurer and insured accepts given terms and conditions without any negotiation.

3. Unilateral

Here Insurer makes any enforceable promise. Insured does not make any promise but bound by the terms and conditions of policy where contract can be lapsed if renewal premiums are not paid.

4. Personal Contract

Life insurance is a personal contract or personal agreement between the insurer and the insured. The owner of the policy has no bearing on the risk the insurer has assumed. For this reason, people who buy life insurance policies are called policy owners rather than policyholders. Policy owners actually own their policies and can give them away if they wish. This transfer of ownership is known as assignment. To assign a policy, a policy owner simply notifies the insurer in writing. The company will then accept the validity of the transfer without question. The new owner is granted all of the rights of policy ownership.

5. Conditional

An insurance contract is conditional. This means that the insurer’s promise to pay benefits depends on the occurrence of an event covered by the contract. If the event does not materialize, no benefits are paid. Furthermore, the insurer’s obligations under the contract are conditioned on the performance of certain acts by the insured or the beneficiary. For example, the timely payment of premiums is a condition for keeping the contract in force. If premiums are not paid, the company is relieved of its obligation to pay a death benefit.

6. Valued or Indemnity Contract:

An insurance contract is either a valued contract or an indemnity contract. A valued contract pays a stated sum regardless of the actual loss incurred**.** Life insurance contracts are valued contracts. If an individual acquires a life insurance policy insuring her life for Rs 500,000, that is the amount payable at death. There is no attempt to value actual financial loss upon a person's death. An indemnity contract, however, is one that pays an amount equal to the loss. Contracts of indemnity attempt to return the insured to their original financial position. Fire and health insurance policies are examples of indemnity contracts. An insured that owns a Rs. 500000 fire insurance policy and suffers a Rs. 50,000 loss due to fire will be able to collect up to Rs. 50,000, not Rs. 500,000.

7. Utmost Good Faith:

Insurance is a contract of utmost good faith. This means both the policy owner and the insurer must know all material facts and relevant information. There can be no attempt by either party to conceal, disguise, or deceive. A consumer purchases a policy based largely on the insurer and agent's explanation of the policy's features, benefits, and advantages**.** Insurance applicants are required to make a full, fair and honest disclosure of the risk to the agent and insurer**.**

8. Material Facts:

All facts which need can affect the occurrence of risk must be declared. It becomes part of the contract and, if found to be untrue, can be grounds for revoking the contract. Facts are presumed to be material because they affect the insurer's decision to accept or reject an applicant. In most cases, life insurers have only a limited period of time to uncover false warranties, misrepresentations, or concealment. After that time period passes (normally two years from policy issue), the contract cannot be voided or revoked for these reasons under section 45 of Insurance Act

9. Insurable Interest:

Another element of a valid insurance contract is insurable interest. Insurable interest is a component of legal purpose. Insurable interest is not defined but can be interpreted by the loss to the proposer.

Examples of Insurable Interest: Parents on children but children have no interest on parents, Spouse on each other but husband cannot have an insurance on wife unless husband is adequately insured, Employer on employee, Creditors on debtors. Insurable interest should be there at initiation of contact and not at the time of occurrence of event.

Lastly Insurance Contract needs to be seen from the perspective of Moral Hazard and underwriters need to evaluate each case with an objective of Moral Hazard.

12.7 REGISTRATION OF INSURANCE AGENCY WITH THE COMPANY

An insurance agent is a representative who sells the policy on behalf of an insurance company. The agent helps consumers select the right insurance based on their needs, but represents an insurance company. Insurance agents will sell and negotiate different insurance policies. He is one who represents insurance providers to offer advice to clients about the various policies they can choose from. Not only does an insurance advisor suggest policies suited to clients' needs, but they also solve any queries customers might have about the policies as well as educating them regarding the ins and outs of every policy. As per the Insurance and Regulatory Authority of India, there are three types of insurance advisors.

1. **Internal insurance sales agent**: This insurance consultant is a full-time employee of an insurance company. She works for a specific company only and therefore offers consultation and advisory services on the company's policies only.
2. **Captive insurance agent**: A captive insurance agent refers to one who works to sell just one of the products of an insurance company.
3. **Independent broker/Point of Sales**: A point-of-sales person is an insurance agent that is IRDAI approved who has the benefit of offering a bouquet of policies from a variety of insurance companies to their customer. A license code affiliated with the IRDAI is given to every PSOP so they have the freedom to work with multiple companies and sell multiple insurance policies to clients at one time.

12.7.1 How to Become an Insurance Advisor

Those interested in becoming insurance agents should firstly register online via the IRDAI's portal. One also has the option to reach out directly to insurance companies so they can register online through their websites. If looking for a wide range of products and companies, one can easily approach an insurance aggregator. By visiting the insurer's website, one will get access to a form where they will have to enter a few details to apply after which the company will get back to them.

The IRDAI's website currently offers online training for PSOP and insurance advisory agents. The course material is available in a variety of languages like Hindi, English, Marathi, Gujarati, Bengali, Tamil, Malayalam, Punjabi, and Telugu. The website will also have a slew of useful links to the insurance institute of India portal, corporate agents, FAQs about being an insurance consultant, and more. For most people, becoming an insurance agent or a PSOP can be both a stress-free and lucrative job. This kind of work allows one to operate from home without being tied to a 9–5 desk job. For those who are retired and mothers who stay at home, as well as those looking to supplement their income, working as an insurance consultant can be very beneficial.

Some basic eligibility criteria need to be fulfilled by the client so that they can become an insurance agent.

1. Education: The applicant needs to be past the tenth standard.
2. Age: The applicant should be over the age of 18 years.
3. IRDAI Certification: The applicant should be certified by the Insurance Regulatory and Development Authority of India (IRDAI).
4. State License: Each Indian state has a license for the insurance business. One simply needs to qualify for the state-level exam in order to get a license as per the state's regulation policies.

12.7.2 Procedure to Become an Insurance Consultant

The following procedure needs to be mapped out if one wishes to become an insurance consultant.

1. Registration: First, log on to the insurer's website. Seek out the insurance agent application, and submit your basic details as required.

2. Training: Next, you will be required to complete the basic training that has been mandated by the IRDAI, which can be online or offline. This training typically takes 15 hours and can easily be completed within two to three days. After completion, the applicant will be provided with a certificate.
3. Exam for License: Once the training is complete, the applicant must sit through a pre-licensing exam in order to qualify for this training. The format of this exam is one that is objective. One is required to score a minimum of 17 out of 50 marks in order to qualify as an insurance agent.
4. Receiving the License: Once the exam is passed, the candidate is now qualified to work as an insurance consultant. The IRDAI will award the candidate with the license to practice as a certified insurance agent.

As market conditions constantly fluctuate, it is always good to upskill oneself. Being an insurance salesperson, either as a part-time or full-time job, is a great skill to acquire in today's world. Not only is the process of training to be an agent easy, but the job also doesn't tie you to a work desk for 8 hours every day. To become a great insurance consultant, ensure you seek out common ground when communicating with your client. After breaking the ice, build your pitch by creating interest in what you are saying.

12.8 SUMMARY

Insurance contract is an agreement between insured and insurer. The terms and conditions are predefined and are known to both the parties. Moral hazard is the major concern in this regard. With respect to insurance advisors, simply knowing about policies is often not enough. Good insurance agents are aware of the current political and social climate, updated with the latest news stories and good with data. Each of these can strengthen one's pitch, as well as the ability to find a good client-product fit. Finally, a good insurance agent is equipped with the marketing tools of the times. From sending clients e-brochures to forwarding website links as needed, the insurance agent should be a well-spring of information and sources so the client can learn as much about an insurance policy as possible.

12.9 KEY WORDS

IRDAI: Insurance Regulatory and Development Authority of India (IRDAI) is a statutory body set up for protecting the interests of the policy holders and takes up the grievances with respect to insurers for redressal.

Insurer: A person or company that providing coverage. Insurer underwrites an insurance risk, the party in an insurance contract undertaking to pay compensation.

Insured: Insured is a person who is covered against risk or an insurance policy. A named insured is the insured who the policy mentions explicitly by name.

Claim: A formal request to your insurance provider for reimbursement against losses covered under your insurance policy.

12.10 SELF ASSESSMENT QUESTIONS

Long Answers

1. Explain some important terms used in Insurance contract along with terms and conditions in it.
2. What are the major features of insurance contract
3. Explain how to register as insurance against in a company

Short Answers

1. Need for terms and conditions in an Insurance policy
2. What is the procedure to become Insurance agent
3. What are the basic qualifications required for insurance agent.

12.11 SUGGESTED READINGS

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LESSON - 13

PROCEDURE TO ISSUE A POLICY

Aims and Objectives:

After completing the lesson the student is able to demonstrate the following:

- The procedure to issue a policy
- Application and acceptance
- Policy lapse and revival
- Premium payment
- Assignment and nomination and surrender of policy
- Policy claim

Structure

13.1 INTRODUCTION

A policy sets the goal. A process provides the broad steps to get to that goal. The procedure tells us exactly how to complete each step in the process. Once the insurance company verifies the customer's details and receives the initial premium, the policy is issued to the customer. The policy document contains all the details related to the policy such as coverage amount, policy term, premium amount, and terms and conditions.

13.2 PROCEDURE TO ISSUE A POLICY

Policies and procedures guide the functions and decision-making processes for many organizations. Writing clear policies and procedures can be one way to help your organization operate smoothly and effectively because it can help each individual understand expectations and company norms. The procedure of policy issuance involves several steps that are necessary for the successful issuance of an insurance policy. The following are the steps involved in the policy issuance process:

Policy Application Form: The first step in the policy issuance process is to fill out a policy application form. This form contains all the necessary information about the policyholder, such as name, age, address, occupation, and other personal details. It also contains information about the type of policy the policyholder wishes to purchase.

KYC Norms: The next step is to complete the KYC (Know Your Customer) norms. This is a mandatory requirement for all insurance companies to comply with the regulations set by the Insurance Regulatory and Development Authority of India (IRDAI). The KYC process involves verifying the identity and address of the policyholder.

Initial Premium Payment: Once the KYC process is complete, the policyholder needs to make an initial premium payment. This payment is necessary to activate the policy and to keep it in force.

Policy Issuance: After the initial premium payment, the insurance company will process the policy application form and verify all the details provided by the policyholder. If everything is in order, the insurance company will issue the policy to the policyholder.

Follow Up for Recurring Premium: The insurance company will follow up with the policyholder for the payment of recurring premiums. This is necessary to keep the policy in force.

Queries Handling: During the policy issuance process, the policyholder may have queries or concerns. The insurance company will handle these queries and provide clarification to the policyholder.

Maturity: The final step in the policy issuance process is the maturity of the policy. This is when the policy reaches the end of its term, and the policyholder is eligible to receive the maturity amount as per the terms and conditions of the policy.

13.3. APPLICATION AND ACCEPTANCE

Application for Insurance means all documents, materials, statements and exhibits, whether or not prepared by the Insured, submitted to the Company by or on behalf of the Insured for the purpose of obtaining a Commitment of Insurance or a Certificate of Insurance. If the insurance company agrees to insure you, this is called acceptance. In some cases, your insurer may agree to accept your offer after making some changes to your proposed terms. Consideration. This is the premium or the future premiums that you have to pay to your insurance company.

When you apply for insurance, you will be asked basic questions such as your name, date of birth, address, and often a question about your occupation. The application will then move on to ask about your health. This will usually include some general questions which everybody is asked, and then some more specific questions if you have mentioned a medical condition or have seen a medical professional recently. After the health related questions, it’s likely that you will be asked about any hazardous hobbies, such as sky diving or deep sea diving. The application will then move on to ask about your travel history.

The next step is underwriting. If you’re not familiar, this is when the insurer will assess your application to see if anything else is needed, such as further information from yourself or a report from your GP. Sometimes you will be offered cover straight away, in which case no further information is required. If a medical report is needed, the insurer will ask for your permission and then request this from your GP or other health care professional, and the cost is usually covered by the insurer. Once the request is with your GP, it's in their hands and the insurer will chase this up until it has been completed and returned. With the recent strain on the NHS, some reports have been taking longer than usual to be completed.

If the insurer has requested further information from yourself, this will usually just be a few questions over email or they may ask you to have a tele-interview, which sounds much more daunting than it actually is. A tele-interview is a chat with a medical professional, usually a nurse, to confirm details around something you have mentioned in your application. There are times where an insurer might ask for some medical tests to be conducted, in which case a third party would contact you to arrange a time and day that suits you. The tests don't usually take too long, and can even be carried out in your own home if you wish.

Once this information has been sent back to the insurer, it will then go back to their underwriters to make an informed decision on your application, using all the information that they have gathered. It can be that the insurer has a couple more questions or needs to clarify something with your GP again, if they have not received everything the first time around.
After reviewing your application, the insurer will now have a decision in mind.

- **Accepted** – the insurer may offer you standard terms (no price increase), or there may be a price increase due to a disclosure made on your application. Depending on the type of policy you have applied for, some insurers may add an exclusion to the policy due to a health condition that you have, your occupation or something else that they class as a "risk". Generally life insurance will be a premium increase instead of an exclusion. For income protection and critical illness cover, it could be a price increase and/or exclusion.
- **Postponed** – sometimes an insurer may postpone your application, and suggest that you apply in a certain number of months. This is often the case if you're awaiting any investigations or test results, or if there hasn't been much time passed since a diagnosis.
- **Declined** – depending on your circumstances, an insurer might decline your application. I know that doesn't sound great, and it isn't nice when this happens. If you're using a protection adviser then they should be able to find out why the application was declined, and do some research in order to apply elsewhere. It's really important to know that just because one insurer has said no, it doesn't mean that they all will.

Once you have accepted the terms you have been offered, your policy will be set up and it is then down to you to pay the monthly premium.

13.4 POLICY LAPSE AND REVIVAL

The policy for which all benefits to the policy holder cease and is terminated due to non-payment 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. A policy lapses when a life insurance policy is no longer active. It may lapse for a variety of reasons, but the most common reason is nonpayment of premium. If you do not make the payments within the grace period, the policy will lapse. It occurs when a life insurance policy expires without being renewed or converted to another type of policy. In the case of your unfortunate demise, the lapsed policy will not pay the death benefit.

What Happens to Lapsed Policies?

If you allow your insurance policy to lapse, it will be cancelled. You will then lose any coverage and will not be able to make any future claims on the policy. In some cases, the policy may be reinstated if you pay back all of the premiums that you have missed. However, the coverage will usually be reduced, and you may end up paying a higher premium.
A lapsed state means:

- The policy has not acquired a surrender value, and
- For which you have failed to pay the due premium within the grace period for the last 2 consecutive policy years

Reviving the Lapsed Policy

It is possible to revive a lapsed policy, although the conditions for doing so vary by the insurance company. In some cases, the insurance company may require that the policyholder submit proof of insurability. Most insurers permit a grace period within which you can pay and revive your insurance policy. This grace period is generally in line with the guidelines of the IRDAI and can also depend on the type of insurance plan that you have opted for. However, the insurer may levy a penalty on the missed premiums before reinstating the cover. Once the missed premiums and penalty amounts are paid, the policy would be revived and you may enjoy the standard benefits offered under the policy.

Reviving the Lapsed Life Insurance Policy

There are a few things you can do to revive a lapsed life insurance policy. The first thing you need to do is contact your life insurance company and let them know that you want to reinstate your policy. They will likely require you to submit a written request and may also require you to submit proof of good health. Once you have submitted your request, the life insurance company will review your case and determine if they can reinstate your policy. Some steps that are routinely followed for reinstatement of lapsed policies:

Step 1: Contact Your life insurance company. The first step is to contact your life insurance company.
Step 2: Review your policy documents.
Step 3: Determine if you need to submit a written request.
Step 4: Pay your overdue premiums.
Step 5: Start paying your current premiums on time.

How to Avoid Policy Lapse?

The only way to avoid policy lapse is to pay the due premiums on time. You can use the simple ways given below to ensure that you deposit all insurance premiums on time:

- Buy a single-premium policy which requires only one single upfront payment. As there are no periodic payments, there is no question of remembering to pay premiums before due dates. This removes the chances of a policy lapsing due to default on premium payments.
- Opt for auto-debit from your account or debit/credit card: Auto-debit ensures an uninterrupted payment as long as there is a balance in your account/card.

There are a few other ways to avoid policy lapse in case you have to pay premiums at a defined frequency:

- Set reminders for timely premium payments
- Keep track of policy dates and make sure to renew before the policy expires
- Contact your insurance company and opt for email/SMS reminders

Continuous coverage is important because it protects you from having to pay penalties for not having insurance. It is important to have both continuous coverage and insurance in case the unexpected happens. Make sure that you are covered by a good insurance policy, and that you have continuous coverage so that you or your family is not affected when they have to file a claim

13.5 PREMIUM PAYMENT

Broadly speaking, a premium is a price paid for above and beyond some basic or intrinsic value. Relatedly, it is the price paid for protection from a loss, hazard, or harm (e.g., insurance or options contracts). Premium is an amount paid periodically to the insurer by the insured for covering his risk. In an insurance contract, the risk is transferred from the insured to the insurer. For taking this risk, the insurer charges an amount called the premium. The premium is a function of a number of variables like age, type of employment, medical conditions, etc. The actuaries are entrusted with the responsibility of ascertaining the correct premium of an insured. The premium paying frequency can be different. It can be paid in monthly, quarterly, semiannually, annually or in a single premium.

Premiums for insurance include the compensation the insurer receives for bearing the risk of a payout should an event occur that triggers coverage. The premium may also contain a sales agent's or broker's commissions. The most common types of coverage are auto, health, and homeowners insurance. Premiums are paid for many types of insurance, including health, homeowners, and rental insurance. These payments must be submitted on a regular mode or schedule to continue a policy.

A common example of an insurance premium comes from auto insurance. A vehicle owner can insure the value of their vehicle against loss resulting from accident, theft, fire, and other potential problems. The owner usually pays a fixed premium amount in exchange for the insurance company's guarantee to cover any economic losses incurred under the scope of the agreement. Premiums are based on both the risk associated with the insured and the amount of coverage desired.

13.6 ASSIGNMENT AND NOMINATION

A life insurance policy can be assigned when rights of one person are transferred to another. The rights to your insurance policy can be transferred to someone else for various reasons. The process is known as assignment. An “assignor” (policyholder) is the person who assigns the insurance policy. An “assignee” is the person to whom the policy rights have been transferred, i.e. the person to whom the policy has been assigned. In the event rights are transferred from an Assignor to an Assignee, the rights of the policyholder are canceled, and the Assignee becomes the owner of the insurance policy. People often assign their life insurance policies to banks. A bank becomes the policy owner in this case, while the original policyholder continues to be the life assured whose death may be claimed by either the bank or the policy owner.

Types of Assignment

There are two ways to assign an insurance policy. They are as follows:

1. Absolute Assignment

During this process, the rights of the assignor (policyholder) will be completely transferred to the assignee (person to whom the policy rights have been transferred). It is not subject to any conditions.

As an example, Mr. XX owns a Rs 1 Crore life insurance policy. Mr. XX wants to gift his wife this policy. Specifically, he wants to make “absolute assignment” of the policy in his wife's name, so that the death benefit (or maturity proceeds) can be paid directly to her. After the absolute assignment has been made, Mrs. XX will own this policy, and she will be able to transfer it to someone else again.

2. Conditional Assignment

As part of this type of assignment, certain conditions must be met before the transfer of rights occurs from the Assignor to the Assignee. The Policy will only be transferred to the Assignee if all conditions are met. For instance, a term insurance policy of Rs 50 Lakh is owned by Mr. YY. Mr. YY is applying for a home loan of Rs 50 Lakh. For the loan, the banker asked him to assign the term policy in their name. To acquire a home loan, Mr. YY can assign the insurance policy to the home loan company. In the event of Mr. YY’s death (during the loan tenure), the bank can collect the death benefit and get their money back from the insurance company.

Mr. YY can get back his term insurance policy if he repays the entire amount of his home loan. As soon as the loan is repaid, the policy will be transferred to Mr. YY. In the event that the insurer receives a death benefit that exceeds the outstanding loan balance, the bank will be paid from the difference between the death benefit and the loan and the balance will be paid directly to the nominee. In the above example, the remaining amount (if any) will be paid to Mr. YY’s beneficiaries (legal heirs/nominee).

What is nomination in life insurance?

Upon the death of the life assured, the nominee/ beneficiary (generally a close relative) receives the benefits. Policyholders appoint nominees to receive benefits. Under the Insurance Act, 1938, Section 39 governs the nomination process.

Types of Nominees

In a life insurance policy, the policyholder names someone who will receive the benefits in the event of the life assured’s death. Here are a few types of nominees:

1. **Beneficial Nominees**: In accordance with the law, the beneficiary of the claimed benefits will be any immediate family member nominated by the policyholder (like a spouse, children, or parents). Beneficiary nominees are limited to immediate family members of the beneficiary.

2. **Minor Nominees:** It is common for individuals to name their children as beneficiaries of their life insurance policies. Minor nominees (under the age of 18) are not allowed to handle claim amounts. Hence, the policyholder needs to designate a custodian or appointee. Payments are made to the appointee until the minor reaches the age of 18.

3. Non-family Nominees: Nominees can include distant relatives or even friends as beneficiaries of a life insurance policy.
4. Changing Nominees: It is okay for policyholders to change their nominees as often as they wish, but the latest nominee should take priority over all previous ones.

13.7 SURRENDER OF POLICY

Surrender is a request made by a policyholder to exit from the policy before its maturity. In insurance, "surrender" refers to the voluntary termination of a life insurance policy by the policyholder before its maturity or before the event it insures against has occurred. When a policy is surrendered, the policyholder is no longer obligated to pay premiums, and the insurance coverage ceases. Immediately after surrendering the policy,

- The coverage stops immediately.
- The policyholder receives the surrender value.
- The policy stands void and cannot be revived in future.
- All benefits applicable cease to apply.
- One cannot enjoy tax benefits under Section 80C of the Income Tax Act of 1961.
- More over if it is a participating policy the Bonus get attached to it as per prevalent rules.
- Surrender of policy is not recommended since the surrender value would always be proportionately low.

13.8 POLICY CLAIM

An insurance claim is a formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event. The insurance company validates the claim (or denies the claim). If it is approved, the insurance company will issue payment to the insured or an approved interested party on behalf of the insured. Insurance claims cover everything from death benefits on life insurance policies to routine and comprehensive medical exams. In some cases, a third party is able to file claims on behalf of the insured person. However, in the majority of cases, only the person(s) listed on the policy is entitled to claim payments.

Types of Insurance Claims

Health Insurance Claims

Costs for surgical procedures or inpatient hospital stays remain prohibitively expensive. Individual or group health policies indemnify patients against financial burdens that may otherwise cause crippling financial damage. Health insurance claims filed with carriers by providers on behalf of policyholders require little effort from patients; the majority of medical are adjudicated electronically. Policyholders must file paper claims when medical providers do not participate in electronic transmittals but charges result from rendered covered services. Ultimately, an insurance claim protects an individual from the prospect of large financial burdens resulting from an accident or illness.

Property and Casualty Claims

A house is typically one of the largest assets an individual will purchase in their lifetime. A claim filed for damage from covered perils is initially routed via the Internet to a representative of an insurer, commonly referred to as an agent or claims adjuster. Unlike health insurance claims, the onus is on the policyholder to report damage to a deeded property they own. An adjuster, depending on the type of claim, inspects and assesses damage to property for payment to the insured. Upon verification of the damage, the adjuster initiates the process of compensating or reimbursing the insured.

Life Insurance Claims

Life insurance claims require the submission of a claim form, a death certificate, and oftentimes the original policy. The process, especially for large face value policies, may require in-depth examination by the carrier to ensure that the death of the insured did not fall under a contract exclusion, such as suicide (usually excluded for the first few years after policy inception) or death resulting from a criminal act. Generally, the process takes approximately 30 to 60 days without extenuating circumstances, affording beneficiaries the financial wherewithal to replace the income of the deceased or simply cover the burden of final expenses.

13.9 E- insurance Policy:

An E-Insurance is like a repository where you can manage all your life insurance, health insurance policy and other insurance policies, at one place. All the policies that are stored in e-insurance accounts are referred to e-insurance policies.Having an e-insurance policy saves you from the unnecessary paperwork. It safeguards you against policy loss or theft.

Features of an E-Insurance Account:

- An individual can only have one E-insurance account in his/her name.
- One can keep all their electronic insurance policies including life, pension, general or health insurance policies, even from multiple insurers, in the same account.
- Every e-insurance account is assigned a unique account number that can be used for all correspondence.
- When buying an online insurance policy, one can simply insert his/her unique e-insurance account number in their proposal form and send it with a request to issue the policy in electronic format.
- As KYC documents are already verified by one’s insurance repository, one does not need to fill the KYC form and submit the documents again.
- A unique login ID and password is provided to every account holder to provide access to their e-insurance accounts.

Benefits of E-Insurance Accounts

There are several benefits of having an e-insurance account. Here are just 5 of the many benefits:

1. Safety and Security

Having an online insurance policy has its own perks. It safeguards your insurance policy from theft and loss. Since it is in an electronic form, you can access your insurance policy anywhere, anytime you want because it is just a click away.

2. One Time KYC Submission

Thanks to your e-insurance account number, you don't have to submit KYC documents every time you buy a fresh insurance policy. All you need is to mention your online insurance account number and it's done.

3. Convenience

One single online insurance account is adequate to buy various insurance plans from a variety of insurers, how convenient is that?

4. Easy Premium Payments

When your online insurance account is opened and its status is active, you can make payment for your Insurance premium Online with the help of your account. You don't have to wait and waste your time in the long queues to pay the premium of your insurance through cash or cheques.

5. Easy Tracking of Your Policies

The insurance repository sends the insured person a yearly statement of his account with the details of all the insurance policies held by him/her. It makes it easier for the insured person to monitor his/her insurance policies.

How to Open E-Insurance Account?

Opening an e-insurance account is a simple and easy process. All you need to do is to tackle the step-by-step guide below:

Step 1: Download E-Insurance Account opening form of your preferred Insurance Repository.
Step 2: Fill the form and attach self-attested copy of KYC documents.
Step 3: Submit the forms along with self-attested documents to your preferred insurance repository.

KYC Documents Required for Opening an E-Insurance Account

In order to open an online insurance account, all you need is to submit the following documents.

1. Your Latest Passport Size Photo
2. A Cancelled Cheque
3. Any one of the following KYC (Know Your Customer) documents:
    - Identity Proof- Voter Identity Card, PAN Card or Aadhaar Card.

- Address Proof- Ration Card, Driving License, Aadhaar Card etc.
- Date of Birth Document- Ration card, PAN Card, Domicile Certificate, etc.

Once your submitted application is accepted, an account number along with the login id and password will be allotted to you.

13.10 SUMMARY

The procedure of issuing policy will be as per norms stipulated by legislation. The first step is issuing policy and the final stage is claim or surrender. Talking to your agent about the insurance company's policies long before you need to file a claim is also important. Some agents are obligated to report you to the company if you even discuss a potential claim and choose not to file. For this reason, you also don't want to wait until you need to file a claim to inquire about your insurer's policy regarding consultation with your agent. Regardless of your situation, minimizing the number of claims you file is the key to protecting your insurance rates from a substantial increase. A good rule to follow is to only file a claim in the event of catastrophic loss. If your car gets a dent on the bumper or a few shingles blow off of the roof of your house, you may be better off if you take care of the expense on your own. However, mitigating circumstances, such as the number of previous claims you have filed, the number of speeding tickets you have received, the frequency of natural disasters in your area (earthquakes, hurricanes, floods), and even a low credit rating can all cause your rates to go up, even if the latest claim was made for damage you didn't cause.

13.11 KEY WORDS

Preminum: The insurance premium is the sum of money an individual or business must pay for an insurance policy. The amount of insurance premium that is paid out by the policyholder to the insurance company depends on a variety of factors.

Life Insurance: Life Insurance can be defined as a contract between an insurance policy holder and an insurance company, where the insurer promises to pay a sum of money in exchange for a premium, upon the death of an insured person or after a set period.

Health Insurance: Health insurance is an insurance product which covers medical and surgical expenses of an insured individual. It reimburses the expenses incurred due to illness or injury or pays the care provider of the insured individual directly.

Assignor and Assignee: Assignor is a person who assigns the insurance policy. Assignee is the person to whom the policy rights have been transferred.

13.12 SELF ASSESSMENT QUESTIONS

Long Answers

1. What is the procedure to issue a Policy
2. Write about application and acceptance stage of issuing insurance policy
3. Write an essay on Assignment and Nominations in Insurance Policy
4. Explain about Insurance Policy Claim

Short Answers

1. Reviving lapsed insurance policy
2. How to avoid policy lapse
3. Premium payment
4. Surrender of policy

13.13 SUGGESTED READINGS

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3. Insurance Principles and Practices, Sultan Chand &Sons, 2018
4. https://nationalinsurance.nic.co.in/en/how-take-policy
5. https://www.comparepolicy.com/blogs/steps-to-buying-insurance-policy-in-india/
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LESSON - 14
WEBSITES AND APPS OF INSURANCE IN INDIA

Aims and Objectives:

After completing this lesson the student is able to demonstrate the following skills:

- ✓ Some knowledge on IRDAI and its policies
- ✓ Benefits of having an Insurance websites and apps
- ✓ Top 10 Insurtech companies in India
- ✓ Mobile Insurance apps and benefits to customers and companies
- ✓ Top Insurance mobile apps in 2024

Structure

14.1 INTRODUCTION

InsurTech is a combination of the words "insurance" and "technology". It's a part of the greater fintech industry where businesses concentrate on: Creating, Distributing, and Aggregating digital insurance products. InsurTech companies enable us to buy insurance plans through mobile apps and websites. Startups that focus on statistical or risk discovery models are also available to users. Businesses that use InsurTech are working with various features and new pricing strategies. These include:

- Using machine learning and artificial intelligence to conduct research
- Improving insurance agent on boarding and selling processes
- Offering new insurance pricing plans based on the customer's behavioral patterns.

14.2 IRDAI:

Insurance Regulatory and Development Authority of India (IRDAI), is a statutory body formed under an Act of Parliament, i.e., Insurance Regulatory and Development Authority Act, 1999 (IRDA Act, 1999) for overall supervision and development of the Insurance sector in India. The powers and functions of the Authority are laid down in the IRDA Act, 1999 and Insurance Act, 1938. The Insurance Act, 1938 is the principal Act governing the Insurance sector in India. It provides the powers to IRDAI to frame regulations which lay down the regulatory framework for supervision of the entities operating in the Insurance sector. Section 14 of the IRDA Act,1999 specifies the Duties, Powers and Functions of the Authority. The key objectives of the IRDAI include protecting the interest of policyholders, speedy and orderly growth of insurance industry, speedy settlement of genuine claims, effective grievance redressal mechanism, promoting fairness, transparency and orderly conduct in financial markets dealing with insurance, prudential regulation while ensuring the financial security of the Insurance market.

Duties, powers and functions of IRDAI

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

Subject to the provisions of this Act and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.

- Issue to 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 policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;
- specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents
- specifying the code of conduct for surveyors and loss assessors;

Promotion and Regulation:

- Promoting efficiency in the conduct of insurance business;
- Promoting and regulating professional organisations connected with the insurance and re-insurance business;
- Levying fees and other charges for carrying out the purposes of this Act;
- 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 the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries;
- Regulating investment of funds by insurance companies;
- Regulating maintenance of margin of solvency;

Other duties:

- Adjudication of disputes between insurers and intermediaries or insurance intermediaries;
- Supervising the functioning of the Tariff Advisory Committee;
- 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; and
- Exercising such other powers as may be prescribed

The Policyholders Protection and Grievance Redressal Department of IRDAI oversees compliance of Insurers with Protection of Policyholders' Interests Regulations and also empowers Consumers by educating them on Grievance redressal mechanisms. The Department facilitates an environment where the Insured avails himself of proper procedures and redressal mechanisms put in place by Insurers and the Regulations to address complaints and grievances of policyholders efficiently and with speed. IRDAI has established Integrated Grievances Management System (BimaBharosa) in the year 2010 through which IRDAI monitors disposal of Policyholder Grievances across the industry. Policyholder can also complaint online through BimaBharosa and view the status of his/her complaint online.

From April 1, 2024, the Insurance Regulatory and Development Authority of India (Irdai) has mandated that all insurance policies should be issued in electronic form. An individual's insurance plans will show collectively in his e-Insurance Account (eIA). This rule comes into effect with the introduction of the "Protection of Policyholder Interest" Regulation 2024, which aims to enhance convenience, security, and tracking of policies by policyholders.

14.3 BENEFITS OF HAVING AN INSURANCE WEBSITES AND APPS

Reasons why your insurance agency need website and apps:

1. Expand your Reach

In order to grow your business as an insurance agent, you need to attract new clients. Word-of-mouth advertising and handing out business cards won't suffice when it comes to getting customers. One of the main benefits of having insurance agents website is that your website can help you expand your reach if you need to contact a larger audience. A website can increase your brand awareness and attract more traffic with digital marketing strategies.

2. Build Credibility and Increase Trust

Several key steps can be taken to build credibility and increase trust through an insurance company website. The website should be professional, visually appealing, and easy to navigate. It must contain clear and concise information about the company's products, services, pricing, and coverage options. The website should feature customer testimonials and reviews, which can help to demonstrate the company's reliability and effectiveness. Additionally, providing informative and educational resources, such as articles and FAQs, can help to establish the company as an authority in the insurance industry. The importance of having insurance company website is that the information you provide will not only help to sell your offerings to your customers but will also help them make informed decisions.

3. Many Consumers Prefer Online Shopping

In today's digital age, many consumers prefer to shop online for various products and services, including insurance policies. As a result, the main benefits of having insurance agents website is that it will reach out to potential clients and remain competitive in the market. Moreover, having a website enables insurance agents to offer online quotes and provide clients with 24/7 access to information about their policies. This can help to improve customer satisfaction and provide a better customer experience overall.

4. Gain a Competitive Advantage

Insurance agents can gain a competitive advantage with a website by providing valuable information and resources to their potential and existing clients. A well-designed website can help build trust and credibility, establish a strong online presence, and increase visibility to potential clients. Another vital importance of having insurance company website is that insurance agents can differentiate themselves from their competitors by showcasing their expertise, services, and testimonials and attracting more customers.

5. Make your Services More Understandable

There can be a lot of confusion about insurance. The majority of clients will need help understanding this and how you can help them. You can provide detailed information about each service by having an individual page for each service you provide. In addition to providing answers to some of the most commonly asked questions, you can describe the benefits of each item. Potential clients can get all the information they need about you from your web pages before contacting you. People are more likely to trust you and become clients if you help them better understand what you offer. There are a lot of insurance company website examples available on the web if you want to make a single web page for each of your services to understand and navigate your potential clients easily.

6. Client Reviews

Reviews matter to insurance companies because they provide valuable insights into customer experiences and satisfaction with their products and services. Additionally, positive reviews can attract new customers and help establish trust and credibility for the company. Customers who are satisfied with the level of service they receive from your company may direct their friends and family to your website to obtain additional information. Prospects can also look at the feedback provided by previous customers to build the necessary trust in your brand.

7. You Can Sell your Product

Insurance companies can sell their products online through their website by creating a user-friendly website that allows customers to compare and purchase insurance policies easily. This can be achieved by providing clear information about each policy, including coverage details and pricing, and enabling buyers to customize their policies based on their specific needs. The website should also provide a secure and convenient payment system and a simple claims process to ensure customer satisfaction.

8. Use SEO to Reach More Clients

An insurance website can use SEO to reach more people by optimizing its content and web pages for relevant keywords. Your SEO rankings and visibility in search engines can also be improved by creating informative content, building backlinks from authoritative websites, and ensuring your website is mobile-friendly, thereby increasing your insurance website's traffic and potential customers.

9. Insurance Websites Provide Several Ways to Connect with Customer

Another one of the main benefits of having insurance agents website is that insurance websites offer multiple methods for customers to interact with your company. This includes live chat, email, phone support, or social media messaging options. By providing a variety of channels, insurance companies can make it easier for customers to ask questions, get support, or file claims.

14.4 TOP 10 INDIAN INSURTECH COMPANIES

1) PolicyBazaar

It is one of India's finest marketplaces and insurance aggregators. They offer several plans, including:

- Life insurance,
- Medical insurance,
- Auto insurance,
- And other insurance plans like group insurance and travel insurance.

Through partnerships with numerous insurance brokers, PolicyBazaar can obtain information about insurance plans straight from the insurer. PolicyBazaar's USP is the simplification of the insurance plan buying experience. They offer comparisons of the various market-available schemes. It evaluates items based on their costs, qualities, and features. Policybazaar ultimately enables customers to make informed purchasing decisions. The company provides more than 250 insurance policies from about 50 insurance companies on their site. Visitors to the platform can easily compare different plans and purchase policies depending on their unique insurance requirements.

2) Acko

Acko is the first digital general insurance firm in India. It was originally founded in 2017 and uses data analytics to offer clients personalized rates. It analyses the communication styles and customer behavior to make personalized suggestions. Acko currently insures over 40 million Indians, obtaining 8% of all online vehicle insurance premiums in India. Acko offers insurance for:

- Vehicles and cabs
- Bikes
- Health
- Mobile

Additionally, one of their more unique offerings is their Ola Trip Insurance. It is an Acko microinsurance solution that aids in cab passenger insurance. Acko offers customized pricing, immediate insurance, and incredibly quick claim reimbursements. Several companies such as Ola, Zomato, Amazon, and others, are partners with Acko.

3) Digit Insurance

It offers services such as car insurance, travel insurance, house insurance, commercial vehicle insurance, shop insurance, trip insurance, fire insurance, and other small-ticket insurance. The company's objective is to restructure pricing processes and reimagine items. One of the notable features of Digit Insurance is that it guarantees coverage for flight delays of 75 minutes and more. This is much different compared to standard travel insurance firms, which only cover delays of six hours or more. Digit unveiled an interesting new feature on July 18th that empowers customers who drive. The feature is automobile insurance, which they call "Pay as you Drive" (PAYD). With this addition, clients who drive less will spend less on their insurance.

4) OneAssist

It has become a top supplier of insurance solutions during the last few years. The business provides coverage for data security and protection for electronics. The company's major goal is to give customers access to a universal platform for support and protection solutions. Among others, OneAssist has partnerships with Yes Bank, Axis Bank, ICICI Bank, and Amazon.com. OneAssist offers protection for:

- Credit cards
- Smartphones
- Payment cards in case of loss or theft
- Damage insurance protection
- Including doorstep services to pick up and repair the phone

- Hotel bill settlements
- Assistance for missing passports

Internet users are also alerted of potential dangers via OneAssist's Identity Risk Calculator thanks to its cutting-edge software. Moreover, they have recently rolled out a new service they call quick repair. They state that it covers fixing home devices like geysers, refrigerators, TVs, and air conditioners.

5) SecureNow

Abhishek Bondia and Kapil Mehta launched SecureNow in 2011. With the help of an end-to-end InsurTech system, they offer small and medium-sized businesses pure-risk commercial insurance coverage. They offer a highly user-friendly and intuitive smart phone app Notify. Moreover, they offer a CRM software platform, PAM, to provide insurance and streamline the claims procedure. They provide services to 25,000 small enterprises in over 150 locations. The company manages all its major business insurance needs. They offer a wide variety of insurance products, such as liability, building, marine, and group medical insurance. On behalf of customers, they also manage grievances and insurance services.

6) Coverfox Insurance Broking

It is a rising InsurTech company launched in 2011. It offers 360+ insurance products in India, including medical, automobile, bike, term, and travel insurance coverage, through more than 50 partners. According to CoverFox, its no-jargon language and reliable algorithm simplify and improve the accessibility of policy documents for clients.

Some of their significant features are:

- Instant quotations from insurers are available to customers, hastening the purchasing procedure.
- They provide smooth post-purchase solutions like easy renewal, digitalized policy updates, and a quick claims procedure.
- Its secure interface ensures that customers may purchase and renew insurance plans conveniently.
- It also offers a trustworthy venue for resolving any insurance-related issues.
-

7) Turtlemint Insurance

2015 saw the launch of the digital insurance aggregator TurtleMint. The firm currently provides coverage for the car, health, and life insurance sectors. It is an insurance marketplace that aids customers in selecting and purchasing the best insurance coverage. Its objective is to simplify insurance by decoding any technical language. Turtlemint offers a number of digitized solutions, including training, licencing, and verification procedures for insurance agents. This allows them to complete the entire customer onboarding process considerably more quickly. Additionally, it enables agents to make tailored recommendations to clients. They offer savvy tools to help people choose the best option for their insurance needs. The software solution is accessible mainly through an app, helping insurance advisors access data instantly.

8) Toffee Insurance

This is an entirely digital InsurTech firm that offers millennials insurance solutions to match their needs. The startup's mission is to make insurance fair by providing frequent, non-critical routine risks with products that are easily accessible, effective, and reasonable. Millennials are more likely to take risks that they can immediately identify in their daily lives than longer-term risks that require purchasing life insurance. The company distinguished itself by concentrating on developing bite-sized insurance covers for urgent lifestyle requirements. Some of these are:

- Losses or damages to bicycles or backpacks
- Injuries sustained at the gym while running or during daily commutes
- And mosquito-borne illnesses like dengue and chikungunya

Toffee uses behavioral and consumption data with artificial intelligence, machine learning, and other tools to empower customers in their insurance journey.

9) RenewBuy

This is an online insurance aggregator that provides agents with improved ways to renew insurance policies. The business's platform uses unique technologies to provide an easy, transparent, and seamless experience. Their USPs are:

- They research and analyze over 100 policy types to empower agents and customers.
- They offer a multi-company agency force employing a "point of sale" interface.

RenewBuy can hire an agent for one-tenth of the price that an insurer would pay by using this digital-only business model. Moreover, a RenewBuy representative can provide a customer with ten insurance quotes with the help of its innovative platform.

10) Kenko Health

This is a company founded in 2019 by Aniruddha Sen and Dhiraj Goel, works with insurance carriers to offer a subscription-based service that covers medical costs for OPD and hospitalization. Additionally, they provide healthcare insurance for big, small, and medium-sized firms, people, and families. The healthcare-focused business intends to use the new funding to bring in consumers. They also have ambitions to expand the scope of OPD coverage. They want to do this by including areas such as:

- Coverage for out-patient procedures such as doctor visits
- Dental work
- Skin and hair treatments
- Scans and prescription drugs
- Monthly subscription plan with no upfront costs for the entire year
- Plan for prepaid benefits
- Flat rates for all clients

14.5 INSURANCE APPS

Latest advancements in mobile technology have revamped the way insurance providers conduct their business. Enhanced convenience and portability that mobile apps offer make them a user's favourite. Even enterprise productivity apps built for Insurance businesses connect insurance agents to their work in improved ways. One way or the other, all these apps raise the standards of customer service that insurance companies provide.

14.5.1 Benefits of insurance apps for customers

- **Easy to get insurance :** It takes just a few clicks to get insurance with the help of a mobile app.
- **Online consultations :** Going to an insurance company to get a consultation is time-consuming. Features like in-app chat and customer feedback can save time.
- **Notifications :** An insurance app can remind people about the expiration of their policies and about various discounts.

- **Quick access to information :** In a mobile app, customers can find any information they need about your company in seconds. Information can be accessed through a single interface.
- **Location detection :** Top mobile apps for insurance usually have a geolocation feature. If an incident occurs and a customer is confused and doesn't know their exact location, for instance, the insurance agent may be able to use this feature to find out where they are.
- **Detailed guides :** Customers can get immediate access to information on what they should do in the case of an incident.

14.5.2 Benefits of insurance apps for companies

- **Process automation :** Mobile apps automate the process of getting insurance.
- **Growth of the customer base :** The number of insurance apps is growing, as is the number of people who use them. Developing a mobile application can attract new customers.
- **Simple communication :** Apps for insurance provide a constant connection with customers. If your operators are busy or not available, a chatbot can help.
- **Fast insurance policy issuance :** Your employees will have more time for more urgent tasks.
- **Personalized offers :** An application for insurance can collect data on each user so you can create personalized offers.
- **Fast feedback :** When a client reports a claim using an app, you have the opportunity to respond quickly.

Today, mobile apps can solve almost every problem, and businesses that have jumped on this trend are becoming more successful every day. Insurance companies are no exception.

14.5.3 Benefits of insurance apps for Agents

The following are the benefits of using mobile apps

- Automated processes
- Maintain records
- Processing orders
- Receive or make payments
- Manage time effectively
- Stay productive

14.5.4 Types of Apps

The types of insurance apps you can develop for your business depend on the niche your organization operates in. In general, the Insurtech domain has witnessed six different kinds of insurance app development that are further based on financial aspects you need to protect:

Life Insurance Apps

Life insurance app development services can help you create an app for the users that can help them streamline their routine processes, such as:

- Choosing the right policy as per their requirements
- Review the terms and conditions of every possible available to them
- Complete the data-sharing process online

- Use a dedicated payment gateway
- Get instant notifications
- Calculate the rate of interest automatically
- Get 24×7 customer support

Vehicle Insurance Apps

Vehicle insurance apps act as digital saviors for users that have met with an accident and wish to take claim for their assets. The vehicle insurance apps help the users to:

- Take and upload pictures of the accident site in real-time
- File an asset claim on the spot
- Get a repair estimate and the related functionalities
- Upload relevant data like images, videos, documents, police reports
- Access documents with ease

Property Insurance Apps

Property insurance app development allows you to create a robust mobile app that offers users a seamless way to insure their property, jewelry, artwork, real estate, etc. The app is capable of streamlining a way via which the users can:

- Choose an appropriate policy
- File claim at the right time
- Receive regular reminders on property maintenance
- Track the property for damages

Health Insurance Apps

Health insurance app development is a sure shot way to create a mobile app that offers the users:

- The choice to get insurance across different medical disciplines
- Choose their preferred doctors
- Book appointments in real-time
- Access their documents and complete the formalities online
- Search for appropriate health plans
- Compare the prices for multiple pharmacies and clinics

Travel Insurance Apps

Travel insurance app development allows organizations to offer a range of services to their user base that allows them to:

- Minimizes the risk in emergencies
- Covering unforeseen medical expenses
- Reimburse their medical expenses in an accident
- Get a claim against luggage loss and trip cancellations
- Get instant cross-border access in emergencies

Business Insurance Apps

Business insurance app development is capable of safeguarding multiple business investments made by users by allowing them to:

- Select the right insurance package according to their business size & nature of risk
- Get instant claims on loss and fraud by easily uploading documents
- Minimize the loss by settling an insured event

14.5.5 Features of an insurance app?

Experts recommend seeking reliable mobile app development guidance from professionals that have appreciable experience in creating cutting edge on-demand digital products. Coupling experience with client feedback rather than loading an app with features just to make it look fab is the first step towards successful mobile insurance apps.

There has to be synergy between the color palettes, smart use of white spaces, typographic fonts, and strategic positioning of icons and images. Only then does an app have a life of its own. After taking care of such design elements, we can refocus our aim towards integrating the right feature sets.

Apps have a strong backend. They withstand peak rises in traffic, or offer optimum performance if the company decides to implement a new software system without many amendments to the architecture.

It is essential to list the mutual features that can be found in all of the above categories. These features formulate the kernel of a general application guide for Fintech app ideas. Barring few niche specifications, the following features remain steady and ever-present, especially when you wish to build an insurance app:

1. Admin Panel

This is the introductory page where the basic information about the insured person is displayed. Make sure it is lean, clean along with clear call-to-action buttons. Take the Geico insurance app for instance. It's a car insurance app and hence the profile page displays information related to vehicle IDs, roadside assistance, payment buttons and an option to switch policies. Pretty simplistic.

2. Policy Details

This page integrated during car insurance mobile app development displays the details of the policy, the manner, and the extent of your benefits. Continuing the same example, since Geico is an auto insurance app for Android and iOS users, it displays information about several policies that a single user could be enrolled into such as one for the car, the other for a bike, and so on.

3. Quote & Filters

Quotes and filters are few of the necessary features to be taken into perspective when you build an insurance app. The Quote-tab offers a feature where the app can fetch your data from its records and either connect you to an insurance agent or directly state the price of a policy. Assuming the insurance app development company has the resources to work with Big Data, it can pitch discounted prices or more benefits to customers based on their frequency of asking/exploring new policies

4. File a Claim

Integrating a claims-filing section remains the most prioritized stage of insurance web app development. The run-around days to lodge claims are a thing of the past. Submitting proofs should be as simple as clicking a picture, be it from the scanner of the app or the camera of the phone. If the entire process can be concluded on a single page, all the better.

5. Payment Gateway

No points for guessing, integration of payment gateway is super necessary for any form of insurance mobile app development. The gateway should accept payments from all major network providers such as Visa, Master Card, etc. In order to build an insurance app that resonates with every user base, it is vital to offer automated billing for EMIs or a single click payment process.

6. Customer Support

Chatbots are not extraordinary anymore. Automated responses act as a quick-fix for run of the mill questions. But what about accidental circumstances? You can't expect a user who's stranded with a broken vehicle to rely on pre-feeded answers.

As a result, when you develop an insurance app, remember to integrate a Request a Call Back or Connect with a Representative option. In-app call functionality is the one of the most sought-after insurance app features that will serve to make the app what it actually is, a disaster averting, quick response machinery.

7. Push Notifications

Businesses, in general, don't miss opportunities to enter a new market segment, let alone insurance companies. The latter might even tweak its business models, should the need present itself.

You need an excuse for giveaways and so do the customers for buying your products. Therefore, send regular push notifications informing people of their outstanding sum and any upcoming policies they can swap their current ones with.

8. Document Upload/Storage

How would the customer upload their documents, let alone a photo, if you develop an insurance app that did not incorporate it? Not only must the mobile app allow document upload from local file directories but also import, if need be, from third party servers as in the case of emails.

14.5.6 Some other Most trusted apps in 2024:

Mobile insurance apps are escalating to the level at which insurance providers, service providers and customers operate. Using insurance apps is a sure shot way to stay ahead of the curve and to leverage a competitive edge.

Singlife App

App features an insurance savings plan that lets users manage and track money and be insured. The app offers a simple way to manage finances and updates users on credit returns on a monthly basis. It sends out instant notifications about any transactions made and offers customizable money management features. With a highly secure app infrastructure, it safeguards your finances from theft.

CoverFox Mobile App- CoverDrive

Touted as the best technology and product solutions for insurance, CoverFox app helps sellers earn money. The app fetches instant quotes from multiple insurance companies and sets up best commission plans for sellers in the market. It also delivers instant policy without any paperwork needed. Sellers can track their leads, policies, and even inspection status.

Mintpro Insurance Business App

Mintpro is the perfect app for anyone trying to manage their insurance business. With MintPro, users can grow in their roles of becoming trusted insurance advisors to their customers and guarantee excellent service. They can provide quotes from multiple insurance providers to their clients, issue policies without lengthy paperwork, follow up with leads and even enjoy a centralised view of their own performance through a dashboard.

Bajaj Allianz Insurance Wallet App

A convenient app to buy and manage insurance policies, Bajaj Allianz Insurance Wallet is a user's favourite. The app is a hit among users as it brings claims tracking right to their fingertips. The unique Motor OTS feature of the Bajaj Allianz Insurance Wallet lets users settle their motor claims within 20 mins. It also features a pro-fit segment that promotes active health management. Travel Ezee is another automatic claim settlement service that the app offers.

Policy Bazaar App

PolicyBazaar app is essentially an online life insurance and general insurance comparison portal for in-depth analysis of financial products. The mobile app educates app users about insurance products and other investment products. It also aids comparisons, offers insightful articles and helps users manage all their insurance needs. Users can bookmark and shortlist the investment avenues of their choice. The app comes with a gamification element to help users learn about insurance products in an engaging manner.

14.6 SUMMARY

The digital transformation wave has created the need for established companies and startups in the insurance market to explore the need to develop mobile applications. Therefore, it is time to digitize your insurance workflows and processes by partnering with an experienced software development vendor. Websites and Mobile applications have emerged as the game-changers for every domain, and the insurance sector is no exception. Websites and Mobile apps in the insurance industry bridge the insurer and policyholder gap through seamless and swift solutions. They allowed the policyholders to have on-the-go access to their insurance details. And they enable insurance agents to improve productivity with faster request closures. An insurance app enables quick and easy communication between an insurance company and its customers. It automates tedious manual processes and eliminates paperwork. Even business leaders acknowledge the need to integrate mobile application technology into their operations.

14.7 KEY WORDS

1. **CRM:** An Insurance CRM, or Customer Relationship Management, is a software tool that insurance companies use to manage interactions with both current and potential customers. This system helps companies keep track of customer data, manage leads, and automate communication with customers.

2. **PRM :** The Professional Risk Manager (PRM) Designation is a globally recognized, graduate-level risk management credential. Today's Risk Professionals are expected to know and understand industry best practices and be committed to using them.

3. **SEO:** Insurance SEO is the process of optimizing an insurance company's website for search results related to its market and target audience. By optimizing for SEO, you make it more likely that your site will appear near the top of search results, which helps your company earn more traffic from potential clients.

14.8 SELF ASSESSMENT QUESTIONS

Long Answers

1. What are the top 10 Indian Insurtech companies
2. What are the benefits of Insurance apps to customers and companies
3. Write an essay on IRDAI
4. What are the features of Insurance apps
5. What are the types of Insurance apps

Short Answers

1. What are the benefits of having an Insurance websites and apps
2. Explain some most trusted insurance apps in 2024
3. What are benefits apps for customers
4. What are the benefits of apps for companies
5. What are the benefits of apps for agents

14.9 SUGGESTED READINGS

1. Principles of Insurance, Himalaya publishing House, 2020
2. S K Sarvaria, Apoorv Sarvaria, "Commentary on The Insurance Regulatory and Development Authority Act" Lexix Nexis, 2022
3. https://www.semrush.com/website/top/india/insurance/
4. https://www.similarweb.com/top-websites/india/finance/insurance/
5. https://www.userexperior.com/blog/best-insurance-apps

Dr.P.Venu Gopal

LESSON - 15
INSURANCE CUSTOMER

Aims and Objectives:

After completing the lesson the student is able to demonstrate the following skills:

- ✓ Who is a customer and categories of Insurance customers
- ✓ Customer segments
- ✓ Understanding Customer Mindset and Satisfaction
- ✓ Measuring Customer satisfaction
- ✓ Addressing the grievances of customer and
- ✓ Ethical behavior in Insurance

Structure

15.1 Introduction
15.2 Insurance customer Categories
15.3 Key customer segments for insurance companies
15.4 Customer Segmentation
15.5 Understanding Customer Mindset and Satisfaction
15.6 Measuring Customer satisfaction
15.7 Addressing the Grievances of the Customer
15.8 Ethical Behavior in Insurance
15.9 Moral Hazard
15.10 Summary
15.11 Key Words
15.12 Self Assessment Questions
15.13 Suggested Readings

15.1 INTRODUCTION

Insurance is a very logical industry. It is risk based, analytical, and built on detailed processes and procedures. But it's important for that analytical mindset to be complemented with an understanding of the customer's emotional journey. Customers need to feel that they are getting the most value for the best price. Always be clear about pricing and fees. Using simple language and avoiding jargon is another way to be clear and communicate value to your customers. Successful acquisition programs depend on reaching consumers at the right time. Insurers can perform an analysis based on what they know about their customers to uncover trends and pinpoint when consumers are looking for a certain product or service. You should try to address the customer's inquiry or problem as quickly and effectively as possible, and offer them the best possible solution or alternative. You should also explain the steps and actions that you or your company will take to resolve the issue, and inform them of the expected time frame and outcome. In this context, in the present chapter, we tried to examine the categories of customers, customer satisfaction and mindset along with the grievances, ethical behaviors and moral hazard.

15.2 INSURANCE CUSTOMER CATEGORIES

How insurers engage customers and the channels they use for distribution and service will change just as dramatically. In many cases, the "face" or "front door" of insurance will be distribution partners, including banks, manufacturers, health care providers and other high-profile brands outside the industry. Today, more insurance leaders are recognizing how customer insights drive improvements in products, services and experiences. In that sense, changing consumer needs and expectations are both an invitation for insurers to innovate and a blueprint for their transformation programs. To satisfy those rising consumer demands, engage with new customers and retain existing ones, insurers will have to overcome their reputation for delivering subpar experiences and emphasizing standardized policies and traditional channels over customer needs and preferences. The following are the main customer types that will define the Insurance market.

1. **Point-of-sale purchasers**

This group values the peace of mind that comes from knowing that the items they buy – consumer goods, jewelry, travel or concert tickets – are protected from the moment they're purchased. Embedded finance and a growing market for point-of-sale insurance mean insurers can reach more customers, demonstrate the value of insurance and increase their relevance.

2. **Virtual vanguards**

With more people spending more time in the metaverse, there is rising demand for protections that cover digital assets (e.g., crypto keys, virtual identities and brands). Insurers can connect "metazens" by offering bulletproof identity protection that prevents hacks, breaches and theft; business interruption coverage for virtual events; and fully integrated "virtual life insurance," which could be attractive for influencers.

3. **ESG devotees**

Some businesses view environmental, social and governance (ESG) as primarily a regulatory matter, but more consumers are putting their money where their values are. Specifically, they want to do business with environmentally and socially engaged companies and avoid those that are greenwashing. They are willing to pay a premium for products and services that match their value.

4. **Bubble protectors**

More consumers want holistic and dynamic coverage for entire lifestyles or "bubbles." Designing integrated coverage for autos, homes, health, microbusinesses, appliances, travel, identities, and major new purchases is complex, but offers plenty of new revenue and stronger long-term relationships for insurers that get it right.

5. **Data capitalists**

Consumers are increasingly aware of the value of their personal data and expect more in return for sharing it. Insurers can engage this segment via customized offers, proactive insights for risk prevention and protection management with a portfolio of coverages that changes based on life events. The first step, though, is full transparency about data usage.

6. **Minimalists**

Looking to win entry-level business with budget-conscious consumers requires simple, understandable policies that are affordable and available via intuitive digital experiences. The end goal is to engage these customers for the long term, broadening and deepening the relationships as bigger risks emerge in their lives. By demonstrating the value of insurance and proving it can be affordable, insurers can both grow their business and protect the underserved.

7. **Work-life integrators**

By offering tailored protections for gig workers and small home-based businesses, insurers can boost their relevance with solutions that reflect how people live and work today. Such coverages must be easily adjustable and reasonably priced, and solutions for gig workers in specific sectors and roles (e.g., delivery and graphic design) are likely to gain traction.

8. Efficient entrepreneurs

Today, commercial insurance options don't necessarily reflect the huge number and diversity of small- and medium-sized enterprises. The priorities for helping small businesses manage proliferating risks are real-time cyber insurance, plus monitoring and recovery services, and real-time, dynamic and usage-based pricing for certain operations. Every small business will appreciate 24/7 digital support and access to expert advice when necessary.

9. Conscious owners

Like the ESG devotees in personal lines, small-business owners are increasingly focused on sustainability. These customers are most drawn to insurers that have sector-specific expertise and services that help them further "green-up" their businesses. An authentic commitment to ESG and true depth of understanding of the risks they face, along with ecosystems of solutions to cover those risks, will drive further engagement and loyalty.

15.3 KEY CUSTOMER SEGMENTS FOR INSURANCE COMPANIES

The insurance market caters to a diverse range of customer types, each with unique needs and characteristics. Understanding these key customer segments is essential for insurance companies to effectively design and market their products.

Here are some of the key insurance customer types:

1. **Individual Consumers**: This segment includes private individuals seeking insurance for personal needs. Common products for this group include life insurance, health insurance, auto insurance, homeowners insurance, and personal liability insurance. Their decisions are often driven by personal factors like family needs, financial stability, and risk aversion.
2. **Families**: Families often require a combination of insurance products to protect their members and assets. This might include life insurance for breadwinners, health insurance for all family members, and homeowners' or renters' insurance. Family plans can offer bundled services at more affordable rates.
3. **Small and Medium Enterprises (SMEs)**: This segment includes small businesses and entrepreneurs who require insurance for their operations. Common products include property insurance, liability insurance, workers' compensation, and business interruption insurance. These customers value tailored insurance solutions that align with their specific business risks.
4. **Large Corporations**: Large businesses and multinational corporations have complex insurance needs due to their size, global operations, and the variety of risks they face. They often require customized insurance solutions, including property and casualty insurance, cyber risk insurance, directors and officers liability insurance, and global commercial policies.
5. **Senior Citizens**: Seniors might look for products like annuities, long-term care insurance, and senior health insurance plans. They are generally more concerned with securing their finances for retirement and ensuring adequate healthcare coverage.
6. **Young Adults**: This group is generally characterized by a lower demand for insurance products, but they represent a significant future market. Products like auto insurance, renters' insurance, and health insurance are common among young adults. They are more likely to be influenced by digital marketing and online services.
7. **High-Net-Worth Individuals (HNWIs)**: These customers require sophisticated insurance solutions to protect their wealth and assets. This includes high-value property insurance, luxury car insurance, yacht insurance, and bespoke life insurance policies. They often seek personalized services and privacy.

8. **Non-Profit Organizations and Charities**: These entities require insurance for their operations, assets, and events. Common needs include liability insurance, property insurance, and special event insurance. They often operate with budget constraints and require cost-effective solutions.
9. **Government and Public Sector Entities**: This segment includes government agencies and public institutions requiring insurance for their assets, employees, and operations. Policies might include public property insurance, liability coverage, and health benefits for public employees.

Each of these customer types has distinct needs and preferences, influencing how insurance products are designed, priced, and marketed. Recognizing and understanding these segments helps insurers to create targeted products and marketing strategies, ensuring better service to their diverse customer base. Though not every insurer will serve the full range of customers, those that put customers at the core of their business will gain a competitive edge.

They'll also need to master a few crucial capabilities:

- Real-time risk protection: AI, machine learning, automation, digital platforms and data analytics enable insurers to deliver personalized protections and services – instantaneously and at scale – in homes, vehicles or anywhere.
- Ecosystems and partnerships: As industry lines blur and barriers to entry fall, insurance will become ubiquitous for all types of purchases and companies; insurers can orchestrate their own ecosystems and embed in those led by others.
- New risks necessitating new products: Evolving societal norms and cultural values – from the rise of ESG issues to personal data ownership to virtual worlds – have created new risks and thus require product innovation from insurers to provide the necessary coverages.

15.4 Customer Segmentation

Customer segmentation is a powerful tool for insurance companies to offer more personalized and relevant policies to their clients. By dividing your customer base into groups based on their characteristics, preferences, behaviors, and needs, you can tailor your products, pricing, communication, and service to each segment. In this article, we will explore how you can use customer segmentation to personalize insurance policies and improve customer satisfaction, retention, and loyalty.

Customer segmentation can be applied to various types of insurance policies and products, such as health insurance, auto insurance, and home insurance. For health insurance, customers can be segmented based on their health status, lifestyle, medical history, family history, etc. and offered policies that cover their needs and risks. Discounts and rewards can also be provided for healthy behaviors. For auto insurance, customers can be segmented based on their driving habits, vehicle type, location, mileage, etc. and offered policies that reflect their usage and risk. Similarly, discounts and rewards can be provided for safe driving. For home insurance, customers can be segmented based on their property type, location, value, features, etc. and offered policies that protect their assets and liabilities. Discounts and rewards can also be provided for home improvement and security.

15.4.1Benefits of customer segmentation

Customer segmentation can provide numerous advantages to your insurance business, such as gaining a better understanding of customers, creating more targeted and effective marketing campaigns and messages, and offering more customized policies and discounts that match each customer's profile and risk level. Additionally, it can improve customer experience and satisfaction by providing more relevant and timely information and support. Moreover, customer segmentation can lead to increased customer retention and loyalty by strengthening relationships and trust, as well as reducing costs and increasing profitability by optimizing resources and processes.

15.4.2 Types of customer segmentation

Segmenting customers is an effective way to gain insight into their needs and preferences in order to offer them appropriate policies and prices. Demographic segmentation, for example, groups customers based on their age, gender, income, education, occupation, and family size. Geographic segmentation groups customers based on their location, while psychographic segmentation groups them based on their personality, lifestyle, values, attitudes, and interests. Additionally, behavioral segmentation groups customers based on their actions such as purchase history, usage frequency, loyalty status, and feedback. By understanding the motivations and emotions of different customer groups and measuring the performance and satisfaction of each group, you can offer policies that match their aspirations and goals while rewarding loyalty and encouraging repeat purchases.

15.4.3 Steps to create customer segments

To create effective customer segments, you need to define your objectives and criteria, collect and analyze data, validate and refine your segments, and implement and monitor them. For example, you may want to increase customer retention by segmenting customers based on their loyalty status. Data needs to be gathered from various sources and analyzed using data analysis tools such as clustering and factor analysis. You should also test and evaluate your segments to ensure they are reliable, relevant, and actionable. Finally, you need to apply your segments to your business strategy, communicate with stakeholders, and monitor the results and impact of your segments.

15.4.4 Challenges and best practices of customer segmentation

Customer segmentation can be a challenge due to data quality and availability, customer dynamics and diversity, and segment implementation and integration. To ensure success, it's best to start with existing customers and data, focus on customer needs and value, and experiment and iterate your segments. Data quality must be accurate, complete, and up-to-date while complying with data privacy and security regulations. You should also recognize that customers are not static or homogeneous - they may change their behaviors over time. Segments should be implemented across the organization and stakeholders may need training or support to adopt them. Additionally, you should analyze customer feedback, retention, churn, profitability, etc., to identify valuable segments and opportunities for improvement. Lastly, you can use A/B testing or other methods to compare and optimize your segments.

15.5 UNDERSTANDING CUSTOMER MINDSET AND SATISFACTION

The insurance industry is at a critical inflection point. Finding itself increasingly disconnected from mistrustful customers and unaware of their true needs, traditional insurers are at risk of losing out to a combination of new entrants and incumbents who are quicker to adapt to changing expectations. To survive and succeed, insurers can't just move faster, they need a clear idea of where to go and which opportunities to pursue. As insurers try to transform themselves and stay competitive amid this dynamic environment, there are six distinct levers that determine the success of these efforts. These six levers constitute the six dimensions of what we might call the Insurance Cube, to understand the buyers' mindset. The first three faces of the cube are trends in technology, regulations, and business models. The other three are factors such as speed, efficiency and risk.

1. **Regulatory Compliance**

Insurance industry regulations change often, and compliance is mandatory. For instance, there are regulations such as CCPA and GDPR for data privacy and security; accounting standards such as IFRS and GAAP. There are also certain market conduct regulations such as New York's Regulation 187 that places certain responsibilities on insurers. Insurance providers need to be extremely vigilant in adhering to the strict guidelines imposed by these regulations in order to be compliant.

2. **Technology Readiness**

The right technology can put an organization ahead by enabling it to derive distinct competitive advantage. An organization that uses an Open Source API or microservices can potentially be more flexible, robust, and agile with more autonomous teams that can deliver change quickly. Technologies such as cloud, IoT, and Blockchain can greatly enhance operations and enable the organization to provide highly differentiated customer experiences with sophisticated digital capabilities.

3. **Business Models**

Given changing consumer demands as well as an evolving technology landscape, insurance companies need to constantly re-invent themselves by exploring new business models. Whether it is adoption of a new value chain or delivering new-age "phygital" (physical + digital) experiences, companies need to think like disruptors. The disruption may not be just in the immediate industry but could also be a cross-industry disruption. For example, lot of the insurance carriers are moving away from agent-based physical selling to phigital selling.

4. **Risk**

Every business has to deal with a certain number of risks such as location risks, market risks, concentration risks etc., and insurance is no different. Given the fast pace of change, companies might also face certain talent risks or the risk of technology debt. Each of the risks listed above has the potential to snowball into a major issue that could threaten the organization's survival. Given this, the ability to mitigate risks and prepare back-up plans is key to survival for insurance players.

5. **Efficiency**

Running a highly efficient business is a huge operational advantage for insurance companies. Efficiency, whether it is cost efficiency or operational efficiency, can be achieved in a number of ways such as through cost takeout by rebadging existing deals. Automation is an important tool to increase operational efficiency. On the people front, building a futuristic workforce by enabling people with the right tools, data, and training can help to greatly increase productivity and efficiency. Leveraging ecosystem partnerships can help streamline processes and make the organization more efficient. For instance, a leading international reinsurance and insurance group was keen to bring in efficiencies through new age technologies to help achieve cost optimization. The results were achieved through a core/flex model, with core having fixed capacity and the "flex" taking care of monthly variance in demand. The company achieved savings of $2.5 million, a 64 percent increase in productivity, and 16% decrease in cost per unit.

6. **Speed**

In a competitive environment, the speed at which a company responds to change matters. Quick product introductions provide a first mover advantage. Similarly, it is important that timeline-based market commitments are honored. Distributed agile adoption can help greatly speed up response times for insurance companies. While each of these factors are definitely interconnected, evaluating a company on each of these separately can provide a useful framework to determine competitive readiness. It can also be a useful guide to help determine strategies for the future.

15.6 MEASURING CUSTOMER SATISFACTION

Client satisfaction is a key indicator of how well you are delivering value and meeting expectations in insurance. It can help you retain loyal customers, increase referrals, and improve your reputation. But how can you measure it effectively and use it to improve your performance? Here are some methods you can use to assess and enhance client satisfaction in insurance.

1. **Survey your clients**

One of the most common and straightforward methods to measure client satisfaction is to survey your clients regularly. You can use different types of surveys, such as online, phone, email, or mail, depending on your preferences and resources. You can also use different scales, such as numerical, binary, or Likert, to capture different aspects of satisfaction. The key is to ask relevant, clear, and concise questions that cover the main factors that influence client satisfaction, such as quality, timeliness, communication, professionalism, and value. You should also invite feedback and suggestions for improvement.

2. **Track your metrics**

Another method to measure client satisfaction is to track your metrics that reflect your performance and client behavior. For example, you can monitor your retention rate, renewal rate, churn rate, referral rate, and complaint rate. These metrics can give you an indication of how satisfied your clients are with your service and how likely they are to continue doing business with you or recommend you to others. You can also track your response time, resolution time, and accuracy rate to measure how well you handle client inquiries and issues.

3. **Analyze your reviews**

A third method to measure client satisfaction is to analyze your reviews from various sources, such as online platforms, social media, or third-party sites. Reviews can provide you with valuable insights into how your clients perceive your service, what they like and dislike, and what they expect from you. You can use tools such as sentiment analysis, keyword analysis, or rating analysis to identify patterns, trends, and themes in your reviews. You can also respond to your reviews and thank your clients for their feedback or address their concerns.

4. **Benchmark your competitors**

A fourth method to measure client satisfaction is to benchmark your competitors and compare your performance and reputation with theirs. You can use tools such as market research, mystery shopping, or competitive analysis to gather information about how your competitors serve their clients, what they offer, and how they differentiate themselves. You can also look at their reviews, ratings, and testimonials to see how their clients rate them and what they appreciate or criticize. By benchmarking your competitors, you can identify your strengths and weaknesses, as well as opportunities and threats, in the market.

5. **Engage your clients**

A fifth method to measure client satisfaction is to engage your clients and build relationships with them. You can use various channels, such as email, phone, social media, or face-to-face, to communicate with your clients regularly and proactively. You can also use different strategies, such as newsletters, blogs, webinars, events, or loyalty programs, to provide value and education to your clients and keep them informed and interested. By engaging your clients, you can show them that you care about their needs and preferences, and that you are willing to listen and learn from them.

6. **Test your innovations**

A sixth method to measure client satisfaction is to test your innovations and see how they affect your clients' experience and perception. You can use methods such as pilot testing, beta testing, or A/B testing to introduce new products, features, processes, or policies to a selected group of clients and collect their feedback and reactions. You can also use methods such as surveys, interviews, or focus groups to gather more in-depth and qualitative data. By testing your innovations, you can evaluate their impact and viability, as well as identify potential risks and benefits.

It's important to emphasize that customer satisfaction is not just predicated on singular drivers. It is influenced by a coalition of variables that act together. The mix of relationship factors with tools and processes have an impact on overall satisfaction. In conclusion, insurance companies must focus on creating an excellent customer experience to improve customer satisfaction and loyalty**.** By understanding their customers, emotionally relating to policyholders, facilitating customer interactions, and capturing policyholder feedback, insurers can create a unique experience for each policyholder.

15.7 ADDRESSING THE GRIEVANCES OF THE CUSTOMER

Customers are essential to your business. As the ones purchasing your products or services, they collectively have a direct impact on whether your business grows or fails. This is especially true if your business operates in a highly competitive industry. If a customer has a negative experience with your company, they may not hesitate to take their business elsewhere. When customers voice complaints, they often feel that their expectations haven't been met in their interactions with your business. Whether they had a problem with the product they received or a negative interaction with one of your employees, the submission of a customer complaint indicates a gap between a customer's expectations and their actual experience. In general customers who are unhappy with your product or service will not complain to you – but they will complain to others and take their business elsewhere. Managing customer complaints and resolving them quickly will result in improved business processes and repeat business.

15.7.1 Steps for Handling Customer Grievances:

When a customer complains, determining the appropriate response can be harder than it sounds. Nevertheless, it's important to train your customer service team so that they can handle common customer complaints and make sure issues are resolved quickly and effectively. Check out the steps below to learn how to handle customer complaints in a way that leaves customers feeling satisfied.

1. Listen to the customer

If a customer has complained, it means that they want their unique problem to be heard. Brushing off a customer complaint or failing to fully understand the problem can make the situation worse. So train the customer service reps at your company in active listening techniques that allow customers to feel heard and seen by your organization.

2. Show empathy

Empathy is a key part of resolving any customer-facing problem or confrontation. Practicing empathy means stepping into the customer's shoes and trying to see a problem from their point of view–why are they upset? And what actions would resolve the issue from their perspective? Not only can showing empathy help you identify a solution to a problem, but it can also make the job of your customer service reps easier. Using empathy statements and attempting to relate to the customer often helps in calming everyone down. If a dissatisfied customer senses that you genuinely understand their frustration and care about their problem, then they'll likely be more willing to work with you toward a solution.

3. Apologize

When dealing with unhappy customers, an apology can go a long way. If you made a mistake or didn't deliver on a particular promise, sincerely apologize to the customer who's complaining and acknowledge the validity of their situation. At the same time, offering an apology can be beneficial even in situations where you don't feel like you were wrong. An apology allows you to defuse the situation and move closer to finding a resolution.

4. Ask thorough questions

After listening to a customer's complaint, make sure to ask any relevant questions in order to better understand the situation. With more information to work with, your customer service representatives will have an easier time finding a suitable solution to the problem and providing great customer care.

5. Loop in necessary parties

Communication is the key to success when solving just about any problem. Keeping your team in the loop can enable you to resolve customer complaints more quickly. Additionally, communicating a customer complaint to your team can prevent the mistake or miscommunication that prompted the complaint from happening again.

6. Find a swift solution

Perhaps the most important part of handling customer complaints is finding a resolution–and quickly. No unhappy customer wants to wait around for days or weeks as you come up with a solution for their problem. Instead, prepare your customer service team with guidelines on go-to solutions for common customer complaints and limitations on what they can offer customers in a given situation.

7. Follow up

Following up on a customer complaint can be a great way to engage with your audience and show that you care. In many cases, following up on a customer complaint takes the form of sending out a customer satisfaction survey. In this survey, the customer can rate their level of satisfaction with their customer service experience, which can in turn provide you with valuable data and insight. Following up with customer complaints will help you stand out from the competition by demonstrating excellent customer service.

8. Create a record

From the time a customer complaint is first submitted to the moment it gets resolved, record your interactions with the customer. Recording customer interactions can provide you with information that helps improve your products, services, and overall customer experience. At the same time, having a record of communication with a particular customer can provide your customer service reps with context if that customer makes another complaint in the future.

15.8 ETHICAL BEHAVIOR IN INSURANCE

As the owner of an insurance agency, it is your job to understand every aspect of your industry. Having a wealth of knowledge about your products will allow you to translate sometimes complex or confusing terms to your clients. It is important for your community to know their rights when it comes to the insurance they buy.

This is why having a conversation with them from an ethical standpoint will allow them to feel comfortable and trust your services. It is crucial that your insurance agents, producers, and brokers understand their professional, legal, and ethical responsibilities in dealing with customers. Whether an agent is writing for life insurance, car insurance, commercial insurance, or another product, they should support the client in every way possible so they thoroughly comprehend what each insurance package covers.

Ethics are a foundation of a strong, reliable company and should not be forgotten about. To maintain good ethical behavior in your agency, keep these elements in mind:

- **Respect** You need to respect yourself and others, including your employees and customers. Take the time to coach, train, and support your team as they grow to understand the ever changing insurance industry and how they can better service your customers through trust and respect.
- **Integrity** Maintain your reputation by being honest with clients. Keep your promises and when you're wrong about something, own up to it. Make sure everyone in the agency holds themselves in a professional manner.
- **Passion** If you are passionate about what you're doing, this will reflect positively in your work ethic. If you lack enthusiasm, your customers will notice and feel you are not working to protect them in the best ways possible.
- **Persistence** Continue to work hard whether your results are good or bad. This is related to the passion you have not only for your industry but for your customers. Focusing on their needs and wants should be a priority. As you know, an insurance agency is nothing if it does not have customers. In order to provide services that are reliable, you need to do so in a moral, ethical manner.

Continue to reinforce the responsibility you have to your community and industry because, at the end of the day, your decisions affect everything and everyone. Responsible insurance companies are anxious and eager to demonstrate that their ethical credentials are unimpeachable. So it's about trust, reliability, and forging a relationship with customers that lasts a lifetime, not just for a single sale. They want to ensure that their customers are *correctly* insured. If customers don't need an insurance, they don't want to be sold that insurance. But it's also about empowering employees to talk about those difficult products like life insurance – because people usually don't call in asking for life insurance.

15.9 MORAL HAZARD

"Moral hazard" refers to the risks that someone or something becomes more inclined to take because they have reason to believe that an insurer will cover the costs of any damages. It also refers to the behavioural characteristics of a policyholder that increase the likelihood of loss, such as intentionally causing damage to a property. The concept describes financial recklessness. Knowing that insurance covers potential losses, the property owner might neglect essential safety protocols, such as faulty wiring repairs or outdated fire detection systems.

Here, the existence of fire insurance alters the property owner's behaviour, creating a moral hazard. For example, if someone buys the latest cell phone and takes out insurance on it, they may be less likely to be careful with it. The assumption that it will be replaced regardless of their level of care creates a moral hazard. In life insurance, For example, insured individuals may more willingly take additional risks in their activities because the terms of their life insurance policy or health insurance coverage require the insurer to pay for all or some medical care. Moral hazard can also apply to scenarios that occur in financial institutions. Similarly, in health insurance, If you have health insurance, then you are insured for any sicknesses you get. If you know that you are insured and you believe that your insurance will fully cover any sickness, then you may be incentivized to engage in risky behavior. The benefit of Moral hazard is that the Insurance increases consumption to point

B, which yields less welfare loss (BCF) because it reduces under- consumption. Moral hazard is beneficial because it helps move people to the efficient level of consumption.

Adverse selection is the phenomenon that bad risks are more likely than good risks to buy insurance. Adverse selection is seen as very important for life insurance and health insurance. Moral hazard is the phenomenon that having insurance may change one's behavior. If one is insured, then one might become reckless. There are a few ways to possibly limit moral hazard. For example, some insurance companies will reward good behavior such as driving safely or making healthy choices. In addition, insurers may be able to penalize bad behavior with higher rates or fees.

Moral hazard can occur under a type of information asymmetry where the risk-taking party to a transaction knows more about its intentions than the party paying the consequences of the risk and has a tendency or incentive to take on too much risk from the perspective of the party with less information. One example is a principal–agent approach (also called agency theory), where one party, called an agent, acts on behalf of another party, called the principal. However, a principal–agent problem can occur when there is a conflict of interest between the agent and principal. If the agent has more information about his or her actions or intentions than the principal then the agent may have an incentive to act too riskily (from the viewpoint of the principal) if the interests of the agent and the principal are not aligned.

15.10 SUMMARY

A customer is an individual or business that purchases another company's goods or services. Customers are important because they drive revenues. Without them, businesses can neither survive nor thrive. Customers generate cash flow and largely deter- mine the profitability of an insurance company. Therefore, it is necessary to identify and quantify the needs of insurance company customers and their level of satisfaction with product and service quality. Customer service representatives in the insurance field are responsible for helping out customers who have queries about insurance plans and other insurance related inquiries. You should have good communication skills and show empathy towards customers for this role.

15.11 KEY WORDS

Nominee : A nominee in insurance refers to the person appointed by the policyholder who will receive the policy benefits in case of the policyholder's demise. They serve as the point of contact with the insurance company and are responsible for handling the claim settlement process.

CCPA: According to the CCPA, selling of personal data means selling, renting, releasing, disclosing, disseminating, making available, transferring, or otherwise communicating orally, in writing, or by electronic or other means, a customer's personal data by the company to another company or a third party for monetary or other valuable consideration.

GDPR: GDPR is literally silent on the selling of personal data. Therefore, it is necessary to analyze the principles of personal data processing to understand whether it is possible to sell the personal data of the customers under the GDPR or not.

15.12 SELF ASSESSMENT QUESTIONS

Long Answers

1. What are the various categories of Insurance customers
2. Write an essay on Understanding customer mindset and satisfaction
3. Explain various methods of measuring customer satisfaction
4. Examine the Steps to handel customer grievances

Short Answers

1. Write about key customer segments for insurance companies
2. Ethical behavior in Insurance
3. Moral hazard in insurance

15.13 SUGGESTED READINGS

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LESSON – 16
CASE STUDIES

Objectives:

After studying this lesson students should be able:

- To understand how to claim Life, General and Health insurance Cases.
- To acquire knowledge on Steps involved in Court proceedings relating to insurance cases.

Structure

16.1 CASE STUDIES ON PRINCIPLES

16.1.1 CASE STUDY-1

John took file Insurance policy for his property worth Rs.30,00,000 with two insurers: An Insurance Co. Ltd for Rs.20,00,000 and B Insurance Co. Ltd for Rs.10,00,000. The cause of fire his property loss is Rs. 6,00, 000.How much compensation can be claimed from A and B separately and why?

Analysis: Principle of Contribution is followed for this problem. If an individual purchase many insurance policies for the same item, the insurers will pool their resources to reimburse the insured for the real loss. The insured can only claim reimbursement to the extent of actual loss from all insurers or from any one insurer, according to this concept.
It applies when:

- Different policies cover the same subject matter;
- The policies cover the same period that generated the loss;
- All the policies are in force at the time of loss; and
- One of the insurers has paid the insured more than his share of the loss, the right of contribution arises.

According to this principle, the insurer can only seek compensation from all insurers or from a single insurer to the extent of the real damage. If one insurer provides the full compensation, the other insurers must pay a proportionate share of the claim.

Total value of insurance: Rs. 20,00,000 + Rs. 10,00,000 = Rs. 30,00,000.
Property loss is Rs. 6,00,000.

$$\text{Contribution from A} = \frac{\text{Sum insured with A}}{\text{Total Sum insured}} \times \text{Actual Loss}$$

$$= \frac{20,00,000}{30,00,000} \times 6,00,000 = \text{Rs.}4,00,000$$

$$\text{Contribution from B} = \frac{\text{Sum insured with B}}{\text{Total Sum insured}} \times \text{Actual Loss}$$

$$= \frac{10,00,000}{30,00,000} \times 6,00,000 = \text{Rs.}2,00,000$$

16.1.2 CASE STUDY-2:

Anuj took file Insurance policy for his property worth Rs.5,00,000 with two insurers: ICICI Lombard General Insurance Co. Ltd for Rs.4,00,000 and Bajaj Allianz General Insurance Co. Ltd for Rs.2,00,000. An electric short circuit in his property caused fire and it resulted in a loss of Rs. 1,50,000. He filed a claim for Rs.1,50,000 against each of the two insurance companies.

Analysis:

a) Can Anuj recover Rs.1,50,000 each from the two insurers?
Answer: No, Anuj cannot recover Rs.1,50,000 each from the two insurers as he has no right to recover more than full amount o0f his actual loss. If he recovers Rs.1,50,000 from one insurer, then he will cease to have any right to obtain further payment from the other insurer.

b) Which principle of insurance has been highlighted in the given case?
Answer: Principle of Contribution.

c) Determine the liability of each of the two insurers?

Answer: Determination of the liability of each of the two insurers are as follows.

$$\text{i. Liability of ICICI Lombard} = \frac{\text{Sum insured with ICICI Lombard}}{\text{Total Sum insured}} \times \text{Actual Loss}$$

$$\text{Liability of ICICI Lombard} = \frac{4,00,000}{6,00,000} \times 1,50,000 = \text{Rs}1,00,000$$

$$\text{ii. Liability of Bajaj Allianz} = \frac{\text{Sum insured with Bajaj Allianz}}{\text{Total Sum insured}} \times \text{Actual Loss}$$

$$\text{Liability of Bajaj Allianz} = \frac{2,00,000}{6,00,000} \times 1,50,000 = \text{Rs.}50,000$$

16.1.3 CASE STUDY-3:

Kapil took a marine policy worth Rs.2,00,000 to protect his goods form the perils of sea. On the way the goods were spoiled by rats. He suffered a loss of Rs.1,25,000. He filed a claim for the loss against the insurance company.

Analysis:

I. Can Kapil recover Rs. 1,25,000 from the insurance company?
Ans: No, Kapil cannot recover Rs. 1,25,000 from the insurance company.

II. Which principle of insurance is highlighted in the given case?
Ans: "Proximate cause". According to this principle, the insurer liable for the loss only when such loss is proximately caused by the perils, which are stated in the policy. In the given case, loss cause due to rats is a remote cause and not the proximate cause.

16.1.4 CASE STUDY-4:

Mr.Gagan took an insurance policy on his life. While taking the policy, he did not reveal that he was suffering from cancer. He died due to cancer, his dependent (wife) made a claim woth the insurance company. But the insurance company rejected the claim.

Analysis:

i. Explain the reasons of rejection of claim by company?
Ans: This is a case of Life Insurance Policy, here Me.Gagan took an insurance policy on his life. But he did not reveal the material fact of the above subject matter, that he is suffering from cancer. Which he knew before entering into contract. The reason for rejection of the claim is that principle of "Utmost Good Faith is Violated".

ii. Explain the principle which govern the above case?
Ans: inthis case the principle of utmost good faith is applicable. According to this principle both the parties must disclosed all the material facts complete, correct and clear information relating to the subject matteraccurately at the time of contract. If any one of the party does not disclosed the facts realting to thje subject matter inspite of knowing the fact in such case the contract ceases to be void. In this case Mr.Gagan has not reveal that he was suffering from cancer. So, he has violated the principle, therefore the company has rejected the claim.

16.1.5 CASE STUDY-5:

Mr. inters into a contract to build a warehouse for Y for Rs.50,000. Mr.Y supplies all the material for construction to Mr.X. can Mr.X insure the material supplied for the period of construction.

Analysis:

Yes, Mr.X can insure the material supplied by Me.Y for the period of construction because Mt.X has insurable interest in the material supplied by Mr.Y.
Principle of insurable interest can be applied as Mr.X is likely to gain on the existence of the material and loss by its destruction. Insurable interest means that the person opting for insurance mist have pecuniary interest in the safety of the property he is going to get insured and will suffer financial loss on the occurrence of the insured event.

16.1.6 CASE STUDY-6:

Read the following cases and answer the questions:
Mr. Gopal took a fire insurance policy of Rs.1,00,000 on the property of Rs.3,00,000. If there is a fire in the premises of the insured causing loss to the extent of Rs.80,000. He will be compensated with Rs.80,000. But if there is a second fire in the premises and the entire property is burnt.

Analysis:

i. How much amount the insured can claim on the account of second fire?
Ans: When some property expireesmore than one fire. The insurer is bound to pay in all up to the insured sum stated in the policy. In this case an insurance policy Rs.1,00,000 is taken on the property of Rs.3,00,000.

If suppose there is a fire in the premises of the insured to the extent of Rs.80,000. He will be compensated Rs.80,000. But if there is second fire in the premises and the entire property is burned the insured can claim only rest Rs.20,00 i.e.1,00,000-80,000.

If the insured wants to cover the entire risk of Rs.1,00,000. He can reinstate. The insured sum to the original amount by paying a fresh premium on a pro-rate basis to the date of expiry.

ii. Which principle of insurance is highlighted in the given case?
This case comes under “The Principle of Indemnity”. It means guarantee or assurance to put the insured in the same position in which he was immediately prior to the happening of the uncertain event. It is applicable to fire, marine and other general insurance.

16.1.7 CASE STUDY-7:

Mr.Aruns’ Goods worth Rs.10,00,000 in warehouse where insured against fire with Bharat Insurance Company for full value. The goods were burnt and Arun recovered the full value from the insurance company. Subsequently Arun also sued the warehouse keeper and recovered a sum of Rs.10,00,000 form him. Can Arun retain this money?

Analysis:

No, Arun cannot retain the money received from the warehouse keeper because he has already been compensated by the insurance company. According the principle of subrogation, the insurance company has the right to sue the warehouse keeper and retain the money received from him. As per this Principle of Subrogation after the insured is compensated for the loss due to damage to property insured, then the right of ownership of such property passes to the insurer.

16.1.8 CASE STUDY-8:

Mr. Raymond insures his ship against the perils of sea for Rs.5,00,000. The ship was burnt partially and loss estimated in Rs.2,00,000 when Mr. Raymond asks for claim, the insurance company denies the claim.

Analysis:

i. Explain the reason for denies of the claim?

Ans: This is the case of marine insurance. Where the insurance was taken on ship against perils of sea, but the ship was burnt partially. So the company denied the claim because the peril against which the insurance was taken does not match with the actual accident.

ii. Explain the principle under which the above example has to be dealt?

Ans: This is the case of marine insurance. Here the Principle of Causa-Proxima is applicable. According to the Principle of Proximate cause the compensation will only be paid, if the risk that is covered in the policy occurs. For Example, if the insurance policy states that the house is covered for the fire and theft and it is totally por partially destroyed by a flood, No compensation will be paid.

16.1.9 CASE STUDY-9:

Mr.A insures his property worth Rs.1,00,000 with two insurers "AIG Ltd for Rs.90,000" and "MetLife Ltd for Rs.60,000. A's actual property destroyed is worth Rs.60,000. Then Mr.A can claim the full loss of Rs.60,000 either form AIG Ltd or MetLife Ltd or both? How to calculate it?

Analysis:

Here the Principle of Contribution is applicable. Determination of the liability of each of the two insurers are as follows.

$$\text{i. Liability of AIG Ltd} = \frac{\text{Sum insured with AIG Ltd}}{\text{Total Sum insured}} \times \text{Actual Loss}$$

$$\text{Liability of AIG Ltd} = \frac{90{,}000}{1{,}50{,}000} \times 60{,}000 = \text{Rs}36{,}000$$

$$\text{ii. Liability of MetLife Ltd} = \frac{\text{Sum insured with MetLife Ltd}}{\text{Total Sum insured}} \times \text{Actual Loss}$$

$$\text{Liability of MetLife Ltd} = \frac{60{,}000}{1{,}50{,}000} \times 60{,}000 = \text{Rs.}24{,}000$$

16.1.10 CASE STUDY-10:

Mr.Sunil insured his bile for Rs.20,000 with NIA Ltd and Rs.40,000 with GIC Ltd. The bike is partially damaged on account of an accident. The value of loss is Rs.30,000.

Analysis:

i. What is the liability of two companies and why?

$$\text{i. Liability of NIA Ltd} = \frac{\text{Sum insured under each policy}}{\text{Total Sum insured under all policies}} \times \text{Actual Loss}$$

$$\text{Liability of NIA Ltd} = \frac{20{,}000}{60{,}000} \times 30{,}000 = \text{Rs}10{,}000$$

$$\text{ii. Liability of GICLtd} = \frac{\text{Sum insured under each policy}}{\text{Total Sum insured under all policies}} \times \text{Actual Loss}$$

$$\text{Liability of GICLtd} = \frac{40{,}000}{60{,}000} \times 30{,}000 = \text{Rs}20{,}000$$

ii. Explain the principles under which the above example has to be dealt?

Ans: Principle of Contribution is applicable to this case because Mr.Sunil has insured his bike with two insurance companies that is NIA Ltd and GIC Ltd.According to the principle of contribution both the insurance companies has to share the loss among them in a specified ratio depending upon the actual loss.

16.2 CASE STUDIES ON COURT JUDGEMENTS

16.2.1 **CASE STUDY-11**:

General Insurance Case Study.

Ashok Kumar Vs New India Assurance Company Ltd (2023).

Appellant (Ashok Kumar) was the owner of the Truck and he had a valid insurance policy for the insured declared value of Rs.8,40,000. On the date of occurrence his driver has to unload the stone dust to somewhere. The driver parked the truck and lest leaving the key in the key hole to find the address. While enquiry of the address, the truck was stolen. Thereafter an FIR under IPC Sec 379 was lodged and the incident was informed to the insurance company after 6 days from the claim of insurance.

Analysis:

Fact of the case:

Insurance company refused the claim citing two reasons:

1. Delayed information to the Insurance company.
2. Carelessness of the driver

Can Appellant get the Judgement in his favour?

Ans.

Appellant approached District Consumer forum, got judgement in his favour with 75% of insurance claim. The New India Assurance Company Ltd approached the State Consumer forum, but appeal was dismissed. The company appealed in National Consumer disputes redressal commission and got judgement in its favour. Appellant (Ashok Kumar) approach the Supreme Court.

Arguments of Insurance Company before Supreme Court:

Terms and conditions of the Insurance Policy were violated:

1. There is delay in intimation of theft to the Insurance company (Condition No.1 violated)
2. Driver of the vehicle didn't take proper and reasonable care to safeguard the vehicle insured from loss and damage. (Condition No.5 violated)

Main question before Supreme Court:

1. Whether the delay of 6 days in intimation the Insurance Company about the thest case comes within the purview of breach of conditions No.1?
2. Whether on facts there was breach of condition No.5 of the Insurance Policy to justify the rejection of the claim in toto?

Observation of Supreme Court:

1. Condition No.1 applies to accident cases not on theft cases. Intimation of theft was given to police first and after that given to Insurance Company. (Relying over National Insurance Company Ltd Vs Nitin Khandelwal [(2008) 11 SCC 259] and Amalendu Sahoo Vs Oriental Insurance Company Ltd [(2010) 4 SCC 536], even if there was breach of that clause, the claim couldn't have been repudiated in toto.
2. Carelessness is not the Fundamental Breach of Condition and "This act is not the invitation to steal that vehicle".

Supreme Court Judgement: Appellant (Ashok Kumar) got the order in his favour.

16.2.2 CASE STUDY-12:

Health / Medical Insurance Case Study.

Om Prakash Ahuja Vs Reliance General Insurance Co. Ltd Civil Appea; No.s 2769-2770 of 2023, Division bench of Justice Abhay S Oka and Justice RaieshBindal

Facts of the case:

While taking the initial policy the appellant did not disclose that his wife was suffering from rheumatic heart disease, even though cause of her death was ovaian cancer.

Analysis:

The reimbursement & Renewal of insurance policy was refused on the ground that while taking the initial policy, the appellant did not disclose that his wife was suffering from rheumatic heart disease, even though cause of her death was ovaian cancer.

The District Forum accepted the complaint and set aside the repudiation of claims by the insurance company.

The District Forum held that there was no relation between the disease suffered by the wife that was claimed to be concealed and the disease for which treatment was taken.
The insurance company was directed by District Forum to pay the amount for the treatment and renew the policies from the date they expired on payment of renewal charges.

The order of the district forum was challenged by the insurance company before the State commission but was dismissed.

Observations of National Commission:

The insurance company filed the revision petition in the National Commission. The National Commission, while considering the revision petition, issued an interim order on May 13, 2011. According to this order the renewal of the insurance policy would be subject to the final decision of the National Commission.

Subsequently, on November 26, 2018, the National Commission made its final decision. It upheld the State Commission's directive to reimburse the expenses incurred on the treatment of the deceased wife of the appellant (person who filed the petition).

The insurance company argued that the renewal was denied based on the guidelines issued by the Insurance Regulatory and Development Authority on 31-03-2009 that renewal can be denied on the grounds of fraud, moral hazard, or misrepresentation.

The National Commission passed an interim order directing the renewal of policy in terms of the direction issued by the District forum as upheld by the State Commission subject to the final outcome of the revision petition.

The policy from 07-07-2009 onwards was renewed in October 2011.
Another complaint was filed by the Appellant in 2012 for reimbursement of the amount by the appellant on his wife's treatment from 2009 to 2011 as this was rejected by the insurance company.

The National Commission in its common order set aside the direction for renewal of the policies beyond 2009, due to concealment of facts by the appellant at the time of purchase of the policy.

National Commission Judgement:
The claim for reimbursement of expenses incurred on treatment was also rejected by the commission on the ground that appellant failed to reveal that his wife already suffered from rheumatic heart disease at the time of getting the policy.

Observations of Supreme Court:
The appellant approached the Supreme Court. The Apex Court set aside the order of the National Commission challenged by the appellant and restored the order passed by the District Forum and State Forum regarding direction to the insurance Company to renew the policies.

Insurance Company accepted the fact that non-mentioning of the disease from which the deceased wife of the appellant suffered at the time of purchasing the policy was not material, as the death was caused from a different disease all together. Both had no relation with each other. Now, the insurance company cannot be permitted to raise same plea to deny renewal of insurance policy to the appellant for the period from 07-07-2009 onwards.

Supreme Court Judgement:
Once insurer accepts that, concealment of Disease was not material, reimbursement & Renewal can't be refused.

16.3 SELF-ASSESSMENT QUESTIONS

Read the following cases and answer the questions:
Q No.:1. Case Study: A company has undertaken a fire insurance policy for Rs.5,00,000. After two months due to fire if incurred a loss of Rs.2,00,000. How much amount will the company get as compensation?

Q No.:2. Case Study: A transport company took an accident insurance policy for all its vehicles. A truck of that company carrying oranges met with an accident due to that accident there was no damages to oranges but oranges were unloaded from that truck and reloaded to another. Due to time wastage in unloading and reloading, the oranges git spoiled.
i. Will the company get compensation for loss of oranges from the insurance company or not?
ii. Which principle is related with this case?

16.4 SUGGESTED READINGS

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Dr. P. Mercy Kumari