GENERAL INSURANCE PROCEDURE AND PRACTICE

B.Com
Semester-V

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B.Com: General Insurance Procedure and Practice

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FOREWORD

Since its establishment in 1976, Acharya Nagarjuna University has been forging ahead 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 2003-2004 onwards.

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 ofthis 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 andin 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. Raja Sekhar Patteti
Vice-Chancellor
Acharya Nagarjuna University

A.P. State Council of Higher Education
Semester-wise Revised Syllabus under CBCS, 2020-21

Course Code:

Four-year B.Com. (Hons)
Domain Subject: **COMMERCE**
IV Year B. Com. (Hons) – Semester – V

Max Marks: 100

Course 21- B. GENERAL INSURANCE PROCEDURE AND PRACTICE

(Skill Enhancement Course (Elective), 4 Credits)

I: Course Learning Outcomes

After completing the course, the student shall be able to:

1. Understand the Features of General Insurance and Insurance Companies in India
2. Analyze various schemes and policies related to General Insurance sector
3. Choose suitable insurance policy under Health, Fire, Motor, and Marine Insurances
4. Acquire General Insurance Agency skills and administrative skills
5. Apply skill for settlement of claims under various circumstances

II. Syllabus: Total 75hrs (Teaching 60, Training10, Others 05 including IE etc.)

Unit-I: Introduction

General Insurance Corporation Act - General Insurance Companies in India - Areas of General Insurance- Regulatory Framework of Insurance- IRDA - Objectives -Powers and Functions - Role of IRDA- Insurance Advisory Committee.

Unit-II: Motor Insurance

Motor Vehicles Act 1988 - Requirements for compulsory third party insurance – Policy Documentation & Premium- Certificate of insurance – Liability without fault – Compensation on structure formula basis - Hit and Run Accidents.

Unit-III: Fire & Marine Insurance

Kinds of policies – Policy conditions –Documentation- Calculation of premium- Calculation of Loss- Payment of claims.

Unit-IV: Agriculture Insurance

Types of agricultural insurances - Crop insurance - Problems of crop insurance - Crop Insurance Vs Agricultural relief - Considerations in Crop insurance - Live Stock Insurance.

Unit-V: Health & Medical Insurance

Types of Policies-Calculation of Premium- Riders-Comprehensive Plans-Payment of Claims.

III: References:

1. M. N. Mishra, Insurance Principles and Practices, Chand & Co, New Delhi.
2. M.N.Mishra, Modern Concepts of Insurance, S.Chand& Co.
3. P.S. Palandi, Insurance in India, Response Books – Sagar Publications.
4. C. Gopalkrishna, Insurance – Principles and Practices, Sterling Publishers Private Ltd.
5. G. R. Desai, Life Insurance in India, MacMillan India.
7. *https://www.irdai.gov.in*
8. https://www.policybazaar.com

9. Web resources suggested by the Teacher concerned and the College Librarian including reading material.

IV. Co-Curricular Activities

A. Mandatory: *(Student training by teacher in the related field skills: 10 hrs.)*

1. **For Teachers**: Training of students by teacher (using actual field material) in classroom and field for not less than 10 hours on techniques/skills in aspects of General Insurance area including calculation of premium and claim settlements.
   a. Ascertain the regulatory frame work and functions of IRDA and Insurance Advisory Committee with respect to important cases in General Insurance Field (Ref. unit-1)
   b. Working with specified GIC Company and analyze the documentation procedure and Premium payment with respect to Motor & Other insurances (ref. unit-2)
   c. Working with specified GIC Company and analyze the documentation procedure for Policy agreement and payment of Claims of General Insurance (ref. unit-3)
   d. Working with Banks and Cooperative Societies with respect to Crop Insurance and Claims Settlement (Ref.unit 4)
   e. Working with specified Medical Insurance Companies to ascertain various policies under medical insurance and settlement of claims (ref. Unit.5)
2. **For Students**: Students shall individually undertake Fieldwork/Project work and make observations on the procedures and processes of various insurance policies and claims in real time situations. Working with Insurance Agents and General Insurance companies is preferred. Each student shall submit a hand-written Fieldwork/Project work Report on his/her observations in the given format to teacher.
3. Max marks for Fieldwork/Project work Report: 10
4. Suggested Format for Fieldwork/Project work (not more than 10 pages)**:** Title page, student details, Contents, objective, step-wise work done, findings, conclusions and acknowledgements.
5. Unit tests (IE)

B. Suggested Co-Curricular Activities

1. Training of students by a related field expert.
2. Assignments including technical assignments like Working with General Insurance companies for observation of policies and claims under certain policies.
3. Seminars, Conferences, discussions by inviting concerned institutions
4. Field Visit
5. Invited lectures and presentations on related topics

V. Suggested Question Paper Pattern:

Max. Marks 75 Time: 3 hrs

SECTION - A (Total 25 marks)

Answer any FIVE Questions (5×5 Marks)

Out of Eight Questions covering all units

.SECTION - B (Total 50 marks)

Answer any FIVE Questions (5×10 Marks)

Out of Eight Questions covering all units

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(506BCE21)

MODEL QUESTION PAPER

B.Com. (General) DEGREE EXAMINATION,

Third Year – Fifth Semester

Part II – Commerce

Paper VI – GENERAL INSURANCE PROCEDURE AND PRACTICE

Time : Three hours **Max. Marks: 70**

SECTION A–(5 x 4 = 20 marks)

Write a short answer for any FIVE of the following.

Each question carries 4 marks.

1. General insurance
   సాధారణ భీమా

2. Objectives of IRDA
   IRDA యొక్క లక్ష్యాలు

3. Motor insurance
   వాహన భీమా

4. Liability without fault
   తప్పు లేకుండా బాధ్యత.

5. Calculation of loss in fire insurance
   అగ్ని భీమాలో నష్టాన్ని లెక్కించడం.

6. Live stock insurance
   పశువుల భీమా

7. Types of Riders
   రైడర్స్ రకాలు.

8. Hit and Run accidents
   హిట్ అండ్ రన్ ప్రమాదాలు.

SECTION B – (5 x 10 = 50 marks)

Answer the following questions.

Each question carries 10 marks.

9. (a) Explain the various general insurance companies in India.
భారతదేశంలోని వివిధ సాధారణ భీమా కంపెనీలను వివరించండి.

Or

(b) Discuss about the powers and functions of IRDA.
IRDA అధికారాలు మరియు విధుల గురించి చర్చించండి.

10. (a) Write a short essay on policy documentation and premium.
పాలసీ డాక్యుమెంటేషన్ మరియు ప్రీమియంపై చిన్న వ్యాసం వ్రాయండి.

Or

(b) Explain the compulsory third party insurance in Motor insurance.
మోటారు భీమాలో తప్పనిసరి థర్డ్ పార్టీ భీమా గురించి వివరించండి.

11. (a) Explain the various types of fire policies.
వివిధ రకాల అగ్ని పాలసీలను వివరించండి.

Or

(b) Discuss various documents required for marine insurance claim.
సముద్ర భీమా క్లెయిమ్ కోసం అవసరమైన వివిధ పత్రాలను చర్చించండి.

12. (a) Explain the different types of Agriculture insurance.
వివిధ రకాల వ్యవసాయ భీమాలను వివరించండి.

Or

(b) Discuss about the problems of crop insurance.
పంటల భీమా సమస్యలపై చర్చించండి.

13. (a) Write a short essay on types of health. insurance policies.
ఆరోగ్య భీమా పాలసీల రకాలపై చిన్న వ్యాసం రాయండి.

Or

(b) Explain the advantages of comprehensive medical insurance policy.
సమగ్ర వైద్య భీమా పాలసీ ప్రయోజనాలను వివరించండి.

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LESSON -1
INTRODUCTION TO GENERAL INSURANCE

OBJECTIVES OF THE LESSON

The objectives of the lesson are:

- To know the elements of Insurance;
- To understand the concept of General Insurance Corporation of Act;
- To describes the General Insurance Policies;
- To understand the types of General Insurance Companies and
- To acquaint the differences between General Insurance and Life Insurance.

STRUCTURE OF THE LESSON

1.1. Introduction
1.2. General Insurance Corporation Act (GIC)
1.3. Vision, Mission and core Values of GIC
1.4. Objectives of GIC
1.5. Functions of GIC
1.6. Role and Significance of GIC
1.7. Types of General Insurance Policies in India
1.8. General Insurance Companies in India
1.9. Difference between General Insurance and Life Insurance
1.10. Summary
1.11. Technical Terms
1.12. Self Assessment Questions
1.13. Reference Books

1.1 INTRODUCTION

Insurance contract involves a contractual agreement in which the insurer agrees to provide financial protection against specified risks for a price or consideration known as the premium. Insurance is a contract between insurer (insurance company which issues the policy) and insured (the entity who seeks to participate in the insurance scheme). Insurance is a process by which the funds pooled by the insurer are used to compensate the few who might suffer the losses caused by a peril.

Every individual, family and business organization needs insurance, for inherent risk exposures to which they are exposed. Insurance seeks to redress the assured from the financial consequences of the loss exposures in the event of the uncertain event happening, resulting in a loss of his assets, or properties or even income earnings. General Insurance in particular may be considered as a mechanism for protection of Economic Value of Assets, as every asset lasts only for certain period-life time but due to accident or unfortunate external event, an asset may not last for the expected life time. The Event or Accident which may cause loss is called a peril. If the peril is insured under any policy issued by an insurer, the loss is payable to the insured.

Thus, Insurance is sharing of the losses of a few who are unfortunate to suffer such losses, amongst those exposed to similar uncertain events / situations and the losses –

1. May be physical (e.g. car, building);
2. May be non-physical (e.g. goodwill, name);
3. May be personal (e.g. loss of eyes, limbs, any part of the body).

Thus, we can summarize that insurance is actually a combination of three elements

- A transfer system
- A business
- A contract

1.1.1 Insurance as a Transfer System

As a transfer system, insurance enables a person, family or business to transfer the costs of losses to an insurance company. In turn the company pays for the insured losses and distributes the costs of losses among all insured's. Thus, the key elements of insurance as a transfer system refers to the transferring of risks from the insured to the insurance company which is financially sound and has the capacity and willingness to take risks. The person transfers the consequences of a loss to the company, thereby exchanging the possibility of a large loss for the certainty of a much smaller periodic payment (premium). For transferring a cost of loss it is not necessary for a loss to occur or exist. A mere possibility of a loss constitutes a loss exposure that can be insured or transferred.

A Loss exposure can give rise to three types of losses, namely:

- Property loss (including net income loss),
- Liability loss, and
- Human and personnel loss.

On the other hand, sharing of risks implies the pooling of premiums paid by the insureds into a fund out of which the losses are paid as and when they occur.

Thus, the role of insurance is to protect insured's assets from the financial consequences of loss. But, not all risks are insurable. Insurance covers only pure risks.

1.1.2 Insurance as a Business

As a business, insurance primarily attempts to meet its costs and expenses from the premium that it earns and also make a reasonable margin of profit for its own sustainability. As a business organization, it provides jobs to millions of people in life and non-life insurance companies, agencies, brokerage firms. The various operations of these companies include marketing, underwriting, claims handling, ratemaking and information processing. As a business concern, it also needs to satisfy the regulators, insured's and others of its financial stability. Therefore, to protect the consumers, the regulator monitors the rates, policy forms, solvency margins, and also investigates complaints and consumers' grievances. In addition to payment of losses, the business of insurance offers several benefits to individuals and families and to the society as a whole such as:

- Payments for the costs of covered losses
- Reduction of the insured's financial uncertainty
- Efficient use of resources
- Support for credit Satisfaction of legal requirements
- Satisfaction of business requirements
- Source of investment funds for infrastructure development
- Reduction of social burden

However, the benefit of insurance is not cost free. There are some direct costs as well as indirect costs which are incurred, such as the premiums paid, operating costs of the insurers, opportunity costs, increased losses, and costs of law suits.

1.1.3 Insurance as a Contract

A Contract is a legally binding agreement that creates rights and duties for those who are parties to it. As a contract, an insurance policy is a legally enforceable contract. The contract is between the insurance company and the insured. Through insurance policies, the insured transfers the costs of losses to insurance company. In return for the premiums paid by the insured, the insurers promise to pay for the losses covered under the policy.

The policy contains all the terms and conditions for its enforceability, and the benefits payable by the insurer. The breach of these conditions by either party will result in the invalidation of the contract. Thus, through the coverage provided by insurance policies, the individuals, families and businesses are enabled to protect their assets, and minimize the adverse financial effects of losses. Hence, an insurance contract needs to be interpreted and carefully designed so that, all fortuitous losses are covered and insured against.

1.2 GENERAL INSURANCE CORPORATION ACT

General Insurance Corporation of India (GIC) was formed in pursuance of Section 9(1) of GIBNA. It was incorporated on 22 November 1972 under the Companies Act, 1956 as a private company limited by shares. GIC was formed for the purpose of superintending, controlling and carrying on the business of general insurance.

As soon as may be after the commencement of this Act, the Central Government shall form a Government company in accordance with the provisions of the Companies Act, to be known as the General Insurance Corporation of India for the purpose of superintending, controlling and carrying on the business of general insurance:

[Provided that on and from the commencement of the General Insurance Business (Nationalisation) Amendment Act, 2002, the provisions of this sub-section shall have effect as if for the words “superintending, controlling and carrying on the business of general insurance”, the words “carrying on re-insurance business” had been substituted.]

The authorised capital of the Corporation shall be [rupees two hundred and fifty crores, divided into two hundred and fifty lakhs fully paid-up shares] of one hundred rupees each, out of which rupees five crores shall be the initial subscribed capital of the Corporation:

[Provided that the Central Government may, by notification, increase or reduce the authorised capital or subscribed capital, as the case may be, as it deems fit.]

Notwithstanding anything contained in [the Companies Act, 2013 (18 of 2013)], it shall not be necessary to add the word “Limited” as the last word of the name of the Corporation.

1.3 MISSION, VISION, & CORE VALUES

A. GIC Vision

To be a leading global reinsurance and risk solution provider

B. GIC Mission

To achieve the vision by:

- Building long-term mutually beneficial relationships with business partners
- Practicing fair business ethics and values
- Applying state-of-art technology, processes including enterprise risk management and innovative solutions
- Developing and retaining a highly motivated professional team of employees
- Enhancing profitability and financial strength befitting the global position

C. GIC Core Values

- Trust and mutual respect
- Professional excellence
- Integrity and transparency
- Commitment
- Responsive service

1.4 OBJECTIVES OF GIC

Discussed below are a few objectives of General Insurance Corporation of India:

i. The primary objective of GIC is to provide reinsurance support to the Indian insurance market and ensure the stability and growth of the industry;
ii. To carry on the general insurance business, other than life, such as fire, accident, theft, etc. ;
iii. To help and promote the subsidiaries to conduct the business of insurance;
iv. To help them conduct of investment strategies of the GIC subsidiaries in a productive and efficient manner;
v. To provide IT solutions solving business challenges, on time and budget utilizing the latest technology;
vi. A company who are able to design, deploy and manage projects from the business challenges to an operational production system;
vii. To empower of its employees;
viii. The company who collaborates with customer's and technology partner's in its drive to provide solutions and
ix. The company who focuses continues development of new solutions or new markets, services, or product offerings, or the individual growth and development of its employees and their ideas.

1 .5 FUNCTIONS OF GIC

Discussed below are a few function of General Insurance Corporation of India:

i. Carrying on of any part of the general insurance, if it thinks it is desirable to do so;
ii. Aiding, assisting and advising the acquiring companies in the matter of setting up standards of conduct and sound practice in the general insurance business;
iii. Rendering efficient services to policyholders of general insurance;
iv. Advising the acquiring companies in the matter of controlling their expenses including the payment of commission and other expenses;
v. Advising the acquiring companies in matter investing their fund;
vi. Issuing the directives to the acquiring companies in relation to the conduct of general insurance business;
vii. Issuing directions and encouraging competition among the acquiring companies in order to render their services more efficiently;
viii. GIC primarily engages in reinsurance, which means it provides insurance coverage to other insurance companies. When an insurance company sells a policy to a customer, it assumes a certain level of risk. If a claim is made under that policy, the insurance company must pay out a sum of money to the policyholder. The insurance company can purchase reinsurance coverage from GIC to manage its risk. This means that GIC will take on a portion of the risk associated with the policy in exchange for a premium payment;

ix. In addition to reinsurance, GIC provides other insurance-related services, such as risk management and consultancy. The company is in several countries worldwide and offers a range of insurance products, including property, marine, and aviation insurance and
x. GIC 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.

1.6 ROLE AND SIGNIFICANCE OF GIC

GIC plays a key role in the Indian insurance industry and is an important institution in the country's financial system. As the largest reinsurer in India, GIC helps to spread the risk of insurance coverage across multiple insurers, which helps to make the insurance market more stable and resilient. By providing reinsurance coverage to other insurers, GIC also helps to ensure that insurance coverage is available to a wide range of customers, including those in rural areas and small businesses.

In addition to its role in the insurance industry, GIC is an important contributor to the Indian economy. The company employs a large number of people and generates significant revenue for the government through taxes and other fees. GIC also invests its funds in various assets, including government securities and equity shares, which help to support the development of the Indian capital markets.

1.7 TYPES OF GENERAL INSURANCE POLICIES IN INDIA

General insurance policies provide financial protection against various unforeseen emergencies and contingencies. These policies offer coverage for non-life assets like health, vehicle, homes travel and more. Here is an overview of the different types of general insurance policies available in India.

1.7.1 Health Insurance

As the name says, this type of insurance covers the expenses incurred due to any illness or medical emergency.

There are various types of health insurance available based on their coverage:

- Individual Health Insurance: Covers one policyholder.
- Family Floater Health Insurance: Covers the complete family under a single policy.
- Group Health Insurance: Covers the employees of an organization.

All the above types of health insurance further have different products under them based on their usage and many other factors. Here is a list of major types of health insurance products available in India:

- ✓ Senior Citizen Health Insurance
- ✓ Health Insurance
- ✓ Preventive Healthcare Plan
- ✓ Aarogya Sanjeevani
- ✓ Super Top-Up Insurance
- ✓ OPD Insurance
- ✓ Personal Accident Cover

1.7.2 Motor Insurance

If you own a vehicle, you will know that motor insurance is mandatory in India. The policy ensures that the vehicle has complete protection against physical damage from natural or artificial calamities and third-party liabilities arising from the insured vehicle.

Based on the type of vehicle they cover, Motor Insurance is broadly categorized into:

- ✓ Car insurance
- ✓ Two wheeler insurance
- ✓ Commercial vehicle insurance

The different types motor vehicle policies available in the market under the ones mentioned above are as follows:

- **Third-party insurance Policy:** Pays the financial liability to the third party affected in the mishap, ensuring you do not face legal hassle due to the accident.
- **Comprehensive Insurance Policy:** Apart from covering third-party liabilities, these plans also cover the expenses incurred for repairing the damages to the policyholder's vehicle due to an accident, fire, artificial and natural calamities, riots and other such instances.
- **Own Damage Policy:** With own damage cover, you receive the same benefits as a comprehensive policy without the third-party liability portion of the policy.

There are many add-ons covers that can be added to your motor insurance policy to ensure that you are covered against any eventuality. Some add-on covers you can avail of are - zero depreciation cover, loss of personal belongings cover, pay-as-you-drive cover, daily conveyance cover, etc.

1.7.3 Travel Insurance

Travel Insurance provides financial protection to you and your family when you are visiting any place in the country or abroad. It covers emergencies like loss of baggage, loss of passport, hijacking, medical emergencies, delayed flights, accidental deaths, adventure sports etc.

The major types of travel insurance are:

- **Domestic Travel Insurance:** For travel within the country
- **International Travel Insurance**: For travel outside the country
- **Student Travel Insurance**: If you are moving abroad for higher studies.

The above types further have a list of different products under them like individual travel insurance, family travel insurance, senior citizen travel insurance, corporate travel insurance, multi -trip travel insurance, single trip travel insurance and schengen travel insurance

1.7.4 Property Insurance

Another category of insurance is Property Insurance. A Property Insurance Policy provides financial reimbursement to the owner/renter of a building and its contents. It also covers damage caused to anyone other than the owner/renter if that person is injured on the property.

Some products available in the market under property insurance include:

- **Home Insurance**: Provides financial coverage in case of any significant damage to the insured home due to any reason like fire, theft, flood, storm etc.
- **Shop Insurance**: Covers the shop property and contents inside.
- **Burglary Insurance**: Covers any loss or damage due to unlawful breaking and entering of insured premises.

- **Office Insurance**: Office insurance provides coverage for the risks that can impact office operations like fire, burglary, misuse of office data, loss of money due to cheating of employees etc.
- **Fire Insurance**: Provides coverage against damage caused by any fire to property or assets.

1.7.5 Commercial Insurance

A Commercial Lines Insurance policy ensures that the business does not face any financial burden because of any financial and business risks. Apart from covering the damages to the property or employee injury, it also covers public or employer liability.

The policy is offered to commercial and business entities like large corporate houses, SMEs, and MSME industries.

Commercial Insurance, as an umbrella segment, has a number of insurance types based on the type of asset covered, viz.:

- **Liability Insurance:** An insurance product that provides coverage against any claims resulting from injury or damage to any third party, i.e., person or property. It offers the following types of Liability Insurance Policies:
  - ✓ Directors and Office Liability Insurance
  - ✓ General Liability Insurance
  - ✓ Public Liability Insurance
  - ✓ Cyber Insurance
- **Marine Cargo Insurance**: This Insurance provides coverage for the inland transit of consignments. It covers the loss or damage of cargo or the means of its transportation between the point of origin and the final destination.
- **Engineering Insurance:** Engineering Insurance provides coverage against all risks associated with engineering and machinery. It includes the following insurance products:
  - ✓ Contractor's All-Risk Insurance
  - ✓ Erection All-Risk Insurance
  - ✓ Plant and Machinery
- **Workmen Compensation Insurance**: Workmen Compensation provides financial coverage to employees who get injured or die in any mishap during work. Thus, Workmen Compensation Insurance not only helps the employers to compensate these employees but also to fulfill their ethical duty as an employer.
- **Crop Insurance:** As the name suggests, crop insurance is bought by agriculturists to cover the financial losses that a bad crop season, crop failure or any other related menace might bring in.

Apart from the above major categories of General Insurance, there are a few more types as below:

1.7.6 Asset Insurance

There is no denying the fact that modern-day devices are making our lives simpler, richer and smarter. However, in case of any damage, they are usually expensive to be repaired. As the name suggests, Asset Insurance provides financial coverage to your assets like Mobile TVs, and other appliances or electronics.

17.7 Pet Insurance

The much-needed insurance cover for your furry babies because they need it as much as we do!

Pet Insurance provides financial coverage for your pet's health and well-being requirements, such as any medical condition, such as pregnancy complications, dental treatments, and insect-borne diseases. Not just that, it also covers a lot of other conditions like pet theft, loss or damages to a third party because of the pet, accidents, overseas coverage and many more, depending on your insurance provider.

1.7.8 Bite-Size Insurance

Bite-size Insurance, also known as small-ticket insurance/sachet insurance, is a non-comprehensive plan which focuses on specific needs. They are available at a lower premium and can be availed without documentation/tests. Since these insurance plans are specific, they have limited but focused coverage. In fact, Bite-Size Insurance is a category and not a type. It is unrestricted across all categories like health, travel, property etc.

Below are a few common Bite-Sized insurance products available in the market:

- Online Fraud Protection
- Cab Ride Insurance
- Backpack Insurance
- Marathon Insurance and many more.

1.8 GENERAL INSURANCE COMPANIES IN INDIA

General insurance companies play a crucial role in protecting individuals, business, and assets from various risks. With the increasing awareness of insurance, the demand for general insurance policies in India has increased significantly. In this lesson, we will discuss the top general insurance companies in India and the benefits of general insurance policies.

A general insurance company specializes in offering non-life insurance policies that protect individuals and business against financial losses due to unforeseen events such as accidents, natural disasters, theft, or liability claims. These companies provide a wide range of insurance products tailored to meet diverse needs and risks.

General Insurance is also known as Non-Life Insurance in India. There are totally 16 general insurance (Non-Life) Companies in India. These 16 general insurance companies have been classified into two broad categories namely:

1. Public Sector Undertakings (PSU)
2. Private Insurance Companies

1.8.1 PUBLIC SECTOR UNDERTAKINGS (PSU)

These insurance companies are wholly owned by the Government of India (Subsidiaries of GIC). There are totally 4 PSUs in India namely:

i. National Insurance Company

National Insurance Company Limited (NICL) is an Indian public sector insurance company owned by the Government of India and administered by the Ministry of Finance. It is headquartered at Kolkata and was established in 1906 by Gordhandas Dutia and Jeevan Das Dutia. National Insurance Company and Asian Insurance Company was nationalised in 1972. Its portfolio consists of a multitude of general insurance policies, offered to a wide arena of clients

encompassing different sectors of the economy. Apart from being a leading insurance provider in India.

ii. Oriental Insurance Company Limited

The Oriental Insurance Company Ltd. (OICL) is an Indian public sector insurance company owned by the Government of India and administered by the Ministry of Finance. Headquartered in New Delhi the company has 29 regional offices and more than 2,000 active branches nationwide.

iii. The New India Assurance Company Limited

The New India Assurance Co. Ltd. (NIA) is an Indian public sector insurance company owned by the Government of India and administered by the Ministry of Finance Headquartered in Mumbai. it is the largest nationalised general insurance company of India based on gross premium collection inclusive of foreign operations. It was founded by Sir Dorabji Tata in 1919, and was nationalised in 1973.

iv. United India Insurance Company Limited

United India Insurance Company (UIIC) is an Indian public sector insurance company owned by the Government of India and administered by the Ministry of Finance. Headquartered in Chennai, Tamil Nadu the company has 30 regional offices and more than 1,400 operating offices nationwide, including 511 micro offices, as of 31 March 2023.

1.8.2 PRIVATE INSURANCE COMPANIES

Listed below are some of the most prominent private general insurance companies catering to the needs of the people from all walks of life:

i. Aditya Birla General Insurance

Aditya Birla General Insurance provides insurance products along with optimum protection at pocket-friendly rates. It ensures the satisfaction of every individual and the plans are designed in such a way, which fulfils the requirements of the customers. This general insurance company likewise ensures hassle-free and offers smart insurance solutions. Get yourself and your family adequately covered against the uncertainties of life at any point of time.

ii. Acko General Insurance

Acko is an IRDAI licensed private sector general insurance company, founded in November 2016. The Company provides insurance plans for private and commercial four-wheelers, and health insurance among other plans. Acko's Ola Trip Insurance plan, insuring cab passengers, earned it the Golden Peacock Innovative Product. The company aims at making insurance effortless by conducting transactions online and doing away with much of the unnecessary paperwork associated. It strives to make insurance customer-friendly with offers such as tailored price, on the spot policy purchase, and seamless claim settlements.

iii. Bajaj Allianz General Insurance

Bajaj Allianz was established in 2001 as a joint venture of Bajaj Finserv Limited and Allianz SE, It is a private general insurance company and has its headquarters in Pune. As a dependable, client focused company; it understands the insurance needs of the customers and delivers reasonably priced products. The company has adopted the tag *'Caringly Yours'* to impress the Indian consumers as a brand that guards as well as is concerned about its customer's most valued assets – health, home, vehicle, commerce, etc. The organization caters to persons of all segments of society across the country.

iv. Bharti AXA General Insurance Company Ltd

Bharti AXA is a joint enterprise between Bharti Enterprises and AXA Business Group. It has its headquarters in Mumbai. The association offers a cluster of insurance products to individuals as well as trade and business-related clients. The company has a presence across the country through 135 branches and provides insurance schemes for motor, health, and serious ill-health, possessions, crop insurance, and travel within India or abroad for students, individuals, and family units.

v. Cholamandalam MS General Insurance Company Ltd

Cholamandalam MS was founded in 2001. It is a joint venture between the Murugappa Group and Mitsui Sumitomo Insurance Group. The company has branches pan India and follows a T3 philosophy (Trust, Transparency, and Technology). Its products include motor, travel, disaster, possessions, maritime, manufacturing units, legal responsibility in accidents, agriculture, etc. for individuals and companies.

vi. Navi General Insurance

Navi is a subsidiary of Navi Technologies. The company started its business operations in 2017 and has used technology for crafting a variety of products namely health, motor, assets, business, and gadget insurance to meet the needs of its customers. Navi General Insurance builds trust and provides customers with guarantees that take into account their interests. Its product processes are fully transparent providing customers with a sense of self-dependence and financial independence. Its aim is to make the insurance process simpler so that every individual can enjoy the financial security which is provided by insurance plans.

vii. HDFC ERGO General Insurance Company Limited

HDFC Ergo, founded in 2002, is a joint venture between HDFC and ERGO International. The company offers products in the trade, big business and village sectors. HDFC ERGO General Insurance Company Limited offers motor vehicle, travel, accident, house, maritime, assets, agriculture, livestock, and business insurance, and provides risk management services to its clientele in India. Backed by a sturdy customer care team and simple claims operation, it ensures topmost customer satisfaction.

viii. ICICI Lombard General Insurance Company Limited

One of the biggest and most recognized insurance providers in India, ICICI Lombard General Insurance Co. Ltd. is a general insurance company that was founded in 2001 in Mumbai, India. The firm’s key product and service offerings include general insurance, reinsurance, insurance claims management, and investment management.

ix. IFFCO Tokio General Insurance Company Limited

IFFCO Tokio was established in 2000 as a joint undertaking between the Indian Farmers Fertiliser Cooperative Limited (IFFCO), and Tokio Marine Group of Japan. The company offers a wide-ranging product plan including motor vehicles, travel insurance, home insurance, property insurance, liability insurance, etc. Other than these products, it also offers specific products such as cyber insurance, fine arts insurance, etc. IFFCO-Tokio also provides village-based proposals like Janata Bima Yojana for the general public of rural strata. The organization is also the first private insurance company to set up Bima Kendras, to reach deep into the rural areas.

x. Kotak Mahindra General Insurance

Kotak Mahindra was established to provide non-life insurance services. It received its license in April 2015, and since then it has spread across India providing valuable and novel customer service. The company aims to cater to a wide range of customers across urban and rural segments with an assortment of products like motor, health, home, commercial insurance, and

more. The company uses state-of-the-art technology and digital infrastructure to ensure they serve their customers better.

xi. Liberty General Insurance Limited

Liberty General was established in 2013 and is a private insurance company headquartered in Mumbai. It is a joint venture between Liberty Mutual (US), Enam Securities and DP Jindal Group (Indian). Liberty India General Insurance aims at providing comprehensive trade, business, and manufacturing insurance plans among others. The company also offers health and personal accident insurance, vehicle insurance, employee compensation insurance, business insurance, fire and engineering insurance, marine insurance, and other sundry insurance products in India. With a widespread network of 60 offices across the country, you know you will find them easy to reach and approach.

xii. Magma HDI General Insurance Company Limited

Magma HDI is a joint venture trading company of Magma Fincorp and HDI Global SE in Germany. The headquarters are located in Mumbai. Its aim is to identify the requirements of its clientele and use a modern approach to serve them in a competent manner. Magma HDI offers a range of general insurance products through 304 offices spread across India. The company's principle is to maintain transparency in all dealings.

xiii. Raheja QBE General Insurance Company Ltd

Raheja QBE was created by QBE Holding and Prism Cement Limited of Raheja Group. It is headquartered in Mumbai. The company focuses on problem-solving and strategic thinking. The company offers a variety of insurance products in diverse sectors such as vehicle insurance, cattle insurance, marine insurance, personal insurance, etc. The company's talented team of experts and managers work hard to satisfy every customer's needs.

xiv. Reliance General Insurance Company Limited

Started in the year 2000 by the Indian conglomerate, Reliance Anil Dhirubhai Ambani Group, Reliance General Insurance Mission offers unmatched customer service and provides reasonable insurance which is available to everyone. The wide range of insurance products available with Reliance General Insurance Company are motor, health, home, travel, marine, etc. Reliance is committed to meeting the unique needs of each customer by providing customized plans.

xv. Royal Sundaram General Insurance Co. Ltd

Royal Sundaram is a subsidiary of Sundaram Finance Group which was founded in 2001 with headquarters in Chennai. It is the first private insurance company in India to be approved by the Insurance Regulatory Authority of India in October 2000. Royal Sundaram provides novel general insurance schemes to individuals, families, and businesses. The company provides auto, health, accident, household goods, and travel insurance to private customers. Furthermore, the organization also provides insurance products for commercial customers, focusing on fire, transportation, technical risks, liability, and business interruption. Royal Sundaram also provides products designed specifically for small and medium enterprises and rural customers.

xvi. SBI General Insurance Company Limited

SBI with its headquarters in Mumbai started functioning in the year 2010. It is a joint venture general insurance company in which SBI owns 70 percent of the total capital. The company offers a wide range of general insurance products namely health, home, travel, motor, and personal accident, health insurance is the most sought after. The company aims at becoming India's most trusted general insurer and strives to provide simple and innovative general

insurance solutions, be responsive to customers' requirements, and build a sustainable business for the future.

xvii. Shriram General Insurance

Shriram General is located in Jaipur and aims to meet the needs of most ordinary people. The group's vision is service to the underprivileged and offers coverage for a wide range of assorted risks beginning from travel to vehicles to shops to assets to weddings, etc. The company is prepared to serve the increasing demand with a large choice of insurance plans that cover almost every aspect of life. By paying special attention to innovative products and applying the latest developments in information technology to their activities, the organization stands out. The SGI team includes young and energetic executives to handle insurance and claim matters.

xviii. Tata AIG General Insurance Company Limited

Tata AIG was established in 2001 and is an Indian insurance company that is a joint venture between the Tata Group and American International Group (AIG). Its headquarters are in Mumbai. The comprehensive range of general insurance products includes legal responsibilities, marine cargo, personal accident, travel, rural-agriculture Insurance. With 200 offices across India, the company has a workforce of over 6,000 employees, including experts who are adept at dealing with claims, customer service, and other procedures.

1.9 DIFFERENCE BETWEEN GENERAL INSURANCE AND LIFE INSURANE

Listed below are the major differences between General Insurance and Life Insurance:

Parameter	General Insurance	Life Insurance
Applicability of Claim	In case of loss due to fire or any other peril, the insurance company will pay the claim amount after the deductible (as applicable).	The reimbursement under the life insurance is made either at the time of maturity or death.
Amount of reimbursement	General Insurance works as per the policy limits and conditions.	The Life Insurance Policy is an investment policy which is paid on maturity of the policy.
Functional period	General Insurance policies are issued for a period of 1 year.	Life Insurance policies are issued for lifetime or till the policy matures.
Payment of premium	Under General Insurance policies, the premium will be paid for one year till the renewal of the policy.	Under Life Insurance policies, the premium will be paid for the total term of the policy.
Insurable interest	Under a General Insurance Policy, the insurable interest of the policyholder should be present at the time of renewal and loss.	Under a Life Insurance policy, the individual who has the insurable interest should always be present.

1.10 SUMMARY

GIC is an Indian state-owned reinsurance firm that was founded in 1972. The firm is important in the Indian insurance sector since it provides reinsurance protection to various insurers, distributing the burden of insurance coverage and stabilizing the market. GIC is a

significant provider to the Indian economy and helps improve the nation's monetary system by investing in various assets.

The importance of general insurance in India cannot be understated but it is crucial that you understand the basic difference between the life and general insurance policies. You would be paying smaller amount premiums in the case of general insurance policies whereas premiums for specific insurances policies are separate and could be on the higher side. However, you should note that the general insurance policy may also offer lesser coverage as opposed to a special one.

1.11 TECHNICAL TERMS

GIBNA: General Insurance Business (Nationalisation) Amendment Act

GIC : General Insurance Corporation

Individual Health Insurance: Covers one policyholder.

Group Health Insurance: Covers the employees of an organization.

OPD Insurance: Outpatient Department Insurance

Super Top-Up Insurance: Pre & Post Hospital **Coverage**. **Up** to 100% Increase in Sum **Insured** Upon a Claim Free Renewal.

1.12 SELF ASSESSMENT QUESTIONS

1. What do you mean by Insurance'? Discuss the elements in insurance sector.
2. Discuss in detail about general insurance corporation Act.
3. Describe the objectives of GIC.
4. State the functions of GIC.
5. What are the general insurance policies in India? Explain
6. List out the general insurance companies in India.
7. Discuss the differences between general insurance and life insurance.

1.13 REFERENCE BOOKS

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LESSON -2
REGULATORY FRAMEWORK OF INSURANCE

OBJECTIVES OF THE LESSON

The objectives of the lesson are:

- To understand the concept of regulatory framework of insurance in India;
- To describe the objectives and role of IRDA in the insurance sector in India;
- To learns the functions, powers, features and benefits of IRDA;
- To know the types of insurances regulated by IRDAI and IRDA guidelines and rules for health insurance and
- To acquaint the differences between IRDA and SEBI.

STRUCTURE OF THE LESSON

2.1. Introduction
2.2. Brief History of IRDA
2.3. What is the IRDA?
2.4. Establishment of IRDA
2.5. Objectives of IRDA
2.6. Important Role of IRDA in the Insurance Sector in India
2.7. Functions of IRDA
2.8. Powers of IRDA
2.9. How does IRDA Work?
2.10. Features IRDA
2.11. Benefits of IRDA
2.12. Types of Insurances Regulated by the IRDAI
2.13. IRDAI Guidelines and Rules for Health Insurance
2.14. Difference between IRDA and SEBI on their Functions
2.15. Insurance Advisory Committee
2.16. Summary
2.17. Technical Terms
. 2.18. Self Assessment Questions
2.19. Reference Books

2.1 INTRODUCTION

Insurance is a big part of every economy. It helps minimize risks. People can take policies to protect themselves from financial losses. These policies are for different measures. One may take it for their health or property. The company becomes liable to pay if any financial loss occurs. These insurance businesses have set terms. Policyholders only get the claims if these conditions are met. Also, these businesses have to follow the government guidelines. They have a **regulatory framework of insurance.** It is by the Insurance Regulatory and Development Authority. All life or other general insurance companies must follow its rules. It helps protect the policyholders' interests. Insurance Regulatory and Development Authority (IRDA) is a statutory body set up for protecting the interests of the policyholders and regulating, promoting and ensuring orderly growth of the insurance industry in India.

2.2. BRIEF HISTORY OF IRDA

1991: Government of India begins the economic reforms programme and financial sector reforms.

1993: Committee on Reforms in the Insurance Sector, headed by Shri R. N. Malhotra (Retired Governor, Reserve Bank of India) set up to recommend reforms in insurance sector.

1994: Malhotra Committee recommends reforms after studying the insurance sector and taking inputs from all the stakeholders. Key recommendations of Malhotra Committee are:

- Private sector companies should be allowed to promote insurance companies
- Foreign promoters should also be allowed
- Government to vest its regulatory powers on an independent regulatory body answerable to Parliament.

1996: Setting up of an interim body called the Insurance Regulatory Authority.

1999: Enactment of the Insurance Regulatory and Development Authority (IRDA) Act, 1999.

2000: Formation of the Insurance Regulatory and Development Authority as an autonomous regulatory body on 19.4.2000.

Since 2000, IRDA has been serving as an independent regulatory authority for the insurance industry and to instill confidence among the policyholders in the financial viability of the insurance companies. IRDA has been playing a pivotal role in the insurance sector with a fundamental commitment to discharge its mandate for orderly growth of insurance sector.

IRDA has played a very important role in the growth and development of the sector by protecting policyholders' interests; registering and regulating insurance companies; licensing and establishing norms for insurance intermediaries, regulating and overseeing premium rates and terms of non-life insurance covers; specifying financial reporting norms, regulating investment of policyholders' funds and ensuring the maintenance of solvency margin by insurance companies; ensuring insurance coverage in rural areas and of vulnerable sections of society; promoting professional organisations connected with insurance and all other allied and development functions.

2.3. WHAT IS THE IRDA?

The IRDA sets the regulatory framework of insurance. It's the Insurance Regulatory and Development Authority. This authority controls the Indian insurance domain. It sets rules that are necessary for all insurance companies.

- The insurance sector is a large one. Several Indians take various insurance policies.
- These range from protecting their health to properties. The holders get claims if those events happen and they incur a loss.
- Companies provide these insurance policies. There are both government and private players. These companies have a regulatory framework of insurance. It details the rules and oversees their functions.
- The Insurance Regulatory and Development Authority is at this helm. It sets the rates or charges for insurance as well.
- This body aims at an efficient insurance system. It promotes the well-being of India's insurance market.
- Also, the policyholder interests are its aim. The policies are thus formed keeping these in mind.

All insurance companies must adhere to the regulatory framework of insurance. It ensures that there are no downsides. The policyholders can get beneficial insurance to cover their risks. These policies are for uncertain and calculable financial losses.

2.4 ESTABLISHMENT OF IRDA

The **regulatory framework of insurance** is integral to the IRDA. Read below to understand its establishment.

- The IRDA began back in 2000. Earlier, the Indian government regulated the insurance sector.
- The IRDA was formed as per the Malhotra Committee reports in 1999. It was a stand-alone insurance apex body.
- The IRDA started registration applications through invites in August 2000. Foreign companies could also invest up to 26 per cent in this insurance market.
- This regulating body has defined rules under the Insurance Act of 1938 and Section 114A.
- These regulations cover rules for protecting policyholders' interests. Also, it has details for insurance business registrations.
- There are 33 general insurance businesses. The life insurance companies are 24 currently in India.

These details cover the **regulatory framework of insurance**. It started back in 2000 and now has several private and government insurance businesses.

2.5 OBJECTIVES OF IRDA

The regulatory framework of insurance has several objectives. Read below the objectives.

i. The IRDA aims to promote and protect the policyholders' and investors rights and interests.
ii. To promote orderly growth of insurance industry in the country, including registration of the insurance companies.
iii. To administer the provisions of the insurance act
iv. There should be swift insurance claims. Also, the body seeks the prevention of fraud in the industry.
v. The IRDA ensures transparency in the insurance market. Also, the rules provide orderly conduct.
vi. IRDA regularly creates rules for better insurance market functioning. It helps create an overall better economic environment.
vii. To adjudicate on disputes.
viii. To device control activities needed for smooth functioning of the insurance companies including investment of funds and the solvency requirements to be maintained by insurance companies.
ix. To lay down the accounting methodology to be adopted.

2.6. ROLE OF IRDA IN THE INSURANCE SECTOR IN INDIA

The **regulatory framework of insurance** has an integral role. It governs the entire market and provides for better functioning. Read below the role of IRDA.

(i) **Policyholder interests**: The IRDA aims to make insurance better for clients. They work to make easy laws. It helps get easy claims.
(ii) **Industry growth:** The regulatory framework of insurance is a growth driver. It helps create laws that make market entry easier. Businesses can easily enter. Also, customers have better insurance policies and rules.
(iii) **Funding**: The IRDA helps increase market funding. It promotes long-term growth for the insurance industry.
(iv) **Fair dealings**: The regulatory framework of insurance oversees the industry's work. It helps set higher integrity standards and rules. This also leads to fair dealings for insurance claims.

(v) **Grievance address**: The IRDA has set a regulatory framework and grievance forums. These bodies' help clients complain if they aren't treated correctly.

(vi) **Regulation**: This body takes regulatory actions if the companies don't follow the rules. It helps in better overall functioning for the market.

These roles are all part of the **regulatory framework of insurance**. Businesses need to know these rules. Also, clients should understand their rights and enforce the same.

2.7 FUNCTIONS OF IRDA

As mentioned earlier, the primary function of IRDA is to protect the interest of the policyholders and ensure the sector offers stability, transparency, and efficiency to its policyholders. To achieve these goals, the insurance regulatory authority of India undertakes the following essential functions:

i. **Ensures policyholder protection:** It sets norms and rules to protect the interest of the policyholders. The Policyholder's Protection & Grievance Redressal Department of the regulatory body investigates complaints and grievances from policyholders and takes them up with the respective insurer for redressal.

ii. **Creates consumer awareness:** IRDA conducts various campaigns, publishes educational material and takes several initiatives to create consumer awareness about insurance products.

iii. **Imposes regulations and conducts supervision:** IRDA sets up, enforces, and supervises guidelines and regulations to govern the insurance sector and all its participants, like the insurance companies, intermediaries, and other parties.

iv. **Monitors financial stability:** The regulator of the insurance sector in India monitors the financial stability and solvency of the insurance providers and ensures policyholder claims are met.

v. **New product approval:** The insurance providers must get their new product or policy approved by the IRDA to launch.

vi. **Takes an active role in market development:** The body encourages innovation and technological development to promote and expand the insurance sector in the country.

vii. **Cooperates with international regulators:** To ensure the Indian insurance market is at par with global standards, the regulatory body collaborates with its global counterparts to exchange best practices, knowledge, cross-border challenges, and other aspects.

2.8. POWERS OF IRDA

The IRDA has been given wide-ranging powers in the matter of promoting and regulating the orderly growth of business and exercising control over agents and other intermediaries. The following are some of the powers of IRDA.

i. Granting permission for the establishment of new Insurance Companies.
ii. Protecting the interests of policyholders in all matters.
iii. IRDA specifies the qualifications, code of conduct and training required for insurance agents and other intermediaries.
iv. Promoting efficiency in the conduct of the insurance business.
v. Encouraging and overseeing professional associations which are connected with the insurance and reinsurance industries.
vi. Inspection, investigation and audit of the insurers and intermediaries.
vii. Prescribing principles of maintenance of accounts.
viii. Regulating and directing the investment of funds by the Insurance Companies.

ix. Adjudicating the disputes between insurers and intermediaries. Specifying the minimum quantum of rural business to be procured by Life and General Insurance Companies and imposing penalties for non-compliance with provision.

2.9 HOW DOES IRDA WORK?

An IRDA is necessary. Without these rules, the marker would all be in turmoil. There would be increased fraud, and people wouldn't trust the system. Thus, they wouldn't take insurance as well. It would further lead to economic instability with high losses. That's why the working of IRDA is integral. Read below to understand the same.

- IRDA rules should not have any ambiguity. It means that businesses should fully understand the rules and follow the same.
- IRDA is the registration body. It issues the companies their registrations. Thus, every new insurance business goes through the **regulatory framework of insurance.**
- IRDA independently creates rules. These regulations focus on policyholders and market growth.
- Ensures a fair settlement for genuine claims. Insurance companies cannot deny claims if all conditions are correct.
- Insurance intermediaries or companies must follow a conduct code. The **regulatory framework of insurance** enforces it.
- IRDA settles disputes in the industry. IRDA also regulates insurance rates. It helps ensure that clients don't face high hikes for premiums.
- IRDA ensures the development of both rural and urban insurance markets. It sets percentages for insurance companies for insurance policies in different areas.

The **regulatory framework of insurance** thus covers all these aspects. The IRDA covers everything from basic registration rules to ensuring rural access.

2.10 FEATURES OF IRDA

The **IRDA** body has the following features.

i. It is a regulatory body. IRDA covers rules and enforces the same.
ii. IRDA protects policyholders. It ensures no fraud and swift claims.
iii. Section 114A of the 1938 Insurance Act covers the rules. The IRDA defines the different guidelines in this section.
iv. It grants registration certificates. The Insurance Act grants this responsibility to the IRDA.
v. This body oversees both the companies and the overall market. It helps in sustained development.

2.11 BENEFITS OF IRDA

The IRDA has these advantages.

i. It prioritizes the policyholders. The policies are made as per their benefits.
ii. The IRDA oversees the insurance market. It ensures that companies follow the rules.
iii. IRDA prevents fraud. It regulates all the insurance businesses.
iv. IRDA settles disputes for insurance. It helps in quick settlements for claims.
v. IRDA prevents high increases in insurance rates. It makes the policies more affordable.

2.12 TYPES OF INSURANCES REGULATED BY THE IRDAI

The IRDA covers the two major types. These are life and general insurance. The regulating authority covers these types and provides for the policyholder's interests. Read below the various types.

2.12.1 Life Insurance

Life insurance provides one's family with financial aid. It happens when the person passes away or faces a disability. Their family gets this amount to fulfil their financial needs. A person can get this insurance with regular premiums or a lump sum payment. It becomes necessary when there's only a sole earner. Read below the various insurance under this type.

i. **Term plans:** This life insurance policy is for a specific period. The person's family will receive the claim amount if they pass during that period. However, they won't get anything if the person survives past the policy term.
ii. **Endowment Policy**: This policy also covers a specific period. The holder's family gets the money if they pass within that period. But, this policy will pay the money to the holder if they survive after maturity.
iii. **Unit-linked Insurance Policies**: These policies use the premium in two parts. It goes to the policy and to investments. A part is invested in equity or debt. The family receives the total amount after the holder's death.
iv. **Money-back Policies**: These policies offer the holder a part of the claim throughout the period. It is the survival benefit. The holder gets the balance after the maturity period. The family gets the entire amount if they die.
v. **Retirement Policies**: These policies provide fixed pension sums after one retires. The family gets the entire claim if they die.

2.12.2 General Insurance

The **regulatory framework of insurance** also covers non-life policies. These general policies cover other risks than life. It may be for travel, gadgets, property, health, etc. Read below the various types covered by the regulatory framework of insurance.

i. **Health Insurance**: These policies cover the policyholder's medical costs. It can be testing, hospitalization, or other bills.
ii. **Motor Insurance Policies**: These insurance policies cover vehicles. People can claim damages and repair cars or bikes. The insurance business becomes liable to pay the costs.
iii. **Property Insurance Policies:** One can take insurance for their home or other property. It helps cover the costs if there are any damages. It can be due to theft, fire, loss, etc.
iv. **Travel Insurance**: These travel policies cover expenses when one travels. It can be for medical bills, baggage loss, flight delays, etc.
v. **Gadget Insurance**: These policies are for expensive gadgets. One may take insurance for their phone or laptop to cover damages or repair costs.

2.13 IRDA GUIDELINES AND RULES FOR HEALTH INSURANCE

A person's health becomes a matter of concern when a medical emergency hits. It can be equally drowning for the patient and the loved ones both in terms of sufficient financial aid and emotional support. The financial support can be provided by a health insurance company if the patient is covered with a comprehensive policy. A potential policyholder has complete freedom over choosing a policy as buying health insurance is not a legal requirement. But how can the policyholder trust an insurance company? This is where IRDA's New Standardization Guidelines come into the picture.

The IRDA has meticulously jotted down multiple rules that need to be complied with. These rules help both the insurer and the insured to provide and avail a fair deal in terms of health insurance and allied services. Following is a list of some important rules laid down by the IRDA.

i. If the policyholder renews a health insurance policy in time (without any gaps in renewal), then the policy may not have an exit age.
ii. The validity of a group health insurance policy can only be of one year.
iii. It is an obligation of the insurance company to inform the policyholder about the terms and conditions of a health insurance policy with respect to availing treatment at medical facilities across India.
iv. For specific health insurance policies that provide coverage to a particular group of people (for example children up to a certain age, students, pregnant women, etc.) the insurance company shall provide an option to the policyholder for migrating to another plan upon meeting the exit criteria. And provide suitable credits if the policy was renewed without any gaps.
v. If an application for buying a health insurance policy is denied, the insurance company should provide a fair, justifiable, and transparent reason in writing to the applicant.
vi. The policyholder that renews the policy in time has bought the policy early in life or provides a favorable claims experience with an insurance company shall be rewarded. The rewards (as approved by the board) should be clearly mentioned on the prospectus and policy document.
vii. The insurance company should provide a list of medical facilities (government or others) to the policyholder from where the medical reports will be accepted by the company before issuing the policy.
viii. The amount of premium charged, especially for senior citizens, should be justified, fair, and transparent. The final amount should also be communicated in a clear manner to the potential policyholder.

IRDA guidelines for health insurance 2020 focus on aspects related to claim settlement, use of multiple policies, etc. Take a look at the following new IRDA rules:

i. **Claim Rejection:** A health insurance company cannot reject a claim if the policy is renewed without a break for 8 years by the policyholder. The 8-year period will be called the moratorium period. The insurance company cannot appeal to the IRDA against the settlement of such claim except for fraud and/or a claim raised against the exclusion of the policy after the moratorium period. The insurance company cannot reject a claim on the basis of misrepresentation or non-disclosure. IRDAI has given a period of 8 years to the insurance company for verifying the information provided by the policyholder and thus, a claim cannot be rejected on those grounds.
ii. **Inclusion of Telemedicine under Health Insurance:** The COVID-19 pandemic has forced both healthcare providers and patients to provide and avail remote consultations. The fee for such online consultations can amount to a large sum that would prove to be a financial loss to the insured person. Thus, IRDA has decided to ask health insurance companies to include telemedicine in the coverage where applicable. This move has allowed medical practitioners and patients to freely avail medical opinions.
iii. **Claim Settlement:** In case of a delay in claim settlement from the insurer's end, the insurance company is liable to pay the interest on the claim amount at the rate of 2% more than the bank rate. The claim should be settled within 30 to 45 days from the date of communicating the last required document to the policyholder. The time duration will be dependent upon the nature of the claim and investigation required.

2.14 DIFFERENCES BETWEEN IRDA AND SEBI

Different industries or sectors are regulated by an apex body. They frame rules and regulations, monitor the functions of companies and ensure that they protect the stakeholders.

Hence, the apex body for the insurance sector is the IRDA or Insurance Regulatory and Development Authority. As for SEBI or Securities Exchange Board of India, it regulates securities and commodity sectors in the country. Below is the comparison between IRDA and SEBI:

IRDA	SEBI
Regulates the insurance industry	Regulates the securities and commodity industry
Established in 1999	Established in 1992
Protects the interests of insurance policyholders	Protects the interests of investors in securities
Grant certificate of registration to insurance companies to issue insurance policies.	Grant certificate of registration to stockbrokers, bankers, sub-brokers to issue deeds.
Frames rules and regulations under the Insurance Regulatory and Development Authority Act	Frames rules and regulations under the Securities and Exchange Board of India Act

2.15 INSURANCE ADVISORY COMMITTEE

The Authority may, by notification, establish with effect from such date as it may specify in such notification, a Committee to be known as the Insurance Advisory Committee.

The Insurance Advisory Committee shall consist of not more than twenty-five members excluding ex officio members to represent the interests of commerce, industry, transport, agriculture, consumer fora , surveyors, agents, intermediaries, organizations engaged in safety and loss prevention, research bodies and employees' association in the insurance sector.

The Chairperson and the members of the Authority shall be the ex officio Chairperson and ex officio members of the Insurance Advisory Committee.

The objects of the Insurance Advisory Committee shall be to advise the Authority on matters relating to the making of the regulations under section 26.

Without prejudice to the provisions of sub-section (4), the Insurance Advisory Committee may advise the Authority on such other matters as may be prescribed.

2.16 SUMMARY

In summary, the Insurance Regulatory and Development Authority (IRDA) play a crucial role in the insurance industry by regulating and promoting its orderly growth. It manages registrations, sets ethical standards for industry intermediaries, exercises key powers under relevant acts, and protects policyholders’ interests, ensuring a fair and transparent insurance environment. IRDA’s multifaceted functions are essential for the industry’s integrity and policyholder security. While purchasing a health insurance policy, it’s important to read the guidelines lay down by the insurance regulator, IRDAI, to enjoy optimum benefits. With the insurance industry undergoing constant changes and upgradation, being aware of the rules and regulations will help you make the right choice, meet all your medical requirements, and keep you financially safe.

2.17 TECHNICAL TERMS

IRDAI: Insurance Regulatory Development Authority of India
IAC: Insurance Advisory Committee
SEBI: Securities Exchange Board of India
ULIPs: Unit-Linked Insurance Plans

2.18 SELF-ASSESSMENTQUESTIONS

1. What do you understand by Regulatory Framework of Insurance'? Discuss the concept of IRDA.
2. Discuss in detail establishment and objectives of IRDA.
3. Describe the role of IRDA in insurance sector in India.
4. Explain the functions and powers of IRDA.
5. What are the features and advantages of IRDA? Explain
6. What are the types of insurances regulated by the IRDAI and IRDA guidelines and rules for health insurance? Discuss.
7. State about insurance advisory committee.
1. Discuss the differences between IRDA and SEBI.

2.19 REFERENCE BOOKS

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LESSON - 3
MOTOR VEHICLE ACT 1988

3.0 Objectives of the lesson:

After go through this lesson you are able to:

- To know the Historical Background of Motor Vehicles Law in India
- Understand the Types of Motor Vehicles
- Understand the Essentials of Motor Vehicles Law
- Understand concept of Insurance of Motor Vehicles

Structure of the lesson

3.1 Introduction
3.2 Types of Motor Vehicles
3.3 Essentials of Motor Vehicles Law
3.4 Historical Background of Motor Vehicles Law in India
3.5 Insurance of Motor Vehicles
3.6 Summary
3.7 Technical terms
3.8 Self Assessment Questions
3.9 Reference books

3.1 INTRODUCTION

3.1.1 Introduction

All states are connected to one other by way of roads and highways. There is a fast increase in the number of commercial as well as personal vehicles in the country. On these roads, different types of vehicles are used to cover different distances. Like scooters, motorcycles used for short distances and cars, buses etc. for long distances. These vehicles are called motor vehicles. Vehicles which are used by us as our conveyances are also called 'Means of Transport.' The transport system of a country consists of all the various types of transport i.e. land transport, water transport and air transport. Land transport consists of Railways and Road transport.

One of the most striking features of modern living is motor vehicles. Before the invention of the automotive, people either walked or used animals as a mode of transportation. The advent of automobiles and them being the preferential mode of travel has brought many positive as well as negative effects. Travelling by the cars or any other kind of two wheeler vehicles are considered to be safer as well as convenient for travel. On the other hand rash driving and driving by the juveniles and poor conditions of the roads leave the motorists vulnerable to the accidents causing injuries and deaths too. Usually these kinds of accidents are caused due to the negligence of the motorists in following the traffic rules prescribed by the legislation. During 2018, around 1.49 lakh people in India died due to road accidents and approximately 4.61 lakh road accidents were reported. In last decade, country has lost near about 1.3 lakh people annually on an average. Majority of the affected people are in the age group of 20 to 40 and in some cases the victim is the only bread earner of his family and his death or disability to work causes financial restraint on his family.

All the transportation is responsible for worldwide greenhouse gas emissions. It causes lot of air and noise pollution and these vehicles also cause many accidental deaths. On the other side, weak bridges and badly constructed roads also restrict the movements of heavy

vehicles and higher loads. Due to an alarming development of road transport machinery, which includes various types of motor vehicles, a large number of accidents take place day in and day out. Sometimes it is found that whole of the family has died in such accidents leaving behind kids only. On the other hand, it is also reported that in such cases some people become permanently disable. Sometimes not in position to do any work. Persons who are affected by accidents caused by motor vehicles are generally the cyclists and pedestrians. These pedestrians, cyclists and motorcyclists represent more than half of all global deaths. Pedestrians and cyclists represents twenty six percent of all deaths, while persons using motorized two and three wheelers comprise another twenty eight percent and people using cars make up twenty nine percent of all deaths and remaining seventeen percent are unidentified road users. Traffic related deaths, injuries, and damage of property are constant feature of daily news. There is an alarming increase in incidents related to drunken driving and underage driving.

The World Health Organization (WHO) launched the World report on road traffic injury prevention. This report mentions the global increase in road traffic injuries. It also set out goal to reduce injuries and deaths results from accidents and also prescribe duties of the government to minimize these injuries etc.

The first WHO Global report on road safety revealed that the legislation in case of road traffic injuries is incomplete in most of the countries and the existing laws are not adequately enforced especially in under developing countries. But the second global report which published in 2013 shows no improvement in case of road safety legislation. In 2010, the United Nations General Assembly approved the resolution, proclaiming a ‘Decade of Action for Road Safety 2010 – 2020’ which compels all member states to take joint action to reduce the risk factors for traffic injuries up to fifty percent by the end of the decade.

Government agencies and non-governmental organizations (NGOs) have, from time to time, attempted to deal with this problem of disastrous proportions. The Motor Vehicle Act, 1988 is the central legislation which covers almost every aspect related to motor vehicles like registering of motor vehicles, licensing of drivers, compensating victims of mishaps. Almost all the states in India have enacted Motor Vehicle Rules for issue of permits to owners and issue of licenses and to regulate registration of vehicles. In case of violation of such regulations, certain kinds of serious punishments are also prescribed under the Act. It also covers driver and vehicle safety laws and the rules & regulation relating to insurance of such vehicles. Steps like road safety weeks and environmental awareness drives as also the legal aspect of punishment have been hardly effective. The killings and damages continue unabated.

Road accidents are not the only problem relating to motor vehicles. There are various other problems connected with motor vehicles like bogus driving licenses, vehicles thefts, other traffic violations, insurance related issues, environment pollution, etc.

Safety regulations have therefore been imposed on all the means of transport. In road transport, the motor vehicles should be inspected by the governmental officials as to their road worthiness before registration and authorization to ply over the roads. The drivers and the conductors are required to undergo test and obtain the licence. The vehicles are often subjected to check to ensure the observance of conditions regarding maximum loads, brakes, lights etc.

Recently The Motor Vehicles (Amendment) Act, 2019 was in the news. This aims at reducing road accidents by up to fifty percent in the next five years in India.14 The Union Transport Minister Shri Nitin Gadkari has hailed this as the biggest reform in the road safety and transport sector.

This development, in the backdrop of the foregoing discussion, evoked the researcher's interest to pursue the current topic related to motor vehicle laws for doctoral research so as to explore and analyze it vis-à-vis the problems and their solutions relating to motor vehicles

3.2 TYPES OF MOTOR VEHICLES

3.2.1 TYPES OF MOTOR VEHICLES

Automotive industry plays very important role in India. It is one of the biggest industries in the world and also growing very rapidly. Before the invention of the motor vehicles running on petrol, there were steam cars which were built around two hundred fifty years ago. These kinds of vehicles are very heavy and also move very slow. In 1885, Karl Benz and Gottlieb Daimler made motor cars which ran on petrol and after that diesel engine was invented by Rudolf Diesel. But now with the advancement of the technology, there are lots of motor vehicles in existence which run on electricity and hybrid vehicles which run on fuel like petrol and also on the electricity. These kinds of vehicles are also less polluting than the vehicles on the diesel or petrol cars. Different types of the vehicles are found on the Indian roads on daily basis. The automobile industries classify the vehicles into four broad categories:

- Two- wheelers or three- wheelers vehicles.
- Passenger's vehicles.
- Commercial vehicles.
- Special application vehicles.

Indian motor vehicles exports in 2018-2019 consisted of 676,000 medium passenger vehicles, 100,000 commercial vehicles, 3.28 m two-wheelers vehicles and 568,000 three-wheelers. Vehicle classification is a very difficult issue because of wide range of shapes and sizes of vehicles. Motor vehicles are usually categorized on the basis of weight, service, transport or non- transport purposes, rented vehicles, vehicles for carriage purposes, passenger vehicles and especially for the transport of goods purposes, etc.

3.2.2 ON THE BASIS OF WEIGHT

In this category, the vehicles are classified on the basis of weight of the vehicles. Weight means the total weight transmitted for the time being by the wheels of a vehicle to the surface on which the vehicle rests or moves. It means the unladen weight of the vehicle fixes the category of such vehicle. In this category, vehicles are divided into five sub-categories.

i. Heavy Goods Vehicles
ii. Heavy Passenger Motor Vehicles
iii. Light Motor Vehicles
iv. Medium Goods Vehicles
v. Medium Passenger Vehicles

i. Heavy Goods Vehicles

It means any goods carriage the gross vehicle weight of which, or a tractor or a road roller the unladen weight of either of which, exceeds twelve thousand kilograms. It is kind of a large truck used for transporting the goods. The word 'unladen weight' means the weight of a vehicle or trailer including all equipments ordinarily used with such vehicle while working, but excluding the weight of the driver or attendant and where alternative parts or bodies used, the unladen weight of that vehicle should be the weight of vehicle with the heaviest such alternative part or body.

ii. Heavy Passenger Motor Vehicle

It means any public service vehicle or private service vehicle or educational institution bus or omnibus the gross vehicle weight of any of which, or a motor car the unladen weight of which, exceeds twelve thousand kilograms.

iii. Light Motor Vehicle

Light motor vehicles means a transport vehicle or omnibus the gross vehicle weight of either of which or a motor car or tractor or road roller the unladen weight of any of which, does not exceeds seven thousand five hundred kilograms. Before Amendment Act 1994, the weight was limited up to six thousand kilograms.

iv. Medium goods vehicle

It means any goods carriage other than a light motor vehicle or a heavy motor vehicle. The Motor Vehicle Act does not define the medium goods vehicle, it only explains the mediums good vehicle as the vehicle which does not come in the category of heavy or light motor vehicle. So, if the unladen weight of the vehicle is between seven thousand five hundred kilograms and twelve thousand kilograms then such vehicle is categorized as medium motor vehicle.

v. Medium Passenger Motor Vehicle

Medium passenger motor vehicle defined as any public service vehicle or private service vehicle, or educational institution bus other than a motorcycle, adapted vehicle, light motor vehicle or heavy passenger motor vehicle. The word adapted vehicle is substituted for “invalid carriage” by the Amendment in 2019.

3.2.3 ON THE BASIS OF NUMBER OF THE PASSENGERS

In this second category, the vehicles are divided on the basis of passengers. It means the motor vehicles are constructed specially to carry specific number of the passengers. It includes three kinds of motor vehicles.

I. Maxi Cab

According to the act, any motor vehicle constructed or adapted to carry more than six passengers, but not more than twelve passengers, excluding the driver, for hire or reward. So the capacity of the vehicle to carry the passengers including driver should be thirteen. In case the authorities, after going through the description of the vehicle as given by the manufacturer, find that such vehicle can be classified as maxi cab for having the seating capacity of more than six, argument cannot be raised that in view of the description in the registration certificate the vehicle cannot be considered as maxi cab.

II. Motor Cab

It means any motor vehicle constructed or adapted to carry not more than 6 passengers excluding the driver for hire or reward. Motor cab is smaller than the maxi cab because its limitation to carry passengers should not be more than six. An auto rickshaw falls within the category of a motor cab. E-cart and E-rickshaw also come under the category of Motor Cab. It means a special battery powered vehicle of power not exceeding 4000 watts, having three wheels for carrying goods or passengers, as the case may be, for hire and reward, adapted or constructed, manufactured, equipped and maintained in accordance with such specifications as may be prescribed. It was inserted by the Amendment Act in 2015.

III. Omni Bus

It means any motor vehicle constructed or adapted to carry more than six passengers excluding the driver. In this category the minimum limit of passengers is prescribed but maximum limitation is not mentioned. It is also known as mini buses. The definition of omnibus

and the maxi cab was not defined it was inserted in 1956 by the Motor Vehicle Amendment Act. In other words we can define omnibus as the motor vehicle constructed to carry persons and having sitting arrangement of more than seven persons including driver and which is used for the conveyance of the people for reward whether at separate fares or otherwise or for the conveyance of children going to school or for any journeys etc.

3.2.4 ON THE BASIS OF SERVICE

Under this category, the vehicles are classified on the basis of the service provided by such vehicles. Like some of the vehicles are manufactured for the purposes of service provided to the general public and some of those vehicles are for private service. As per this classification, the vehicles are of two kinds;
a) private service vehicle
b) public service vehicle.

a) Private Service Vehicle

As it is clear from the name of the term, it means a motor vehicle used for private purposes and which is constructed or adapted to carry more than six persons excluding the driver and ordinarily used by or on behalf of the owner of such vehicle for the purpose of carrying persons for, or in connection with, his trade or business otherwise than for hire or reward but it does not include a motor vehicle used for public purposes. It means this kind of vehicles cannot be engaged for the public purposes.

b) Public Service Vehicle

The vehicles in this category are that motor vehicles which are used or adapted to be used for the carriage of passengers for hire or reward. In other words, the vehicles used by the general public to travel to and from one place to another or on particular routes. Bus is best example for this type of vehicles.

3.2.5 VEHICLES FOR AGRICULTURAL PURPOSES

Agricultural Vehicles are those vehicles which are used specifically for agricultural functions like farming. Tractors, Combines and Harvesters are some of the examples of the agricultural vehicles. All these vehicles are constructed for performing different functions.

I. Tractor

Tractor is a motor vehicle which is used for pulling heavy machinery used for farming at a low speed. It has very large and thick back wheels and front wheels are front wheels are normal as compare to back wheels. It is farm vehicle that provides the power and traction to mechanize agricultural functions. The implements or equipments used for farming are pulled behind the tractor or mounted on it. These vehicles are very heavy in weight. The functions performed by the tractors are plowing, tilling, disking, harrowing, planting and similar tasks.

II. Combine Harvester

It is a kind of motor vehicle that harvests grain crops. It performs three different functions like reaping, threshing and winnowing in a single process. The waste materials left behind on the field are the leaves and the dried stems. It is one of the most important labour saving inventions because it engages very less people to operate.

3.3 ESSENTIALS OF MOTOR VEHICLES LAW

3.3.1 ESSENTIALS OF MOTOR VEHICLES LAW

The motor vehicles laws are those laws which are especially related to the various matters of motor vehicles. In case of any mishappening, the victim has a right to claim under these laws. It covers every aspect relating to the registration of vehicles, driving licenses of the drivers and alteration of such vehicles and compensation in case of accidents caused by the motor vehicles. The motor vehicles law varies from state to state because under these laws state has power to make rules in relation with these vehicles, but some doctrines are followed nationwide. Some of the essential elements of the motor vehicles law are given as under:

- The motor vehicles law provides road safety standards and pollution control measures, standards for transportation of hazardous and explosive materials.
- The motor vehicles laws take proper care of the fast increasing number of both commercial vehicles and personal vehicles in the country.
- Simplification of procedure followed by the authorities and the policy liberalizations for private sector operations in the road transport field.
- It usually prescribes the limit of compensastion payable as a result of motor accidents in respect of death and permanent disablement.
- The claim for personal injury would abate on the death of claimant and would not survive to his estate, it survive only if the death has nexus with injuries and only in such cases the legal heirs would be entitled to come on record and continue with the prosecution of the claim.
- Separate Motor Vehicles Accident Fund is to be utilized for giving immediate relief to victims of motor accidents and also hit and run cases.
- In case of violation of the provisions of these laws, very stringent penalties are prescribed, so that the general public must follow these traffic rules.

3.4 HISTORICAL BACKGROUND OF MOTOR VEHICLES LAW IN INDIA

The advent of motor vehicles in India gave rise to the need to have a law to govern their usage and tackle consequent problems. The first motor vehicle appeared in India in the year 1898.58 After the Second World War, there is a fast increase in the number of motor vehicles in country. It gives rise to the problems relating to the motor vehicles. Newspapers in every city in India give a daily report of people injured and killed in traffic accidents.

In the early stages, the Road Transport was free from restrictions because it did not require any control. But later on between 1903 and 1911 most of the provinces in India had adopted legislation to deal with the registration of the vehicles.

The evolution of the law on the subject can be distinguished chronologically into three eras, viz.

- Before The Motor Vehicles Act, 1988
- The Motor Vehicles Act, 1988
- The Motor Vehicles (Amendment) Act, 2019.

3.4.1 PRE - 1988 ERA

In this era, mainly three legislations came into force. The Fatal Accidents Act, 1855, the Motor Vehicle Act, 1914 and the Motor Vehicles Act, 1939.

i. **The Fatal Accidents Act, 1855:**

Before 1855, there was no legislation touching upon the use of motor vehicles in India. This Fatal Accidents Act, 1855 was the first legislative step towards this direction. Fatal Accident means, “an accident which causes someone to die.” The Parliament in England introduced Fatal Accidents Act, 1846, popularly known as Lord Campbell’s Act. In India, the same Act was followed by enactment of the Fatal Accidents Act, 1855, almost on the pattern of the English Act. It did not cover all aspects relating to the motor vehicles. It provided that on the death of a person which is caused by the neglect or default of another person, the representatives of such person can maintain an action on behalf of the wife, husband, child or as parents. So, basically, it provided only for a right of legal heirs, and the procedure to be followed thereof, to claim compensation from the person committing negligence.

Under this Act, the claims arising out of use of motor vehicles resulting in fatal accidents were to be filed before civil court. And the claims for the loss of estate of the deceased caused by tortfeasor were, therefore, protected under section 306 of the Indian Succession Act, 1925 which provided that all claims and demands and all rights to prosecute or defined any action or any special proceeding existing in favor of or against a person, at the time of his decease, survive to and against executors and administrators. Furthermore, no regulations relating to other matters related to vehicles – such as licensing, registration and insurance – were covered.

The Indian Fatal Accidents Act came into force on March 27, 1855. It was enacted to provide compensation to the families of the victims whose death was caused by the actionable wrong. It contains only four sections. It extends to the whole of India except the state of Jammu and Kashmir. When the death of the person was caused by the wrongful act, neglect or default and such act or default is such as would have entitled the party injured to maintain an action and recover damages in respect of such act, the party who would have been liable if death had not ensued shall be liable to an action or suit for damages, notwithstanding the death of the person injured, and although the death shall have been caused under such circumstances as amount in law to felony or other crime. Section 2 deals with that not more than one suit to be brought for or in respect of same subject matter but the executor or the representative of the deceased may insert a claim for and recover any pecuniary loss to the estate of the deceased caused by such wrongful act. And such amount when recovered shall be deemed part of the assets of the estate of the deceased. It is the duty of the plaintiff to deliver all particulars of the person on whose behalf such action or suit shall be brought, and the nature of claim in respect of which damages shall be sought to be recovered. Section 4 of this Act deals with the interpretation clause and this one is the last section of this Act. Some of the words defined under this section are person, parents and child. The word person used in the Act applies to politic body as well as corporate body. Parent term means father and mother, grandfather and grandmother, but step mother and step father are excluded from the term. The term child also include the step children, it means son, daughter, grandson, granddaughter, and step son and step daughter.

ii. The Indian Motor Vehicles Act, 1914:

The first statutory law specifically relating to motor vehicles in India was the Motor Vehicles Act, 1914. This Act is enacted to consolidate and amend the law relating to the motor vehicles in British India. It received the assent of the Governor General on February 28, 1914 and it came into force on April 1, 1915. This Act, except Part III, which deals with the provisions related to licensing of the drivers and the control, extends to the whole of British India, including British Baluchistan, the Sonthal Pargana of Spiti. Part III extends in the first instance only in the provinces of Bengal, Madras, Bombay, the Punjab, Burma, Bihar and Orissa, the North-West Frontier Province and Delhi. It contains only nineteen sections dealing with the registration of

vehicles, licensing of drivers, penalty for reckless driving etc, and it was not a comprehensive legislation which could regulate healthy growth of the road transport industry.

In this Act, the legislature prescribed rules relating to the eligibility conditions for and licensing of drivers. Registration of motor vehicles was made compulsory. The penalty for violation of provisions of this Act was fine. It prescribed the provisions of general application which prohibited the person to drive the motor vehicle who is under eighteen years of age. Section 4 prescribed the duty to stop the vehicle for regulating the traffic and in case of accident it means the driver of the motor vehicle stop his vehicle when he was required to do so by any officer in case of regulating the traffic or for ascertaining his name and address for the purpose of prosecuting such person. The three occasions when the person is required to do so are:

a) When he was asked by a police officer for any purposes prescribed under the act,

b) When he was asked by the person in charge of an animal under the situations prescribed under section 4(b),

c) When accident has happened.

In case of reckless and negligent driving, or driving in any manner which is dangerous to the public the person driving the vehicle shall be punishable with the fine up to five hundred rupees. This act restricted the transfer of the license under section 7.

3.5 INSURANCE OF MOTOR VEHICLES:

Motor Vehicle Insurance is very important and compulsory area of knowledge in Indian perspective. It has gained very much importance due to increasing the economy and increase in motor vehicles on roads. Due to the number of motor accidents increasing constantly, the need and desirability of motor vehicle insurance also increased. It is mandatory under Motor Vehicle Act that every vehicle should have valid insurance either used for social or domestic and pleasure purposes. Chapter X containing Sections 140-144 which deals with “Liability without fault” cases has been omitted by the Motor Vehicles (Amendment) Act, 2019.

Chapter XI containing sections 145-164D deals with “Insurance of Motor Vehicles against Third Party Risks” has substituted the Chapter XI of the Act of 1988.

3.5.1 RELEVANT DEFINITIONS: Before going through the provisions, we must know some important terms used in this Chapter. These are as follows:

i Insurance: It means an arrangement by which payments are made to a company who in return pay compensation in the event of loss, damages, death etc.

ii Authorized Insurer: It means an insurer carrying on general insurance business in India and granted a certificate of registration by the Insurance Regulatory and Development Authority of India established under section 3 of the Insurance Regulatory and Development Authority Act, 1999 and any Government insurance fund authorized to do general insurance business under the General Insurance Business (Nationalization) Act, 1972.

iii Third Party: The definition of “Third Party” was an inclusive definition, has been given a wider connotation and now it is defined to include the Government, the driver any other co-worker on a transport vehicle.

3.5.2 NECESSITY FOR INSURANCE:

No person shall use, except as a passenger, or cause or allow any other person to use, a motor vehicle in a public place, unless, in relation to the use of the vehicle by that person or that other person, a policy of insurance complying with the requirements of this chapter.

This provision is not applicable to any vehicle owned by central or state government and used for purposes not connected with any commercial enterprise. This section prohibits the owner of the vehicle from using such vehicle without obtaining the insurance policy. It does not give any right to an owner who has failed to comply with the provisions of law to claim indemnification from the insurance company for any injury or death caused by his negligence to a third party. The appropriate Government may, by order, exempt from the operation of this section, any vehicle owned by any of the following authorities, namely:

1) The Central Government or a State Government, if vehicle is used for purposes connected with any commercial enterprise,

2) Any local authority,

3) Any State Transport Undertaking.

3.5.3 SALIENT FEATURES OF THIRD PARTY INSURANCE

When any injury or death of third person caused by your vehicle or any kind of damage to another person’s property is caused by your vehicle, then this lose is covered under Third Party Insurance. Some of the salient features of such insurance are as follows:

1) Insurance is compulsory for all motor vehicles. It cannot be overridden by any clause in insurance policy.

2) It does not cover injuries to the insured himself but to the rest of the world who is injured by insured.

3) Beneficiary of third party insurance is the injured third party, the insured or policy holder is the nominally the beneficiary of the policy.

4) In these policies, premiums do not vary with the value of what is being insured because what is insured is the legally liability and it is not possible to know in advance, that what will be the liability.

5) Third Party Insurance is entirely fault bases. In these cases fault of insured must be proved before claim damages from him.

Third Party Policy covers only your legal liability for the damage caused to a third party like bodily injury, death and damage to third party property, while using your vehicle. It does not cover damages to your own vehicle. With regard to the Insurance of the vehicles against Third Party Risks, the Governor of Punjab made some amendments in Punjab Motor Vehicle Rules, 1989. This amendment took place on April 3, 2019. According to this amendment, no court shall release a motor vehicle which is involved in any accident and the death or any kind of bodily injury or the damage to the property is the result, if such vehicle is not covered by Insurance policy against third party risk or when the registered owner fails to furnish the insurance policy copy despite the demand by the police officer, unless and until such owner furnishes sufficient security to the court to pay such compensation that is awarded in claim. If such owner fails to do so, the motor vehicle shall be sold in public auction by magistrate on expiry of three months of taking the possession by such officer and proceeds shall be deposited with the Claims Tribunal within 15 days for the purpose of satisfying such compensation. This amendment inserted Rule 231-B after Rule 231-A in Punjab Motor Vehicle Rules, 1989.

3.5.4 REQUIREMENTS OF THE POLICY:

A policy of insurance must be a policy which is issued by an authorized insurer and insures the person against any liability which may be incurred by him in respect of death or bodily injury to any person including owner of the goods or his authorized representative carried in the motor vehicle or damage to any property of a third party caused by the use of such motor vehicle in public place. It must be a policy against death of or bodily injury to any passenger of a transport vehicle, except gratuitous passengers of a good vehicle, caused by or arising out of the use of motor vehicle in a public place.

The death of or bodily injury to any person or damage to any property of a third party shall be deemed to have been caused by or to have arisen out of, the use of vehicle in public place, notwithstanding that the person who is dead or injured or the property which is damaged was not in a public place at the time of an accident, if the act or omission which led to the accident occurred in a public place. The Central Government in case of third party insurance shall prescribe a base premium and the liability of an insurer in relation to such premium for an insurance policy. Policy shall be of no effect unless and until there is issued by the insurer in favor of the person by whom the policy is effected a certificate of insurance in the prescribed form and containing the prescribed particulars.

A policy of insurance issued before the commencement of the Motor Vehicle (Amendment) Act, 2019 shall be continued on the existing terms under the contract and the provisions of this Act shall apply as if this Act had not been amended by the said Act.

3.5.4 SETTLEMENT BY THE INSURANCE COMPANY

As per the Amendment Act 2019, the victims of an accident would not be required to wait for a long time for the disposal of cases by the Motor Accidents Claims Tribunal because now there is a provision of settlement by Insurance Company under section 149.

The Insurance Company shall, upon receiving information of the accident, either from claimant or through Accident Information Report or otherwise, designate an officer to settle the claims relating to such accident. Such officer may make an offer to the claimant for the settlement before the Claims Tribunal giving such details, within thirty days. Here the term ‘accident information report’ means the report which the police officer shall prepare during the investigation to facilitate the settlement of claim in future within three months and submit the same to the claims tribunal as prescribed under section 159. If the claimant accepts such offer, then the Claims Tribunal shall make a record of such settlement and such claim shall be deemed to be settled by consent and the payment of the settlement shall be made by the insurance company within a maximum period of thirty days from the receipt of such record of settlement. If the claimant rejects such offer, then a date of hearing shall be fixed by the Claims Tribunal to adjudicate such claim on merits. In such cases, the proper procedure has been followed by the Tribunals. The provision of settlement will benefit the claimants by reducing the litigation period which otherwise goes very long and also simplifying the claims process. The Claims Tribunal shall ensure that the settlement is bona fide and such settlement was not made under undue influence and the compensation should be in accordance with the Act. The Act also prescribes the procedure in case of insolvency of insured person. When the insured person has become insolvent or if such insured person is a company, and a winding-up order has been passed with respect to the company, then no agreement made between the insurer and the insured person after the liability has been incurred to a third party and after the commencement of the insolvency or winding up, as the case may be, nor any waiver, assignment or payment made to the insured

person after the commencement, shall be effective to defeat the rights transferred to the third party, but those rights shall be same as if no such agreement, waiver or payment has been made.

3.5.6 DUTY OF INSURERS TO SATISFY JUDGMENTS AND AWARDS

When a certificate of insurance has been issued in support of any person by whom the policy has been affected, award or judgment in respect of any such liability as is required to be covered by a policy under Section 147 or under the provisions of Section 164 is obtained against any person insured by the policy, then, notwithstanding that the insurer may be entitled to avoid or cancel or may have avoided or cancelled the policy, the insurer shall pay to the person entitled to the benefit of the award any sum not exceeding the sum assured payable, as if that person were the decree holder, in respect of the liability, together with any amount payable in respect of costs and any sum payable in respect of interest on that sum by virtue of any enactment relating to interest on judgments.

No shall be payable by an insurer in respect of any award and judgment unless the insurer had notice through the court or as the case may be, the Claims Tribunal of the bringing of the proceedings, and an insurer to whom notice is given shall be entitled to be made a party thereto, and to defend the action on any of the following grounds, namely:

1) that there has been a breach of a specified condition of the policy;

2) that the policy is void on the ground that it was obtained by non-disclosure of any material fact or by representation of any fact which was false in some material particular;

3) that there is non-receipt of premium as required under Section 64VB of the Insurance Act, 1938.

If any award or judgment is obtained from a court in a reciprocating country or in case of foreign judgment, the insurer shall be liable to the person entitled to the benefit of the decree as if such award and judgment were given by the court in India.

3.5.7 Necessity for insurance against third party risk

Section 146 – Necessity for insurance against third party risk

1. No person shall use, except as a passenger, or cause or allow any other person to use, a motor vehicle in a public place, unless there is in force in relation to the use of the vehicle by that person or that other person, as the case may be, a policy of insurance complying with the requirements of this Chapter:

   Provided that in the case of a vehicle carrying, or meant to carry, dangerous or hazardous goods, there shall also be a policy of insurance under the Public Liability Insurance Act, 1991 (6 of 1991).

   Explanation

   A person driving a motor vehicle merely as a paid employee, while there is in force in relation to the use of the vehicle no such policy as is required by this sub-section, shall not be deemed to act in contravention of the sub-section unless he knows or has reason to believe that there is no such policy in force.
2. Sub-section (1) shall not apply to any vehicle owned by the Central Government or a State Government and used for Government purposes unconnected with any commercial enterprise.
3. The appropriate Government may, by order, exempt from the operation of sub-section (1) any vehicle owned by any of the following authorities, namely—

1. the Central Government or a State Government, if the vehicle is used for Government purposes connected with any commercial enterprise;
2. any local authority;
3. any State transport undertaking: Provided that no such order shall be made in relation to any such authority unless a fund has been established and is maintained by that authority in accordance with the rules made in that behalf under this Act for meeting any liability arising out of the use of any vehicle of that authority which that authority or any person in its employment may incur to third parties.

Explanation

For the purposes of this sub-section, "appropriate Government" means the Central Government or a State Government, as the case may be, and—

1. in relation to any corporation or company owned by the Central Government or any State Government, means the Central Government or that State Government;
2. in relation to any corporation or company owned by the Central Government and one or more State Governments, means the Central Government;
3. in relation to any other State transport undertaking or any local authority, means that Government which has control over that undertaking or authority.

Section 147 – Requirements of policies and limits of liability

1) In order to comply with the requirements of this Chapter, a policy of insurance must be a policy which—
   a) is issued by a person who is an authorised insurer; and
   b) insures the person or classes of persons specified in the policy to the extent specified in sub-section (2)—
      i) against any liability which may be incurred by him in respect of the death of or bodily injury to any person, including owner of the goods or his authorised representative carried in the vehicle or damage to any property of a third party caused by or arising out of the use of the vehicle in a public place;
      ii) against the death of or bodily injury to any passenger of a public service vehicle caused by or arising out of the use of the vehicle in a public place

3.5.8 RIGHTS OF THE THIRD PARTIES AGAINST INSURERS

When under any contract of insurance, a person is insured against liabilities which he may incur to the third parties, then in case of the person becoming insolvent, or where the insured person is a company and winding up order has been made or resolution for voluntary winding up being passed, if either before or after that event, any such liability is incurred by the insured person his rights against the insurer shall be transferred to and vest in the third party to whom the liability was so incurred.

Where an order for the administration of the property of a deceased debtor is made, then, if any debt provable in insolvency is owing by the deceased in respect of a liability to a third party against which he was insured, the deceased debtor's rights against the insurer shall be transferred to and vest in the person to whom the debt is owing. Any condition in a policy either directly or indirectly, to avoid the policy or to alter the rights of the parties shall be of no effect. In case of transfer, the insurer shall have the same liability to the third party except in the following cases:

a) if the liability of the insurer to the insured person exceeds the liability of the insured person to the third party, nothing in this Chapter shall affect the rights of the insured person against the insurer in respect of the excess amount, and

b) if the liability of the insurer to the insured person is less than the liability of the insured person to the third party, nothing in this Chapter shall affect the rights of the third party against the insured person in respect of the balance amount.

NEED FOR INSURANCE DOCUMENTATION

Life insurance is a legally enforceable contract between two parties both of whom are legally qualified to contract. It is therefore, necessary that the terms and conditions of the agreement must be suitably documented in a manner that would make it clear that both parties to the contract are Adidem i.e., of the same mind. Ad-Idem means that both the parties understand the same thing in the same sense or are of the same mind on the same subject. There must be consensus or Ad-Idem between the parties to the contract. This is possible provided all the terms and conditions, rights and duties - privileges and obligations are properly documented in terms which can be clearly interpreted in a court of law. Between two human beings sometime silence means an acceptance. But as the insurer is a legal personality entitled to contract verbal discussion between parties to the contract is not possible and hence there is a need for documentation. Insurance is also a contract of utmost good faith and enforced only in the distant future. It is therefore necessary that the declarations made by both the parties should be put in black and white for future reference. Any suppression, willful and material shall make the contract void. The insured, therefore, has a duty to declare all that he knows about himself, his health, his financial status in answering questions contained in the proposal form and other ancillary documents which may be required by the insurer. We shall discuss in this chapter the various kinds of documents which become necessary at three stages of a policy – (1) at the stage of proposal, which if accepted result into a policy, (2) during the duration of the policy where several alterations may become necessary (3) at the end of the policy contract when insurer pays the final claim.

A proposal form has three portions (1) The first gives details about the proposer, his name, address, occupation, the details about the type of insurance that he wants to take and the name of the nominee to whom the money is payable in case the policyholder does not survive to take the maturity amount. (2) The second portion relates to the details of the insurance policy that the proposer already possesses, the present health conditions and the personal history of his health, any sickness or accident he might have had. This is a detailed questionnaire and the proposer is expected to reply to each question truthfully and honestly. A female proposer has to reply to certain additional questions specific to her gender. (3) The last portion of the proposal form relates to the declaration. Through this declaration, the proposer (i) affirms the veracity of the statements made in the proposal form in replying to the question (ii) affirms that he/she has not suppressed, misrepresented or concealed any fact which may be material to the risk (iii) agrees that this declaration along with the proposal form shall form the basis of the contract and if any information is found to be false the contract will be null and void thus reinforcing the principle of “Uberimma Fides” (Utmost good faith). (iv) further agrees to take the insurance on the terms and conditions decided by the insurer. The proposer further agrees to keep the insurer informed of any changes in the position relating to his health or his occupation between now and the issuance of the first premium receipt. It is thus clear that after the insurer has issued the first premium receipt, the contract is said to have concluded and thereafter the insurer has no right to

change the terms of the contract. However, the insurer has a right to offer any term and condition before the final acceptance of the insurance. For example, in case of a female proposer, the insurer may not agree to accept the risk of the childbirth. In case of certain hazardous occupation like commercial pilots, the insurer may like to exclude the risk to life due to such occupation. In case of certain deformity, the risk of accident can be excluded. These exclusions of risks are not normal terms of the policy contract and therefore have to elicit consent of the proposer. In case of a substandard health, the insurer may like to accept a reduced risk during the first one or two years of the insurance. The consent of the insured is a must for such limitations to be imposed. All such special conditions or riders are mentioned in the policy either by an endorsement or attachment to the document. If the insurer has taken a Convertible Whole Life Plan which is to be converted to an endowment plan after 5 years, the necessary condition is endorsed on the policy. The terms and conditions as mentioned in the policy along with such endorsements as made at the back of the policy govern the insurance contract and are open to be interpreted by a court. However it may be noted that agents confidential report and the medical examination (confidential) report are not part of the contract for insurance.

There are certain other documents which may be required at the proposal stage.

Age proof

Age is an important factor in deciding the quantum of premium against a policy. The document proving the age, i.e. age proof must be reliable and the insured has to undertake as to its truthfulness. An insurer accepts these documents as standard age proof - 1) Certified extract from municipal records, recorded at the time of birth. 2) Certificate of baptism or extract from Family Bible 3) Extract from school or college records. 4) Extract from service register in case of employees - Government or semi government or such other reputed institutions which insist on conclusive evidence of age at the time of recruitment. 5) Identity card issued by Defence department. 6) Marriage certificates issued by Roman Catholic Church. 7) Domicile certificate. 8) Passport.

3.6 INSURANCE PREMIUM

Premium is the consideration money that a policyholder has to pay in lieu of the benefit that the insurer promises to confer on the happening of the scheduled eventuality. Insurance is a contract and the policyholder /insured and the insurer are the two parties to the contract. Both parties have rights and obligations. Premium forms the obligation on the part of the insured.

Modes of payment of premium The premium can be paid at one time, when it is called a single premium. It can also be paid in instalments i.e. yearly, half–yearly, quarterly or monthly. Single premiums are rare except in pension plans. Tabular premiums are given in yearly mode. Half–yearly, quarterly and monthly mode instalment is obtained by dividing the tabular premium by 2 or 4 or 12. However before going for this division, one has to allow for certain rebates which are allowed at different rates for different modes under different plans. Insurers allow some rebate on the premium for yearly and half–yearly mode. However this rebate varies from plan to plan. The instalment premium for quarterly mode is exactly one fourth of the tabular premium. However for monthly mode, an extra addition of 5% to the tabular premium is made before dividing the tabular premium by 12. Premium can also be paid through salary savings scheme which is in fact a monthly mode but for this, no extra is charged. Premium is always payable in advance. The rebate for yearly and half-yearly mode is given because the insurer earns interest on the advance payment and also because the administrative expenses are reduced because of lesser frequency of issuing renewal premium notices and receipts and maintaining the

record. Similarly rebate is also permitted for large sum assured and these rebates differ from plan to plan. 4.1.2 Important elements in computation of Premium There are three important elements in the computation of premium. They are (1) mortality, (2) expenses of management, (3) expected yield on its investment.

1. Mortality The mortality tables are prepared by the insurers on the basis of their experience over a number of years. Though the rate of mortality increases with the increase in age, all insurers charge a level premium which remains constant over the entire duration of the policy term. It is the actuarial science which provides the method to assess such increasing risk and convert it into a level premium.
2. This prediction or estimation of mortality is true for a very large group of insured people and not for any individual insured. Thus the small premium charged from the total group is used to pay a big sum assured to the unfortunate few who die early. It is also called pooling of resources. Insurance is also known to be a co–operative action. 2. Expenses of management Any insurer has to incur expenses for conducting the insurance business. These expenses are not of constant nature. They keep on increasing due to inflationary market conditions. Huge expenses are incurred for procurement of new business, for payment of commission to the agent and other incidental expenses like preparation of policy document etc. Expense is also incurred for servicing of the policies, e.g. collection of renewal premium, valuation to determine bonus payable, payment of Survival Benefit and Death claim and Maturity Benefit etc.
3. . Expected yield on investment : As the above two elements go to increase the premium rate, the expected yield on investment of the collected endowment component of premium goes to reduce the premium rate. However, as the future yield cannot be determined exactly, it is necessary for a prudent insurer to keep a reserve to take care of unexpected fall in the rate of yield.

Risk, Net/Pure Premium

Risk Premium The pure premium needed to cover the expected risks but with no allowance for expenses, commission or contingencies is to be made. Thus the cost to meet the risk of death for one year at a particular age is known as risk premium. The risk premium is based on the probabilities of death at various ages.

Net Premium or Pure Premium A net premium is the premium calculated on the basis of the valuation assumptions to provide the contractual benefits at outset. Its calculation only allows explicitly for interest and mortality. Thus the net premium covers the risk factor as well as interest earned on investment of fund by the insurers.Net premium is always less than the risk premium.

Loading As explained before the administrative expenses of the insurer have to be borne out of the premium received from the insured. The amount added to the pure premium to cover the administrative expenses is known as loading. When these expenses are added to the net/pure premium it becomes the gross premium/office premium which is actually charged from the customer.

Level Premium Premium keeps on increasing as the age increases and this is the natural premium paying system but it is impractical because the insurer cannot ask the insured to pay extra premium every year and moreover in the latter years the cost of insurance would become unaffordable resulting in lapse of policies. In view of this insurers charge a level premium and the cost is distributed evenly over the period during which premiums are paid. The premium remains the same, and is more than the actual cost of protection in the earlier years of the policy and less than the actual cost in the latter years. The excess paid in the early years builds up the reserve.

Actuarial Valuation

As discussed before premium is calculated based on some assumptions. The experience in future may not be exactly as assessed. So the process of checking the validity of assumptions from time to time is known as actuarial valuation. The main objects of conducting the valuations being:- Future projections to be made on the basis of past experience ¾ Determine the long term consequences. ¾ The analysis should always be as thorough as the information allows and not based on superficial appearances. ¾ Using Mathematical modeling for handling the interactions of probability and investment return. ¾ ¨Further experience should be fed back to aid the subsequent development of the model and the assumptions. ¾ In India the Insurance Act requires actuarial valuations to be done every year.

Computation of extra premium

Mortality as explained above relates to the death rate of a very large group of people of different ages over a long period of time. These people are usually selected people, who are also called standard lives. A separate mortality study is done for people who are rated substandard. In other words these rated people suffer from some disease or other physical deformity because of which the expected mortality rate for these people would be higher than what is expected of standard lives. This special study by actuarial method thus leads to an estimation of extra premium which shall adequately take care of the extra mortality in this substandard group. In view of such study, extra premium is imposed on people suffering from diabetes or blood pressure etc. It is true that in view of the progress made in the medical science, these diseases are gradually not considered as dreadful as they used to be. Most insurers, therefore, keep on updating their experience relating to mortality of different groups and revise the rates of extra premium also.

Rider premiums

There are also extra premiums, for conferring extra benefits, to the insured. For example, a prospect wants to get double the sum assured, in case of a death due to accident. This benefit is allowed by charging an extra premium. The insurers usually charge extra premium for riders attached to the policy. One can opt to take death benefit five or even ten times of the basic sum assured and may pay for such extra term rider benefit. Suppose a Life Insurance Company is providing the following riders ¾ Term Cover ¾ Accident Death Benefit The extra premium for Term cover rider is Rs.400 and the Accident benefit is Rs.300. The premium under the policy is Rs. Rs. 2,050. So the premium payable by the insured will be Rs. Rs. 2,050 + Rs. 300 + Rs. 400 = Rs. 2,750. Thus the rider premiums are payable separately under the policy

PREMIUM CALCULATION FOR ULIP POLICIES

In case of ULIP policies the premium is generally fixed in the multiples of say Rs.500 or Rs.1,000 with some minimum amount say Rs. 5,000 or Rs. 10,000. In case of ULIP policies

premium may be paid as a single premium or as regular premium over a period of years. The premium that insurers collect is subject to the deduction of following charges:-

1. Mortality Charges - This is the charge for insuring the life of policyholder. The charge depends upon the sum assured you have chosen.
2. Fund Management Charges – This is a fee charged for managing your investments
3. Administration Charges - This is the charge for handling paper work and other miscellaneous back office expenses.
4. Switching Charges – Charges for switching fund option.
5. Riders Charges - These are additional benefits which one can opt for, for a charge. Riders are not free. The charges increase based on the riders chosen.
6. Surrender Charges - This is the charge to surrender and close the policy prior to its maturity.
7. Premium Allocation Charge : This is the charge deducted from each and every premium paid towards agent commission and other marketing and initial expenses.

The charges are generally higher in the first year and get reduced over the term of the policy.

3.6 SUMMARY

The Motor Vehicles Act, 1988 is a comprehensive law that governs road safety and traffic regulations in India. The Act covers a wide range of topics, including vehicle registration and licensing, rules of the road, traffic violations and penalties, and insurance requirements for vehicles. The Act aims to promote safety on Indian roads and ensure that vehicles are maintained and operated in a responsible manner. It also establishes a framework for addressing accidents and enforcing traffic laws through the establishment of tribunals and courts. The Act has undergone several amendments over the years to keep up with changing transportation needs and technologies, and to address emerging safety concerns.

It is very important class of insurance as no vehicle can run on the roads without having the insurance especially third party. Any claim on account of damage of the vehicle will be paid by the insurance company subject to the assessment of loss by the independent Surveyor. Third party claim is settled by the court and the government has laid down the procedure to settle these cases.

Premium is a consideration money for the benefit of a lump sum payment by the insurer on the happening of a specified event. The amount of premium is dependent upon age of the prospect, the policy conditions, the term etc. Premium is calculated separately in each case when a proposal is submitted. For extra benefits, extra premium is charged. The basic premium is, however, decided on the basis of three factors - mortality, expenses and yield on investment. While mortality and expenses increase the premium, investment yield reduces the premium.

3.7 TECHNICAL TERMS

- ✓ Mortality Charges
- ✓ World Health Organization (WHO)
- ✓ Actuarial Valuation
- ✓ Premium
- ✓ ULIP

3.8 SELF ASSESSMENT QUESTIONS

1. Explain the various Types of Motor Vehicles?
2. Describe briefly on the Essentials of Motor Vehicles Law?
3. Write about the Necessity for Insurance?
4. Explain about Rights of The Third Parties Against Insurers?
5. Describe the Insurance Premium?

3.9 REFERENCE BOOKS

1. Motor Vehicle Laws. Author : Kannan & Vijayaraghavan.
2. Motor Vehicle Laws. Author : Kannan & Vijayaraghavan.
3. Motor Accident Claims: Law and Procedure. Author : Janak Raj Jai.

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LESSON - 4
LIABILITY WITHOUT FAULT AND COMPENSATION

4.0 Objectives of the lesson:

After go through this lesson you are able to:

- To know the laws related to Liability without Fault
- Understand the concept of Compensation on Structured Formula Basis
- Understand concept of Hit and Run Motor Accidents

Structure of the lesson

4.1 Introduction
4.2 Liability without Fault in Certain Cases
4.3 Compensation on Structured Formula Basis
4.4 Hit and Run Motor Accidents
4.5 Summary
4.6 Technical terms
4.7 Self Assessment Questions
4.8 Reference books

4.1 INTRODUCTION

4.1.1 Liability without fault

Whatever the original foundations of tortious liability, by the 19th century it had come to rest firmly upon the notion of fault. The principle that a human being should make good the harm caused by his fault seemed eminently reasonable. But the converse of this principle, namely that there can be no liability where there is no fault, offered an additional attraction to an era that was concerned with not forcing nascent industries to pay sizeable awards that they could ill afford at a time of weak insurance practices. In this sense fault also helped retain the boundaries of liability within manageable proportions. To this coincidence of morality and economic expediency the notion of fault doubtless owes much of its aura of soundness and inevitability. Consequently, when the first serious challenge to the notion started to materialize toward the end of the 19th century, it invariably had to be disguised.

Fault, as understood in the 19th century, presupposed free will and, further, that an agent could choose between performing an action in a perceptibly dangerous way and performing it in some safer way. Thus, legal negligence involved something of personal moral shortcoming; the person who was held liable had been guilty of ethical as well as legal wrong. And since fault involved a more or less informed choice, it was possible to see how the prospect of liability could influence a choice for the better—a concept embodying the principle of social utility, for it theoretically edified potential defendants by encouraging them to behave more carefully.

With the growing mechanization and industrialization of the second half of the 19th century and the resulting multiplication of accidents, this kind of approach came under more and more scrutiny. Consequently, both the moral and the purely educative aspects of the fault system were increasingly questioned, especially as insurance companies were now meeting the cost of accidents; in addition, the idea of leaving victims uncompensated became politically unattractive as the extended franchise made politicians more sensitive to voters’ grievances. This change of attitude, however, could not alone have altered the legal system if economic changes had not also

favoured reappraisal of the problems of civil liability. From the turn of the century, industry, with the help of insurance, became increasingly sturdy and less in need of protection. The shift toward the plaintiff's point of view manifested itself in three main ways: greater use of the doctrine of vicarious liability; increased objectivization of the notion of carelessness, coupled with the use of presumptions of carelessness; and, finally, the open introduction of strict liability.

4.1.2 Vicarious liability

Vicarious liability is liability imposed on the employer of an employee for the tort of the latter when committed in the course of his employment. This is a form of strict liability, since the "innocent" master is made liable for the fault of his employee.

Many reasons have been advanced to justify this departure from the fault principle. They have ranged from the purely pragmatic (the employee is rarely worth suing) to the most political (those with "deep pockets" should pay). None, however, fully explain the doctrine, which seems to have developed more in response to the demands of social convenience and rough justice than as a consequence of clear, consistent legal explication.

Most systems have opted for true vicarious liability—i.e., liability that makes the employer liable for the employee's wrongs. However, German law and, in varying degrees, other German-inspired systems have opted for what is sometimes called the "master's tort" theory. This theory probably results from a misreading of Roman texts as well as the desire to protect small industrial concerns at the end of the 19th century. It makes the master liable only if he is personally at fault in selecting or supervising his employee or in failing to supply him with proper equipment. It is enshrined in the German Civil Code, and in practice it has proved so unacceptable as to lead first to the ingenious expansion of the law of contract (aided by a number of codal provisions) in order to rectify the shortcomings of the law of tort and later to the discovery of what common lawyers would call personal nondelegable duties, allowing the imposition of primary liability on the employer under the main provision of the German code.

This peculiarity apart, all systems agree that vicarious liability will be imposed only if there is an employer-employee relationship and the wrong is committed in the course of employment. Where simpler operations have been involved, the control test has been crucial for determining whether this relationship or the one between employer and independent contractor is the one involved. (In the latter, the employer bears no responsibility for the wrongdoing of the contractor.) But in more-complicated situations all systems resort to a variety of tests. These include, for example, how remuneration (wage or lump sum) is paid, to what extent a worker is integrated into the employer's business, who supplies the capital or equipment, and, more generally, the nature of the surrounding circumstances and the other terms of the contract.

However, in this area of the law, by far the most troublesome problem is whether the wrong was committed in the course of employment. Its solution tends to be impressionistic, depending on the skillful use of numerous and often contradictory decisions, which can be used only as helpful guidelines and not as rigid principles. There appears to be a tendency to interpret this requirement more strictly in German than in French law and its derivatives, with the common law standing somewhere in between.

4.1.3 Presumptions of fault and responsibility

The trend away from identifying negligence with moral blameworthiness, coupled with a tendency to put the onus of proof of non-fault on the defendant, often resulted in liability that

was in all but name strict liability. The most forthright developments occurred in France, where the courts transformed the code to accommodate problems arising in an industrial society.

This change came in the late 19th century, when the French courts, faced with an inactive legislature and growing social pressures to compensate victims of industrial accidents, boldly created a new rule of liability out of the seemingly unpromising first paragraph of article 1384 of the code. The article in question, which proclaims generally that one is responsible not only for one's own acts but also for damage done by things in one's control, was originally conceived as a stylistically desirable linking sentence between the first two delict provisions, which enunciated the rule of fault liability, and the last two provisions, which dealt with some narrow instances of risk liability (e.g., animals or collapsing buildings). But in 1896 the Court of Cassation (the highest court of civil and criminal matters in France) felt that the time had come to give these words an independent significance, thereby enabling, for example, the widow of a victim of a boiler explosion to recover damages without having to prove the fault of the victim's employer.

Within a year of this decision, the French Chamber of Deputies passed a workman's compensation act, in effect removing accidents at work from the province of tort law. This piece of legislation constituted a temporary delay in the development of the new rule. The appearance of the automobile, however, gave the rule fresh life, and, after some hesitation, the Court of Cassation finally accepted in the Jand'heur decision (1930) that article 1384 established a presumption of responsibility against the guardian of a thing; this responsibility could not be rebutted by evidence of no fault or lack of explanation of the cause of the damage but only by clear positive evidence that the damage was due to an event unforeseeable and external both to the guardian and to the thing that made the accident unavoidable.

In the years that followed, much refinement of the elements of liability (the meaning of "thing," causation, definition of guard, etc.) took place, but the trend has been to expand liability, especially in the context of traffic accidents. This expansion, largely the result of increased insurance protection, received a boost in 1968 when the Court of Cassation decided that the rule of article 1384 could be used in favour of nonpaying car passengers and, more recently, in 1982 when in the Desmares decision the defense of contributory fault of the victim was seriously restricted by the second chamber of the court. This decision represented a bold step toward protecting nonmotorists, but its precise ambit was unspecified, raising fears of increased insurance premiums and provoking considerable judicial uncertainty. Perhaps the most beneficial effect of this decision, however, was to hasten enactment of a strict liability road traffic act.

4.1.4 Strict liability statutes

The French Road Traffic Act of July 5, 1985, a long and stylistically complicated enactment, has gone a long way toward improving the position of victims of traffic accidents, though not as far as some would have wished. For example, although any contributory negligence on the part of some victims (children under the age of 16 and adults over 70 [article 3]) is completely ignored, that on the part of others, notably the drivers themselves, may be taken into account (article 4), their negligence reducing or in appropriate circumstances even extinguishing their damages. It was only compromises such as this, however, that ensured the passing of the act. Be that as it may, the act is indicative of a modern trend to introduce strict liability through specialized statutes rather than to elaborate the already overworked article 1384 of the Civil Code.

Strict liability statutes are proliferating the world over and survive alongside judge-made rules such as that enunciated by the English decision of *Ryland* v. *Fletcher* (1868), which held that anyone who in the course of "non-natural" use of his land accumulates thereon for his own purposes anything likely to do mischief if it escapes is answerable for all direct damage thereby caused. The German statutes, however, deserve special attention. First, in Germany strict liability has been introduced only by specific enactments, while the Civil Code, minor exceptions apart, remains faithful to the fault principle. Moreover, such is the monopoly of the legislator in this area that the courts have even restrained themselves from extending analogous strict liability statutes to similar situations (though other German-inspired systems—e.g., the Austrian—have not followed this route). Second, the vast majority of German strict liability statutes contain similar clauses on the monetary limits of liability per damage-inflicting incident. Likewise, defenses such as contributory negligence appear in most statutes. Finally, the compensation under the statutes does not cover damages for pain and suffering, so that if such items are to be claimed, or the monetary limits are inadequate, recourse to the ordinary rules of tort is permissible. In other systems, however (e.g., the Swiss), where the strict liability statutes do not contain the above-mentioned type of limitations, application of the ordinary law is excluded.

4.2 LIABILITY WITHOUT FAULT IN CERTAIN CASES

Section 140 – Liability to pay compensation in certain cases on the principle of no fault

1. Where death or permanent disablement of any person has resulted from an accident arising out of the use of a motor vehicle or motor vehicles, the owner of the vehicle shall, or, as the case may be, the owners of the vehicles shall, jointly and severally, be liable to pay compensation in respect of such death or disablement in accordance with the provisions of this section.
2. The amount of compensation which shall be payable under sub-section (1) in respect of the death of any person shall be a fixed sum of fifty thousand rupees and the amount of compensation payable under that sub-section in respect of the permanent disablement of any person shall be a fixed sum of twenty-five thousand rupees.
3. In any claim for compensation under sub-section (1), the claimant shall not be required to plead and establish that the death or permanent disablement in respect of which the claim has been made was due to any wrongful act, neglect or default of the owner or owners of the vehicle or vehicles concerned or of any other person.
4. A claim for compensation under sub-section (1) shall not be defeated by reason of any wrongful act, neglect or default of the person in respect of whose death or permanent disablement the claim has been made nor shall the quantum of compensation recoverable in respect of such death or permanent disablement be reduced on the basis of the share of such person in the responsibility for such death or permanent disablement.
5. Notwithstanding anything contained in sub-section (2) regarding death or bodily injury to any person, for which the owner of the vehicle is liable to give compensation for relief, he is also liable to pay compensation under any other law for the time being in force: **Provided** that the amount of such compensation to be given under any other law shall be reduced from the amount of compensation payable under this section or under section 163A.

Section 141 – Provisions as to other right to claim compensation for death or permanent disablement

1) The right to claim compensation under section 140 in respect of death or permanent disablement of any person shall be in addition to any other right, except the right to claim

under the scheme referred to in section 163A (such other right hereafter in this section referred to as the right on the principle of fault) to claim compensation in respect thereof under any other provision of this Act or of any other law for the time being in force.

2) A claim for compensation under section 140 in respect of death or permanent disablement of any person shall be disposed of as expeditiously as possible and where compensation is claimed in respect of such death or permanent disablement under section 140 and also in pursuance of any right on the principle of fault, the claim for compensation under section 140 shall be disposed of as aforesaid in the first place.
3) Notwithstanding anything contained in sub-section (1), where in respect of the death or permanent disablement of any person, the person liable to pay compensation under section 140 is also liable to pay compensation in accordance with the right on the principle of fault, the person so liable shall pay the first-mentioned compensation and—
   a) if the amount of the first-mentioned compensation is less than the amount of the second-mentioned compensation, he shall be liable to pay (in addition to the first-mentioned compensation) only so much of the second-mentioned compensation as is equal to the amount by which it exceeds the first mentioned compensation;
   b) if the amount of the first-mentioned compensation is equal to or more than the amount of the second-mentioned compensation, he shall not be liable to pay the second-mentioned compensation.

Section 142 – Permanent disablement

For the purposes of this Chapter, permanent disablement of a person shall be deemed to have resulted from an accident of the nature referred to in sub-section (1) of section 140 if such person has suffered by reason of the accident, any injury or injuries involving—

1. permanent privation of the sight of either eye or the hearing of either ear, or privation of any member or joint; or
2. destruction or permanent impairing of the powers of any member or joint; or
3. permanent disfiguration of the head or face.

Section 143 – Applicability of Chapter to certain claims under Act 8 of 1923

The provisions of this Chapter shall also apply in relation to any claim for compensation in respect of death or permanent disablement of any person under the Workmen’s Compensation Act, 1923 (8 of 1923) resulting from an accident of the nature referred to in sub-section (1) of section 140 and for this purpose, the said provisions shall, with necessary modifications, be deemed to form part of that Act.

Section 144 – Overriding effect

The provisions of this Chapter shall have effect notwithstanding anything contained in any other provision of this Act or of any other law for the time being in force.

4.3 COMPENSATION ON STRUCTURED FORMULA BASIS

The section under perusal in this article is section 163A of the Motor Vehicles Act (MV Act), 1988. Special provisions as to payment of compensation on structured formula basis” and is one of the most important sections of the MV Act as it current stands. This section provides for compensation to the victim /applicant /claimant in the case of death or permanent disablement due to accident arising out of the use of motor vehicle. Such compensation shall be paid by the owner of the motor vehicle or the authorized insurer of the motor vehicle that caused such accident.

The highlight of section 163A of the MV Act is that under this section, the claimant is not obligated to establish that such death or permanent disablement had happened owing to the wrongful act or neglect or default of the owner of the vehicle or vehicles concerned or of any other person. Hence, the no-fault liability principle applies here.

The amount of compensation is governed by a notification by the Ministry of Road and Highways. Currently, these are- for fatal accidents the amount of compensation awarded shall be Five Lakh Rupees; for accidents resulting in permanent disability, the amount of compensation awarded shall be Rs. 5,00,000/- percentage disability as per Schedule I of the Employee's Compensation Act, 1923 (8 of 1923)]: Provided that the minimum compensation in case of permanent disability of any kind shall not be less than fifty thousand rupees; for accidents resulting in minor injury, a fixed compensation of twenty five thousand rupees shall be payable.

Moreover, it was also specified in the above notification that the amount of compensation fixed as per clauses a, b and c shall be increased by 5% on and from 1st January, 2019.

In **Shivaji v. United India Insurance Co. Ltd**. 2019, the SC has categorically held that the insurer cannot be allowed to take the plea of negligence by the claimant because that would destroy the very intent behind section 163A of the MV Act that aims to provide a final compensation within a limited time frame. In **Ramkhiladi v. United India Insurance Co**. 2020, the SC held that the deceased has to be a third party and not the supposed owner of the vehicle himself to claim compensation under this section.

Hence, it can be rightly concluded that section 163A is one of the most benefitting section of the MV Act in granting the compensation to the victims or their families. The only thing that has to be ensured by the law makers vigilantly is that the amount of compensation should always be pre-determined in the act as per the prevailing cost of living, inflation, and other relevant determinants so that a final compensation can be awarded to the victim or his/her legal heirs in the fastest possible time frame.

4.4 HIT AND RUN MOTOR ACCIDENTS

Section 163 – Scheme for payment of compensation in case of hit and run motor accidents

1. The Central Government may, by notification in the Official Gazette, make a scheme1 specifying, the manner in which the scheme shall be administered by the General Insurance Corporation, the form, manner and the time within which applications for compensation may be made, the officers or authorities to whom such applications may be made, the procedure to be followed by such officers or authorities for considering and passing orders on such applications, and all other matters connected with, or incidental to, the administration of the scheme and the payment of compensation.
2. A scheme made under sub-section (1) may provide that—
    1. a contravention of any provision thereof shall be punishable with imprisonment for such term as may be specified but in no case exceeding three months, or with fine which may extend to such amount as may be specified but in no case exceeding five hundred rupees or with both;
    2. the powers, functions or duties conferred or imposed on any officer or authority by such scheme may be delegated with the prior approval in writing of the Central Government, by such officer or authority to any other officer or authority;
    3. any provision of such scheme may operate with retrospective effect from a date not earlier than the date of establishment of the Solatium Fund under the Motor Vehicles Act, 1939 (4 of 1939) as it stood immediately before the commencement

of this Act: **Provided** that no such retrospective effect shall be given so as to prejudicially affect the interests of any person who may be governed by such provision.

Section 163A – Special provisions as to payment of compensation on structured formula basis

1. Notwithstanding anything contained in this Act or in any other law for the time being in force or instrument having the force of law, the owner of the motor vehicle or the authorised insurer shall be liable to pay in the case of death or permanent disablement due to accident arising out of the use of motor vehicle, compensation, as indicated in the Second Schedule, to the legal heirs or the victim, as the case may be.
   Explanatio For the purposes of this sub-section, "permanent disability" shall have the same meaning and extent as in the Workmen's Compensation Act, 1923 (8 of 1923).
2. In any claim for compensation under sub-section (1), the claimant shall not be required to plead or establish that the death or permanent disablement in respect of which the claim has been made was due to any wrongful act or neglect or default of the owner of the vehicle or vehicles concerned or of any other person.
3. The Central Government may, keeping in view the cost of living by notification in the Official Gazette, from time to time amend the Second Schedule.

4.5 SUMMARY

Liability without fault means being responsible for something even if you didn't do anything wrong. This is called strict liability. As long as their conduct resulted in your injuries and the case falls under strict liability rules, you can make a claim for your damages without having to demonstrate fault. Strict liability examples could include products liability cases or medical malpractice caused by defective products. We conclude that the journey of the concept of strict liability was started from being a "No Fault liability" where the defendant was held liable even when there is no fault on his part. But with the change of time and circumstances, the applicability of this principle was needed to be amended according to the needs of the people because in many of the cases, where the plaintiff was worth compensation for his damages, was not granted compensation on the basis of the rule of strict liability. Since the law needs to be amended with the evolution, the concept of absolute liability was introduced with no exceptions or defenses i.e. "No Liability" with regards to the use of an inherently dangerous substance in industries.

4.6 TECHNICAL TERMS

- ✓ Strict liability
- ✓ Vicarious liability
- ✓ Hit and Run Motor Accidents
- ✓ Compensation on Structured Formula Basis

4.7 SELF ASSESSMENT QUESTIONS

1. Explain the Liability without Fault in Certain Cases?
2. Describe briefly on the Compensation on Structured Formula Basis?
3. Write about the Hit and Run Motor Accidents?

4.8 REFERENCE BOOKS

1. The Motor Vehicles Act, 1988.
2. Ministry of Road Transport and Highways [Noti. No. S.O. 2022(E)]
3. Shivaji v. United India Insurance Co. Ltd., (2019) 12 SCC 395.
4. Ramkhiladi v. United India Insurance Co., (2020) 2 SCC 550.

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Lesson - 5
POLICIES AND DOCUMENTATIONS

After reading this lesson, you will be able to understand:
Objectives:
- To understand insurance policy
- To know various insurance policies
- To mention eligibility for registering for insurance
- To understand conditions required for insurance policy
- To mention required documents for insurance policies

Structure
5.1. Introduction:
5.2. Meaning:
5.3. Types of Insurance Policies
5.4 Policy Conditions and Documentations
5.5 Meaning of Policy Conditions
5.6 Insurance Policy Conditions
5.7. Prohibition of Rebate
5.8. Documentation for Insurance Policy
5.9. Documents Required for Life Insurance Claims
5.10. Conclusion
5.11. Keywords
5.12. Self-Assessment Questions
5.13. References

5.1. Introduction:
Insurance is a mechanism of risk transfer and sharing by pooling of risks and funds among a group of individuals who are exposed to similar kinds of risks for the benefit of those who suffer loss on account of the risk. Insurance is a contract, represented by a policy, in which a policyholder receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured. Most people have some insurance: for their car, their house, their healthcare, or their life.
Insurance policies hedge against financial losses resulting from accidents, injury, or property damage. Insurance also helps cover costs associated with liability (legal responsibility) for damage or injury caused to a third party
Insurance coverage can be defined as a contract in the form of a financial protection policy. This policy covers the monetary risks of an individual due to unpredictable contingencies. The insured is the policyholder whereas the insurer is the insurance-providing company/the insurance carrier/the underwriter.

5.2. Meaning:
In life, any unexpected situation can disrupt your family's well-being. For such scenarios, different types of life, health and general insurance policies are available in India that offer comprehensive financial protection to you and your loved ones. Moreover, you can also opt for an insurance cover to protect your assets and property. However, before purchasing an insurance policy, it is imperative to understand the different types of insurance policies available in India and then choose the ones that suited to your unique needs.

5.3. Types of Insurance Policies:

Insurance is a legal agreement between an individual and the insurance company, under which, the insurer promises to provide financial coverage (Sum assured) against contingencies for an amount (premium). The types of insurance in India can be broadly divided into two categories:

i. **General Insurance**
ii. **Life Insurance**

Following are the types of insurance available in India:

i. General Insurance:

Following are some of the types of general insurance policies available in India:

a) Health Insurance
b) Motor Insurance
c) Home Insurance
d) Fire Insurance and
e) Travel Insurance

ii. Life Insurance:

There are various types of life insurance. Following are the most common types of life insurance plans available in India:

a) Term Life Insurance
b) Whole Life Insurance
c) Endowment Plans
d) Unit-Linked Insurance Plans
e) Child Plans and
f) Pension Plans

Let us look closely at the different types of insurance policies:

i. General Insurance:

i.a.Health Insurance:

Health insurances are types of insurance policy that covers the expenses incurred due to medical care. Health insurance plans either pay or reimburse the amount paid towards the treatment of any illness or injury. Different types of insurance policy cover varied medical care expenses.

It usually offers protection against:

- Hospitalization
- Treatment of critical illnesses
- Medical bills post hospitalization
- Daycare procedures

There are a few types of health insurance plans also cover the cost of resident treatment and pre-hospitalization expenses. Rising costs of healthcare in India Is making health insurance a necessity. Different types of health insurance plans available in India include,

i.a.i) Individual Health Insurance: Offers coverage to only an individual.

i.a.ii) Family Floater Insurance: Allows your entire family to get coverage under a single plan, which usually covers husband, wife, two children.

i.a.iii) Critical Illness Cover: Specialized types of health insurance that offers coverage against various life-threatening illnesses like stroke, heart attack, kidney failure, cancer, and similar others. Policyholders get a lump sum amount on diagnosis of a critical illness.

i.a.iv.) Senior Citizen Health Insurance: These types of insurance plans cater to all individuals above 60 years of age.

i.a.v) Group Health Insurance: Offered by an employer to its employee.

i.a.vi) Maternity Health Insurance: This insurance type covers medical expenses for prenatal, post-natal, and delivery stage, offering protection to both the mother and the newborn.

i.a.vii) Personal Accident Insurance: These types of insurance plans cover financial liabilities arising due to accidental injuries, disability, or death.

i.b. Motor Insurance:

Motor insurances are types of insurance that offer financial assistance in case your bike or car get involved in an accident. Various types of Motor insurance policies in India include:

i.b.i) Car Insurance: Individually owned four-wheelers are covered under this plan. The car insurance types include- third-party insurance and comprehensive cover policies.

i.b.ii) Bike Insurance: These are types of insurance policy where individually owned two-wheelers are covered against accidents.

i.b.iii) Commercial Vehicle Insurance: This is one of the insurance types, which offers coverage to any vehicle used for commercial purposes.

i.c.Home Insurance:

As the name suggests, a home insurance policy offers comprehensive protection to the contents and structure of your house against any physical destruction or damage. In other words, this insurance type will provide coverage against any natural and human-made calamity, such as fire, earthquake, tornado, burglaries, and robbery.

Different types of home insurance policies include:

i.c.i) Home Structure/Building Insurance: Protects the structure of the house against damage during any calamity.

i.c.ii) Public Liability Coverage: Provides coverage against any damage to a guest or third-party on the insured residential property.

i.c.iii) Standard Fire and Special Perils Policy: Coverage against damages caused due to fire outbreaks, natural calamities (e.g., landslides, rockslides, earthquakes, storms, and floods), and anti-social human-made activities (e.g., explosions, strikes, and riots).

i.c.iv) Personal Accident: Provides financial coverage to you and your family against any kind of permanent dismemberment or sudden demise to the insured individual, anywhere around the world.

i.c.v) Burglary and Theft Insurance: Provides compensation for stolen goods in case of a burglary or theft.

i.c.vi) Contents Insurance: Provides compensation for loss of furniture, vehicles, and other appliances in case of a fire, theft, flood, or riots.

i.c.vii) Tenants' Insurance: Provides financial protection to you (as a tenant) against any loss of personal property living in a rented house.

i.c.viii) Landlords' insurance: Provides coverage to you (as a landlord) against contingencies such as public liability and loss of rent.

i.d.Fire Insurance:

Fire insurance policies are different types of insurance coverages that compensate any losses incurred due to a fire breakout with a sum assured. These types of insurance policy usually provide a significant amount of coverage to help both individuals and companies to reopen their places after incurring extensive damage due to fire. These insurance types cover war risk, turmoil, riots losses as well.

i. Valued policy
ii. Specific Policy
iii. Floating Policy
iv. Consequential Policy
v. Replacement Policy and
vi. Comprehensive Fire insurance policy

i.e. Travel Insurance:

As the name suggests, travel insurance is a type of insurance policy, providing financial protection for you and your loved ones while you are visiting any place in India or abroad. Whether you are travelling solo or with your loved ones, the travel insurance coverage will help ensure that you have a peaceful journey.

The travel insurance policy coverage takes care of any issues that you may face during your trip such as loss of baggage, flight cancellations, loss of passport, personal and medical emergencies. Different types of travel insurance policies include:

i. **Domestic Travel Insurance:** Within the country
ii. **International Travel Insurance:** For any trips or vacations outside of India
iii. **Individual Travel Insurance:** If you are travelling alone
iv. **Student Travel Insurance:** If you are going abroad for further studies
v. **Senior Citizen Travel Insurance:** For senior citizens, ageing between 60 to 70 years
vi. **Family Travel Insurance:** For any family vacations

i.f. 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.The goal of life insurance is to provide a measure of financial security for your family after you die. A life insurance policy will help them meet the financial needs that your income would have normally covered. Life insurance can be purchased on an individual or group basis.

i.f.i.) Term Life Insurance: At its most basic level, a term life policy is an agreement between the person who owns the policy (the owner) and an insurance company: The owner agree to pay a premium for a specific term (usually between 10 and 30 years); in return, the insurance company promises to pay a specific death benefit in cash to someone.

Different Types of Term Insurance Plans:

Level Term Plans. The basic and the simple form of term life insurance is termed as a level term plan.

- Increasing Term Insurance
- Decreasing Term Insurance
- Return of Premium Term Insurance
- Convertible Term Plans

i.f.ii)Whole life insurance: It is a permanent insurance policy that pays the beneficiaries a specific amount upon the death of the insured. Because the insurance policy also builds up a tax-deferred cash value over the life of the policy, the policyholder can borrow against it.Whole life insurance is a sound investment option for those looking to ensure their loved ones are taken care of if they pass away or become disabled due to illness or injury. This type of policy provides both death benefit protection and cash value accumulation, allowing you to access funds without selling the policy.

i.f.iii)Endowment Plans: It is a life insurance plan that offers a life cover1 and helps you grow your money. It provides returns that are fixed at the time of the purchase of the policy. It can be used to save for various goals like buying a house, your child's education or marriage, starting a new venture and more.

i.f.iv)) Unit Linked Insurance Plan:

ULIP means an opportunity to invest in various market-related securities such as equity, debt, and balanced funds to receive long-term investment returns. ULIP full form is Unit Linked Insurance Plans, which means your investments in funds are subject to market fluctuations.ULIPs allow you to withdraw a part of your money whenever you need it. You can also choose where to invest, depending on your risk appetite. In addition to these benefits, ULIPs also offer tax1 benefits on the premiums paid as well as on returns received at the end of the policy.

i.f.v)Child Insurance Plan:
Child insurance plans are a mix of insurance and investment products, which ensure the financial security of your child's future. These plans pay the life cover as a lump-sum amount at the end of the policy term. Child investment plans are beneficial for securing your children's future and providing financial security. Guaranteed plans offer high returns without market volatility, while Unit Linked Insurance Plans involve regular premium payments and market-linked investments.

i.f.vi) Pension Plan:
A pension plan is an employee benefit that commits the employer to make regular contributions to a pool of money set aside to fund payments made to eligible employees after they retire. In the United States, traditional pension plans, or defined-benefit plans, have become increasingly rare and replaced by retirement benefits that are less costly to employers, such as the 401(k) retirement savings plan.A pension plan is a retirement plan that requires an employer to contribute to a pool of funds set aside for a worker's future benefit.

- A defined benefit plan guarantees a set monthly payment for life or a lump sum payment at retirement.
- A defined contribution plan creates an investment account that grows throughout the employee's working years.
- Pension funds are funded by an employer, and 401k plans are funded mainly through employee contributions.

5.4 Policy Conditions and Documentations:

Introduction:
Insurance policy documentation comprises details of the agreements between your company and the insurance agencies including: Policy Details: Policy number, nature of each policy (such as accidental and medical) and start and end dates of each policy.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.Insurance policy document is a reference document that contains all information regarding cover, insured, insurance company, premium paid, risk covered, and sum assured. The document is issued by the insurance company to outline their terms on which the document is issued.Proper documentation of insurance claims not only showcases professionalism but it also makes the process less stressful and easier to manage, with faster settlements. Simply put, the evidence speaks for itself when documented.

5.5 Meaning of Policy Conditions:

Policy conditions are found is an insurance policy and identify the general requirements of an insured and the insurer on matters such as loss reporting and settlement, property valuation, other insurance, subrogation rights, and cancellation and nonrenewal.Policy conditions are circumstances under which insurance coverage is provided and excluded in an insurance policy. If an insured experiences a loss due to an excluded peril or one that exceeds the coverage limit, then the insurance company is not responsible for covering the loss or paying beyond the policy limit, respectively. Most policy conditions also include details about start dates, cancellations, and other important information.

5.6 Insurance Policy Conditions:

Oftentimes, policy conditions can change significantly if a person is willing to pay a higher premium for an insurance product offering more benefits or coverage. For example, a person who buys a health insurance policy with a higher premium may be able to see a number of different specialists and receive various services that other policies offered by the same

insurer at a lower premium would not allow for. Insurance contracts are legally binding, and each party is responsible to fulfil its obligations set up by the policy and the policy conditions.

5.6.i Age proof and dating back:

Age is the basis for determining premium. Lower age means less premium and higher age means higher premium.Therefore, the proposer must submit reliable proof of age to the insurer at the time of the proposal itself. Normally the following age proofs are considered reliable :-

- School & transfer certificate or its certified extract.
- Certified extract from municipal record.
- Extract from service of Govt. quasi-government or reputed public limited companies where age is recorded on the basis of some standard age proof.
- Passport.
  Identity Card of occupation.
- Marriage certificate etc.,

Extracts of the original certificate has to be signed by the proposer himself. As a general rule, in the plans where the risk element is high, standard proof is insisted upon and so also for children's insurance where without age proof, proposal cannot be completed.

5.6.ii.Sub-standard age proofs:

Substandard age proofs are service records where age isrecorded by declaration, ESI cards, marriage certificate self declaration etc., which arescarcely accepted and if and when accepted, the insurerrestricts the plan and/or term, sum assured and may chargean extra premium to compensate for any probableunderstatement of age.

5.6.iii. Dating back:

The commencement of a policy can be dated back within thefinancial year to give the benefit of lower age. In dating back ,the insurer has nothing to lose, for no risk can extendbackwards, dating back of children deferred assurancesometimes becomes necessary so that the child attainsmajority on the date of vesting, i.e., when the child owns thepolicy. If the policy is dated back within 3 months, no interestis charged. So also dating back to lean months like April andMay are allowed interest free. But in the plans which promiseto pay high rate of guaranteed addition, interest may becharged on date backing at a high rate. However these detailsdepend upon each insurer and they may devise their own setof rules in this regard.
Sometimes proposals are accepted with an undertaking tosubmit proof of age at a later date.

5.6.ivDays of Grace:

Premium is required to be paid on the due date but insurerallows a period of grace and if the payment is made withinthis period it will be considered as having been paid on thedue date.
The days of grace are one month but not less than 30 days inall modes of payment except monthly where the days of graceare reduced to 15 days. During the days of grace, the policy remains in force and the claim is payable if the death occurseven if the due premium has not yet been paid. If the premiumis not paid during the days of grace the policy lapses.This grace period constitutes a privilege to the policyholder.The grace period may be allowed depending upon thediscretion of the insurer.

5.6.v. Revival of Discontinued or Lapsed Policies:

A policy lapses in the event of non-payment of the premiumby the insured. Usually, a lapsedpolicy can be revived within aperiod of 5 years. The amount of arrear premium along

with the compounded interest over a period of 5 years becomes soexorbitant that it becomes financially preferable to go for anew policy instead of reviving the old policy.If the period lapsed is within six months, the policy can berevived by payment of arrear premium with interest only.After a period of six months, but within 5 years, the policy canbe revived by payment of arrear premium with due interestwith such other evidence of health and habits as required bythe insurer.The revival conditions may differ depending upon the policiesof the insurers.

5. 6. Revivals:

A life insurance policy is a long term contract. The insured is obliged to continue to pay the instalment of premium on the due date to keep the policy in force. There is a grace period for each mode of payment, say of 30 days for all modes except monthly mode where the grace period is reduced to 15 days. If the due premium is not paid on the due date or even during the grace period, the policy is said to have lapsed. Lapse of a policy means cessation of coverage. However, it is possible to revive the policy with total coverage within a certain period. Revival of a policy means reviewing the policy de novo by the insurer. Every insurer will have its own rules in respect of revival of policy.

Revival is a renovation of a policy half-way. Supposing a policy is for 20 years and it has lapsed say after paying 10 years of premium, it is understandable that half the sum assured has already been paid for. Revival of this policy effectively means reviving the risk of only of balance 50% of the sum assured. This revived sum assured is always less than original sum assured and higher by the paid up sum assured. The paid up sum assured is arrived at by dividing the original sum assured by the term of the policy and multiplying it by the period for which the premium stands paid. Say the term of a policy is 20 years, the sum assured, Rs. 10,000 and 10 years premium have been paid, the paid up value is Rs. 10,000 x 10/20 = Rs. 5,000. Thus the sum assured to be revived is Rs. 5,000.

This sum to be revived is important, because being less than the original sum assured, the requirements for medical report etc. may be much less than what was required while taking the original policy. It is also true that age has increased in the meantime and, therefore, some requirements may be still needed.

To cite an example of procedure of revival of policies we shall discuss hereunder the schemes for revival offered by LIC taking into consideration the financial situation of the policyholders:

i. Ordinary Revival Scheme:

The arrear premiums are paid with interest along with othermedical requirements, if any.

ii. Special Revival Scheme:

It is meant for those policyholders who cannot pay all the arrear premiums, but are interested to revive the policy. In this scheme, the date of commencement of the policy is shifted to the date of revival. A necessary condition for this revival is that the policy should not have lapsed for more than two years and it must not have acquired a paid up value. However, as the date of commencement is advanced, it means a higher age and, therefore, the instalment premium is changed accordingly. The term normally remains the same and the maturity date shifts unless the maturity age goes beyond what is permissible under the plan. In that case, the term is reduced to keep the maturity age within the limit. This privilege of special revival can be allowed only once during the duration of the policy. The procedure for revival is very simple. The insurer makes all the changes in the policy document by an endorsement. The

policyholder however has to pay at least one instalment of premium to cover the risk upto next due date.

iii. Revival by paying arrear premium in instalment:

This scheme is useful for those who cannot pay arrear premiums in one lump sum and who do not satisfy the basic condition of special revival scheme. For example the policy might have already acquired a paid up value. It is very much like ordinary revival scheme except that in this case, the arrear premium with interest is paid in instalments along with the current premium say-within two years. After having paid the increased premium for the stipulated period the instalment shall be reinstated to its original amount.

iv. Revival with loan Scheme: As is clear from the name this scheme involves two steps - one reviving the policy, two granting a loan. Loan is calculated assuming that the premium has been paid upto the date of revival and thereafter this amount is adjusted towards the arrear premium. However, if this loan amount falls short of the required arrear premium with interest, the balance is payable by the policyholder. Thus, while the policy gets revived, it gets loaded with a loan which needs to be repaid with interest or else this is deductible from the claim as and when it arises.

v. Survival cum Revival :- As it is known from its name, if the policyholder has taken a money back policy and it has lapsed, insurance company would revive the policy from the money which was due to the policyholder as survival benefit.

vi. Non-Forfeiture Regulation: If the premium has been paid for a minimum period of 3 yearsand subsequent premium is not paid, the policy does notbecome totally void. It becomes paid up to a reduced sumassured. This reduction in sum assured is in proportion tothe actual period for which premium has been paid comparedto the total period for which the premium was payable.Some insurance companies have a system called automaticpremium loan option. If this option is accepted the policy doesnot get automatically paid up on stoppage of payment ofpremium. The policy is kept in force by an automatic withdrawalof premium money out of the surrender value of the policyand the outstanding premium gets paid as long the surrendervalue lasts. As this withdrawal is treated as a loan with interest,in course of time, the loan and interest totally exhausts thepresent value of the policy and the policy value becomes zero.

However this policy can be revived in the meantime.Another option used by companies to exercise the non–forfeiture clause is the extended term insurance where a terminsurance policy is issued against a single payment equivalentto the surrender value for the initial sum insured.

vii. Hazardous Occupation: As to occupation it is worth noting that though insurer chargesextra premium, if the proposer is engaged in hazardousoccupation and removes such extra premium, if suchoccupation is given up, it does not charge any extra premiumto such policyholders who after having taken the insurancetakes up a hazardous job. In fact, no policyholder is requiredto keep the insurer informed of the change in occupationduring the continuance of any insurance policy.

viii.Nomination and Assignment:

Nomination: Transfer of property through nomination without the hassleof any other transfer deed, is an important special privilegegiven to the policyholder under Sec.39 of the Insurance Act. The owner of the policy, when taking an insurance on his life,can nominate a beneficiary to whom the claim amount ispayable by the insurer in case the insured is no more. Payment to the nominee as named in the proposal and incorporated inthe policy document is a sufficient and valid discharge for theinsurer.

It is true that nominee should be a close relative who has aninsurable interest in the insured person. In other words, heshould stand to gain in his existence and harmed by his death. If a nominee is a person other than a close relative withinsurable interest, the insurer

may ask for clarification andmay refuse to accept the risk, as the moral hazard is suspectedin such a case. Of course, it is possible to nominate a charitableinstitution of one's liking.

Besides the relation between a husband and a wife, insurableinterest is not presumed to exist, unless specifically explained.Thus, while nomination is a special privilege, it needs to beexercised wisely. Nomination can be changed during theduration of the policy by a specific endorsement on the policydocument. It generally becomes necessary if the life insuredis not married while taking the policy and, therefore, maynominate his/her parents. After marriage nomination can bechanged in favour of the spouse by making a specialapplication.

Nomination:

- Nomination can be done at the time of the proposal
- Nomination can be done only by an endorsement on the policy — not by a separate deed.
- Life assured alone can nominate.
- Nomination does not take away the ownership and therefore, life assured can change the nomination any time he likes.
- Nomination does not need a consideration.
- Nomination need not be witnessed.
- Nomination has to be notified to the insurer so that the nominee's interest is protected.
- Nominee has no right to the policy money so long the life assured is alive.
- On the death of the nominee, nomination becomes invalid.
- A nominee merely receives the money on behalf of the beneficiaries.He does not own it.
- The creditor can get the policy attached.
- Nomination is automatically cancelled by a subsequent assignment.

Assignment of Policy:

- Assignment is not possible at the time of proposal, as he has not yet acquired any property which can be transferred.
- Assignment is possible both by endorsement or a separate deed.
- Assignment is possible by the owner who can be an assignee also.
- Assignment cannot be cancelled without the assignees consent.
- Assignment has to be for a consideration unless it is for love and affection.
- Assignment must be witnessed.
- Notice of assignment is required so that the latter assignee gets a priority over the earlier assignee.
- The assignee is the owner of the policy and can give a valid discharge to the insurer even if the assured is alive.
- On the death of the assignee, his successors inherit the right to the policy.
- The assignee is the owner of the property which is the insurance policy.
- A creditor of the life assured has no right to an assigned policy.
- An assignee can further assign the policy.

ix.Prohibition of Rebate:

Section 41 of the Insurance Act, 1938 states:

- No person shall allow or offer to allow, either directly orindirectly, as an inducement to any person to take out orrenew or continue an insurance in respect of any kind ofrisk relating to lives or property in India, any rebate of thewhole or part of the commission payable or any rebate ofthe premium shown on the policy, nor shall any persontaking out or renewing or continuing a policy accept anyrebate, except such

rebate as may be allowed in accordancewith the published prospectuses or tables of the insurer.

- Any person making default in complying with theprovisions of this section shall be punishable with a finewhich may extend to five hundred rupees.

x. Paid Up Value and Surrender Value:

When a policyholder due to any reason stops payment of futurepremium during the term of the policy he certainly loses thecover of life risk for the future. But what happens to the moneyhe has already paid?

- **Paid up Value:**

If the premium has been paid for 3 full years, this money asper the terms and conditions of the policy does not get forfeited.The policy is said to get automatically "paid up". Paid up is atechnical expression of a position where the money paid isnot forfeited. This is the amount which is to be paid on thematurity of the policy or earlier death of the policyholder.This amount is a reduced sum assured exactly in proportionto the term for which premium is paid compared to the termfor which premium was payable.

- **Surrender Value:**

The value which is now payable on cancellation of the policycontract is called the Surrender Value. This is much less thanthe paid up value for the reasons as explained above.The surrender value is payable provided the policy has acquireda paid up value and the policy acquires a paid up value only ifa minimum of three years premium has been paid. This limitof three years has been kept because the initial huge expensesincurred for the procurement of policy and after paying forthe deaths, do not leave much to be paid, before three years.

- **Guaranteed Surrender Value:**

The Insurance Act, 1938 provides for a guaranteed surrendervalue. The guaranteesurrender value has been defined asfollows - If the policy premium has been paid for three years,the minimum surrender value allowable under this policy isequal to 30 percent of the total amount of premium paidexcluding the premium for the first year and also additionalpremium for accident benefit etc. The cash value of any existingvested bonus addition will also be allowed.

xi. Loan Under Policy: Loan is a privilege which is allowed provided it is mentionedin the policy conditions. Generally loan is permissible in allsavings oriented polices like endowment plans. But in suchplans, where survival benefit is paid during the duration ofthe policy benefit of loan payment is not permitted as thereserve is depleted due to these payments. That is why in
money back plans, loan benefit is not permitted.Loan amount is generally 90% of the surrender value. Thispercentage increases gradually during the last 3 years of thepolicy duration. In case the policy has been paid up, only 85%of the surrender value is available for loan.

xii.Claim Concession: In death cases where the policyholders expire aftercontinuously paying premium for 3 years the insurancecompany makes payment of full sum assured, subject to thededuction of unpaid premiums with interest till the date ofdeath and unpaid premiums falling due before the nextanniversary of the policy within a period of six months or oneyear from the date of the first unpaid premium.

5.8. Documentation for Insurance Policy:

Introduction:

The specific documents required may vary depending on the insurance company and the type of policy being applied for. However, common documents include proof of identity, proof of age, proof of residence, income proof, bank statements, medical history, and

beneficiary information.Insurance policy document is a reference document that contains all information regarding cover, insured, insurance company, premium paid, risk covered, and sum assured. The document is issued by the insurance company to outline their terms on which the document is issued.

i. Meaning:

Insurance policy document is proof of insurance. It is a formal legal document that is used as a legal binding for the insurance contract. The policy document is the evidence of the insurance contract and contains all the terms and conditions.Insurance policy document is a reference document that contains all information regarding cover, insured, insurance company, premium paid, risk covered, and sum assured. The document is issued by the insurance company to outline their terms on which the document is issued. Apart from the conditions, a policy also confirms the receipt of the premium payment.The policy document will include a proposal form submitted by the insured, first premium receipt, any endorsements, and the policy schedule. Policyholders can refer to all of these in case they are planning to file for a claim.

ii.Documents Required for Life Insurance:

Following is the list of documents required while applying for a life insurance policy:

a) Duly filled Proposal Form
b) Photograph of the Proposer/Life Assured (Adhaar Card, Voter ID Card, Passport etc.)
c) Age Proof of the Proposer/Life Assured
d) Photo Identity Proof of the Proposer/Life Assured
e) Address Proof of the Proposer/Life Assured
f) Medical Examination Report of the Proposer/Life Assured
g) Income Proof of the Proposer/Life Assured
h) PAN Card of the Proposer/Life Assured

5.9. Documents Required for Life Insurance Claims:

Life Insurance Claims are broadly differentiated into three categories i.e. Maturity Claims, Death Claims, and Rider Claims. The claim benefits under life insurance are entertained by the beneficiary in the event of the untimely death of the policyholder.

Let us understand about each of these claims in detail.

i. Maturity Claims:

Under the maturity claim process, the policyholder receives compensation from the insurance provider upon the plan maturity. The compensation consists of the sum assured along with any other incentives/bonuses.To provide this benefit, the insurance company reaches out in advance to the policyholder along with a bank discharge form. The policyholder needs to fill in the details in the form alongside the appropriate documents and then need to send it back to the bank.

Documents Required for Life Insurance Maturity Claims:

a) Duly filled Policy Discharge Form
b) Original Policy Document
c) Photo ID Proof of the policyholder
d) Bank Account Details (copy of bank statement/cancelled cheque)
e) Documents Required for Life Insurance Death Claims (Death Due to Medical Conditions)

ii. Death Claims:

In case of death claims, the beneficiary needs to inform the insurer regarding the claim in written form at the earliest. The information should include the insured name, policy number, place of death, date of death, claimant name, etc.Later, the insurance company is required to settle the claim within 30 days of all document receipts submitted by the policyholder. However, there would be a case, wherein the insurance company would need

further investigation. Under this scene, the insurance company must complete its process within 6 months from the date of receiving the claim intimation in writing.

Following is the list of documents that are required for life insurance death claims:

a) Original Policy Documents
b) Duly Filled Claim Form
c) Nominee's Photo ID Proof (Adhaar Card, Voter ID Card, Passport, etc.)
d) Nominee's Bank Account Details (such as bank statement/ cancelled cheque)
e) Death Certificate issued by local authority
f) Attending Physician's Statement
g) Treating Doctor's Statement
h) Medical Records

iii. Rider Claims:

Riders are known to be additional benefits provided by the insurance company by paying an additional premium amount alongside the standard insurance policy. A life insurance plan can be attached with various types of riders such as critical illness rider, accidental rider, hospital cash rider, waiver of premium, etc.Under the rider claim procedure, different types of riders get settled through different means. Rider claims like accidental death, waiver of premium, etc are settled by following the procedure of death claim settlement. The rest of the rider claims can be resolved by submitting all the necessary documents along with a policy copy and a duly filled claim form.

Documents Needed for Life Insurance Rider Claims:

a) Doctor's Report
b) Original or Copy of FIR
c) Original or Copy of Police Inquest Report
d) Original or Copy of Postmortem Report
e) Other Documents (as asked by the insurance provider)

5.10. Conclusion: Term insurance and whole life insurance serve different purposes and cater to distinct financial needs. Term insurance is a low-cost tool for people looking for coverage for a certain period of time. Whole life insurance provides lifelong protection and adds savings or income benefit for future goals. An insurance premium is an amount that every insurance policyholder has to pay; in return for which, the insurers provide coverage against the losses as per the policy. When an insurance policyholder stops paying his/her insurance premium, he/she indirectly risk the cancellation of the policy.

5.11. Keywords:

- General Insurance
- Life Insurance
- Insurance policy
- Premium
- Maturity
- Claim etc.,

5.12. Self-Assessment Questions:

i) What is insurance? and explain the importance of insurance?
ii) Explain various types of policies in general insurance and life insurance?
iii) Explain condition required to register for insurance policy?
iv)What is nomination and assignment of policy in insurance?
v) Explain various documents required for insurance policy?

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Lesson 6
CALCULATION - PREMIUM, LOSS & PAYMENT CLAIMS

After reading this lesson, you will be able to understand:
Objectives:

- To understand insurance premium
- To know methods of calculation of insurance premium
- To understand loss ratio working method
- To know the difference between claims incurred and claims paid
- To understand Calculation of the Claim Settlement Ratio (CSR)

Structure

6.1. Introduction:
6.2. Meaning of Insurance Premium
6.3. Calculation of Insurance Premium
6.4. Meaning of Calculation of Loss
6.5. Loss Ratio Working Method
6.6. Acceptable Loss Ratio
6.7. Types of Losses in Insurance
6.8. Three Ways to Improve the Loss Ratio
6.9. Meaning of Payment of Insurance Claims
6.10. Difference Between Claims Incurred and Claims Paid
6.11. Claim Settlement Ratio for IRDA
6.12. Claims Paid by Amount
6.13. Types of Insurance Claims
6.14. Calculation of the Claim Settlement Ratio (CSR)
6.15. Calculation of Actual Claim Amount (ACM)
6.16. Conclusion
6.17. Keywords
6.18. Self-Assessment Questions
6.12. References

6.1. Introduction:

Insurance premium equates to the money that is paid by any person or company/business for availing of an insurance policy. The insurance premium amount is influenced by multiple factors and varies from one payee to another.Insurance premium is determined by several factors, including an insured's age, health, coverage amount, and risk profile. Premiums are determined by actuarial data and statistical models.

6.2. Meaning of Insurance Premium:

The insurance company stipulates that an individual or business periodically pay them a specific amount of money as premium for the availing and maintenance of their insurance policy and coverage. Insurance companies consider many factors while determining the premiums, particularly in case of life insurance. These include the chances of claims being made by the policyholder, medical conditions, smoking and other lifestyle habits, area of residence, nature of employment and so on.There are actuaries tapped by insurers for working out the chances of claims being made by the insured individual for critical ailments or life-threatening diseases like cancer/heart attacks across multiple age groups. The higher the risks linked to the individual; the higher will be the premium for life insurance. Premiums

can be paid through monthly, half-yearly or even annual instalments. Customers can also pay the entire amount as a one-time payment for the whole policy term prior to the commencement of coverage in some cases.The insurance premium is what insurance companies make use of when it comes to ensuring coverage for all liabilities linked to the policy. The premium may also be invested by the insurance company in securities for earning returns and covering some of the costs tied to the coverage.

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). The word "premium" is derived from the Latin premium, where it meant "reward" or "prize."

6.3. Calculation of Insurance Premium:

The basic premium factor is the acquisition expenses, underwriting expenses, profit, and loss conversion factor adjusted for the insurance charge for a policy. The basic premium factor is used in the calculation of retrospective premiums and does not consider account taxes or claims adjustment expenses.

Insurance premiums vary based on the coverage and the person taking out the policy. Many variables factor into the amount that applicant will pay, but the main considerations are the level of coverage that an applicant receive and personal information such as age and personal information.

i. Premium and its Types:

Premium can mean a number of things in finance—including the cost to buy an insurance policy or an option. Premium is also the price of a bond or other security above its issuance price or intrinsic value. A bond might trade at a premium because its interest rate is higher than the current market interest rates.

- **Basic Premium:** Your insurance amount before theNo Claim Discount (NCD). Gross premium: Your insurance amount after the NCD.
- **Final Premium:** The final amount applicanthas to pay to applicant's insurer to activate applicant's insurance policy.

ii. Basis of Premium Calculation:

The basic premium factor is the acquisition expenses, underwriting expenses, profit, and loss conversion factor adjusted for the insurance charge for a policy. The basic premium factor is used in the calculation of retrospective premiums and does not consider account taxes or claims adjustment expenses.

While you can always look for a good insurance premium calculator to work out the premiums, the calculation procedure also depends on several factors as listed below:

a) **Age:**It is one of the first things that can impact life insurance premiums for a policy. Younger individuals usually pay lower premiums as they are considered lower risk. Older people can be charged a higher premium due to increased health risks and lower life expectancy.

b) **Area of residence:**The city or state of applicant's residence can impact the cost of applicant's premium. Some areas may be prone to natural disasters, increasing the likelihood of an unfortunate incident. Similarly, insurers may also see areas with a high crime rate as high risk. If you live in such places, applicant might have to pay a higher premium.

c) **Nature of Employment:**Applicant's profession influences the monthly life insurance cost. Riskier professionals, such as construction workers, mining workers, pilots, police officers, military personnel and more, usually pay higher premiums due to higher chances of accidents in their jobs.

d) **Medical Ailments and History:**A medical history of illnesses or suffering from health concerns at the time of purchasing the policy puts applicant in a higher risk zone for the insurer. In such a case, applicant is charged higher life insurance premiums.
e) **Smoking and Other Lifestyle Habits:**Smokers, drinkers and individuals with similar lifestyle habits usually pay more insurance premiums due to increased health risks. These habits significantly impact applicant's health and play a crucial role in deciding the premium for your policy.
f) **Likelihood of claims being made by the person insured:**If an applicanthas a history of making claims, applicant's premium might be higher as the insurance company may anticipate future claims.
g) **Income:**While applicant's income may not affect the premium directly, it can indirectly impact the monthly life insurance cost. If applicant fall into a higher income group, applicantwill likely buy higher coverage. A high sum assured can increase the premium of the plan.
h) **Height and Weight:**Applicant's height and weight are used to calculate applicant's Body Mass Index (BMI). The BMI is an indicator of applicant'shealth and helps the insurance company understand the risk you bring to the table. Applicant can be prone to illnesses if applicant's weight is not proportional to applicant's height. To cover this risk, applicant may be charged a higher premium.
i) **Marital Status and Dependents:**Applicant's marital status and the number of dependents you have significantly influence applicant's life insurance coverage. Insurance companies might tailor policies to offer applicant's a lower premium and a relatively lower sum assured if applicanthave numerous dependents.
j) **Gender:**Women and men may be charged different life insurance premiums. Women are at a lower risk of suffering from some illnesses than men, such as heart attack, cardiovascular disease and more1. Insurers are more likely to charge women a lower premium than men.
k) **Hobbies with High Risks**:If an applicant has dangerous hobbies, like skydiving, deep sea diving, paragliding and others, your premiums can be increased due to the higher likelihood of accidents.
l) **Global Travel History:**If an applicant extensively travels to high-risk areas, including war zones and areas with a high rate of diseases and poor hygiene, the premium for applicants' life insurance policy will be high due to increased exposure to various risks.
m) **Debts:**If an applicant have high debt, he is likely to purchase high coverage. As a result, the premium for your plan will also rise.

Insurance companies also take into account the mortality cost, i.e. the sum assured or the minimum sum payable by the insurance company in the event of death of the policy holder. This is also worked out through assessing the factors mentioned above. The operational costs of insurance companies like the rental of office space, salaries of employees, commissions of agents, etc. also determine insurance premiums. Lastly, the interest earned on invested premiums is also taken into account before the premium calculation.

As can be seen, premium calculation is a multi-layered process, depending on several factors and varying from one person or policy to another. You should always use a calculator to determine the insurance premium payable on your life insurance policy prior to choosing the same or renewing it every year. These calculators are available on the websites of most insurers.

6.4. Meaning of Calculation of Loss:

Loss ratio is used in the insurance industry, representing the ratio of losses to premiums earned. Losses in loss ratios include paid insurance claims and adjustment expenses. The loss

ratio formula is insurance claims paid plus adjustment expenses divided by total earned premiums.

In calculating the loss cost, insurance underwriters use statistical models and historical data from their business and the entire industry. The loss cost multiplier is an adjustment to the loss cost that takes into consideration business expenses and profit.

The health and profitability of an insurance company can be quickly assessed using the loss ratio. When claims payments are less than premiums collected, insurance companies are making profits.The insurance company runs the risk of going out of business if the opposite happens frequently.

- **When it exceeds 100%:**
  In this situation, the insurance company is in an unfavourable position. It means that the insurance company is losing money on its policies.
- **When it is equal to 100%:**
  It means that the total amount of premiums collected equals the total amount of claims and expenses. It makes neither profits nor losses from its policies.
- **If it is less than 100%:**
  It means that the insurance company keeps a portion of its premium after claims are paid. This is a sign of profitability. The lower the ratio, the higher the insurance company's profitability.

6.5.Loss Ratio Working Method:

The loss ratio represents the relationship between total premiums earned and actual losses incurred over a given period of time. It reveals how much an insurance company spent on paying claims and other expenses compared to the premium received.

It is a metric that specifically measures the profitability of insurance companies.A loss ratio is a quick way to evaluate the financial health and profitability of an insurance company. The calculation is used by both insurers and by external parties, such as regulators, lenders and consumer advocates to monitor and assess performance.

Loss ratios vary depending on the type of insurance. For example, the loss ratio for health insurance tends to be higher than the loss ratio for property and casualty insurance. Loss ratios help assess the health and profitability of an insurance company. A business collects premiums higher than amounts paid in claims, and so high loss ratios may indicate that a business is in financial distress.

- **Method of Calculating Loss Ratio:**Loss ratio = ((insurance claims paid + loss adjustment expenses)/Premium earned) x 100
- **Insurance Claims Paid:**It is the amount of money paid by insurers for claims made by the insured when the risk insured against occurs.
- **Adjustment Expenses:**These are expenses incurred in the process of investigating, verifying, and settling claims.
- **Premium Earned:**This is the amount of money paid by clients to insurance companies to cover risk.

i. Method of Loss Ratio used by Insurance Companies:

Insurance companies look at loss ratios when making management decisions.

For example:

- When setting target premiums or to determine if a rate change is necessary;
- To compare different product lines and determine which are more profitable; and
- To assess its performance against other carriers.

The ratio may even be included in employee performance management and incentive programs, with employees given optimal targets to meet.

By regulators, investors, lenders, rating agencies, and consumer advocates
Regulators may set minimum loss ratio requirements on certain insurance products to prevent excessive profits. If an insurer breaches the minimum ratio, the regulator may require it to refund policyholders. Alternatively, a high ratio may signal solvency problems.
Consumer advocates compare loss ratios across different insurers to evaluate performance. Consumer advocates would argue that a high ratio is best for consumers, as this indicates that the insurer is returning most of the premium in claim payouts and not overcharging customers.
Investors, regulators, lenders, and rating agencies track loss ratios as part of their assessment of insurers' financial health.

6.6. Acceptable Loss Ratio:

The answer varies from insurance provider to insurance provider.
The type of insurance, the size of the book of business, and the classification of claims payments, reserves, and expenses can all affect the loss ratio calculation. Each sector in the industry has a different definition of an acceptable loss ratio. Compared to other sectors, some have a higher ratio. For instance, the loss ratio for health insurance providers is higher than for property and casualty providers. Therefore, when comparing loss ratios from one insurer to another, it is important to understand the raw data used in the calculation and the mix of business included in the analysis.
(a) Total Loss: If the goods are totally destroyed, the amount of claim is equal to the actual loss, provided the goods are fully insured. However, in case of under insurance(i.e. insurable value of stock insured is more than the sum insured), the amount of claim is restricted to the policy amount. the sum insured.
The general formula most insurers use to measure settlement worth is the following: (Special damages x multiplier reflecting general damages) + lost wages = settlement amount.To calculate settlement amounts, you must have a reliable total of expenses incurred as a result of the dispute. Applicant also must have a detailed understanding of the strengths and weaknesses of the case and the likelihood of success. This involves calculating the employee's final salary. This includes prorated earnings for the part of the month worked, any pending bonuses, overtime pay, and leave encashment. Any deductions that need to be made from the final pay usually, any unpaid loans or advances taken by the employee, are taken into account.

6.7. Types of Losses in Insurance:

There are several types of insurances available to protect businesses and individuals against loss and damages. Insurances break down and fall into one of two categories—they either protect against direct losses or protect against indirect losses.
There are two kinds of total loss: actual total loss, and constructive total loss. Actual total loss to a home means it's completely destroyed, and nothing of value or use remains. Following a wildfire that swept through the town, Ross' house was burned to the ground.
i) Actual Total Loss: It is a loss that occurs when an insured property is destroyed or damaged to such an extent that it can be neither recovered nor repaired for further use. Often, an actual total loss triggers the maximum settlement possible according to the terms of the insurance policy.
ii. Key Takeaways:

- Loss ratio is the losses an insurer incurs due to paid claims as a percentage of premiums earned.
- A high loss ratio can be an indicator of financial distress, especially for a property or casualty insurance company.

- Insurers will calculate their combined ratios, which include the loss ratio and their expense ratio, to measure total cash outflows associated with their operating activities.
- If loss ratios associated with applicant's policy become excessive, an insurance provider may raise premiums or choose not to renew a policy.
- If health insurers fail to divert 80% of premiums to claims or healthcare improving activities, they will have to issue a rebate to their policyholders.

iii. Three Common Risk Types are:

- Safety. It doesn't matter the location of the organization or type of work being undertaken – safety risks are inherent in every business.
- Business interruptions.
- Environmental.

iv. Difference Between Claim and Loss in Insurance:

Following a loss, the policyholder can ask their insurance company to pay them for what they've lost. This request is called a claim. The purpose of insurance is to bring the insured back to the same financial state they were in immediately before a loss.

v. Difference Between Damage and Loss in Insurance:

Loss indicates irreversible damage, such as land loss because of sea-level rise or loss of freshwater resources because of desertification. Damage involves reparable harm such as shoreline or infrastructure impacts linked to climate change. It is important to distinguishbetween economic losses and non-economic losses.

vi. Difference Between Peril and Loss:

A peril is the direct cause of a loss, or the source of the loss. For example, if a house is damaged by a lightning strike, the lightning strike is considered to be the peril. If your house catches on fire, then fire will likely be considered the peril.

6.8. Three Ways to Improve the Loss Ratio:

i) Accelerate Claims Processing:

In a post-COVID era, digitization of claim processes and self-service help to accelerate claims processing. Research shows that insurers often lose money and clients when they drag their feet in upgrading outdated systems that cannot serve customers in today's digitalized era.

Delays in processing claims can worsen situations, leading to an increase in the expenses to be incurred in settlement. Insurers spend a huge portion of revenue on claims processing. Not only that, the company's profitability and sustainability are determined by how effectively it handles claims processing. It is therefore imperative for insurers to put in place an effective system for claim processing.

ii). Investing in Underwriting Excellence:

Underwriting excellence has become a necessity to stay competitive.Investing in underwriting excellence necessitates underwriters developing technical capacity. The underwriters must sufficiently understand the factors that affect the risk covered. This will result in effective pricing that fairly accounts for the inherent risks. Otherwise, insurers would continue to incur losses resulting from underpriced policies.

Also, insurers can make underwriting more efficient by investing in technological advancements that automate tasks. A 2019 McKinsey report revealed that underwriters spend 30% to 40% of their time manually handling administrative tasks. Automation of tasks will accelerate speed and efficiency in processes.

iii). Increase Clients' Satisfaction and Retention:

The interactions your clients have with your business can have a big impact on their level of satisfaction and, ultimately, retention. Clients need a quick response the most during the claim processing phase.According to 2014 research by Accenture, 41% of policyholders

who file claims are likely to change insurers within a year. Clients need a quick response the most during the claim processing phase.

Automating claim processes and training staff to handle clients in the most respectful and professional manner will provide reassurance to clients. Clients will have a positive impression of your business when you meet and exceed their expectations. This results in client satisfaction, repeat patronage, and retention.

The general public has the impression that insurance companies sell policies and generate significant profits. In reality, insurance companies only make a profit when the money paid for claims and adjusted expenses is less than the premiums collected or earned. The loss ratio is a metric that measures profitability of insurance companies. It provides information on an insurance company's financial standing.

iv. Key Takeaways:

- The loss ratio is a quick way to evaluate the financial health and profitability of an insurance company.
- Insurance companies make money when claim settlements are less than premiums earned. If the opposite occurs frequently, there is a chance that the insurance company will go out of business.
- The combined ratio takes into account administrative and miscellaneous expenses incurred during the course of examining claims and paying premiums. It provides a holistic view of an insurance company's financial standing.
- What is an acceptable loss ratio varies according to the type of insurance.
- Accelerating claims processing, investing in underwriting excellence, and increasing client satisfaction and retention can help to improve the loss ratio.

6.9. Meaning of Payment of Insurance Claims:

An insurance claim is a formal request to your insurance provider for reimbursement against losses covered under your insurance policy. Insurance is a financial agreement between applicant and insurer. Applicant have to pay a fixed premium. And in exchange, the insurance provider offers financial cover for losses based on the policy terms. When the event covered under your policy occurs, a claim must be filed. The purpose is to notify the insurer that the event for which applicant have opted for an insurance has occurred and the insurer should pay the claim amount.

6.10. Difference Between Claims Incurred and Claims Paid:

Claims incurred consist of claims paid and changes in the provision for outstanding claims, from which reinsurers' shares are deducted. The part of claims to be paid is allocated to claims incurred that are directed to the financial period. Claims incurred are thus recorded on accrual basis.

6.11. Claim Settlement Ratio for IRDA:

Claim settlement ratio is a percentage of claims that the insurer has paid out against the number of outstanding claims during a financial year. As a thumb rule, the higher the claim settlement ratio, the more reliable the insurer is. So, if applicant is planning to buy a new insurance policy or renew your existing one, applicant must check the claim settlement ratio of the insurer along with other factors such as premium amount and coverage

The main reason why people buy a life insurance policy is to secure the future of our loved ones in case of unfortunate events. So, it is important to check how your insurer settles claims before you invest your hard-earned money in it. Here the concept of claim settlement ratio comes into play. It is one of the crucial metrics that give applicant a rough sense of how the insurance company.

The Insurance Regulatory and Development Authority of India (IRDAI) has recently released the details of claim settlements of all life insurance companies for the year 2022-23. The individual death claim settlement ratio of the life insurance industry was 98.45% in 2022-23.

6.12. Claims Paid by Amount:

The claim paid ratio by amount indicates the percentage of the total value of claims submitted to an insurance company that is ultimately paid out. A high ratio would suggest that the company is paying out a large proportion of the total value of claims submitted to it, while a low ratio would suggest that the company is denying or delaying many claims. Both claim-paid ratios by numbers and claim-paid ratios by amount are used to measure the financial performance of an insurance company and to assess its ability to pay out claims to policyholders.

6.13. Types of Insurance Claims:

An insurance claim acts as a safety net against financial losses.

Unforeseen expenses like medical emergencies, accidents, and life's uncertainties can cause immense economic distress. Insurance claims can provide relief in such unfortunate events. The funds can cover medical bills, act as income replacements, and help applicant'sfamily meet their living costs. If you have financial dependents, claim payouts can serve as a lifeline if your family loses the support of applicant's income.

An insurance claim can be categorised into various types.

i. **Health Insurance Claims:**
   A health insurance claim is raised to cover the costs of medical expenses. In most cases, these claims are handled by the hospital or doctor, and the insured does not have to do anything. However, if the claim is denied, the policy owner may have to intervene.

ii. **Life Insurance Claims:**
   A life insurance claim is raised by the nominee in the unfortunate event of the policyholder's demise. It may require the beneficiary to submit documents like a copy of the death certificate, FIR, PAN, and other documents along with a claim form. Once the insurance company has verified all information, a payout is made to the beneficiary's account.

iii. **Group Life Insurance Claims:**
   A group life insurance plan is used by an employer to offer life insurance benefits for their employees. In the unfortunate event of the demise of an employee, the plan's nominee can file a claim and get the sum assured.

A Claim Settlement Ratio or CSR is a percentage figure showing how many insurance claims were settled by an insurance company compared to the total number of claims raised by the policyholders during a financial year.

6.14. Calculation of the Claim Settlement Ratio (CSR):

The claim settlement ratio of an insurance company is calculated using the following formula:

CSR = (Total number of claims settled in a year) / (Total number of claims in a year) x 100

The CSR of an insurance company serves as an indicator of the overall financial health and credibility of the company. The higher the claim settlement ratio, the higher the chances of your claim being settled smoothly.

Every year, the Insurance Regulatory and Development Authority (IRDA) publishes the claim settlement ratio of all the registered insurance providers. You can easily check the credibility of an insurance company by going through the list of IRDA Claim Settlement Ratio 2022.

6.15. Calculation of Actual Claim Amount (ACM):

WhileClaim Settlement Ratio(CSR) reflects applicant'schances of getting applicant's claim settled without effort, it also speaks volumes about an insurance company's financial credibility and customer-centricity. In addition, as a policyholder, applicant must know how his /her claim amount is actually calculated. For this, applicant must understand the extent of his/her coverage, especially if applicant is a businessperson or have undervalued applicant's insurance needs.

There is a provision called "Average Clause" which the insurance companies apply to ensure policyholders do not under-insure. Let us use an example to understand it better.

Say, a businesswoman buys insurance and the insured value of the stocks is less than the total value of the stocks of the business. Now, if the business incurs a loss, as per the average clause, the loss coverage by the insurance company will be up to an extent in the proportion of the insured value of the stocks to the total value of the cost.

So, the claim amount will be calculated in the following way:

Claim Amount = (Loss value) x (Insured value / Total cost)

Suppose, a policy cover of Rs 100,000 is taken for business stocks amounting to Rs 120,000. There is an under-insurance of Rs 20,000. Now, if out of this Rs 20,000 there is a loss of amount Rs 10,000, then the insurance provider will pay Rs 8,333. This amount is calculated in the following way:

Claim amount = 20,000 x (100,000/120,000) = 8333.3333

It is of paramount importance for policyholders to understand how the claim amount is determined. A lack of these insights, may create confusion and lead you to take a cover that does not match your coverage needs.

6.16. Conclusion: With the payment made and any necessary paperwork completed, the claim is considered settled, and the insurer's obligations are fulfilled.A paid insurance claim serves to indemnify a policyholder against financial loss. An individual or group pays premiums as consideration for the completion of an insurance contract between the insured party and an insurance carrier.A claim is the main argument of an essay. It is the most important part of an academic paper. • A claim defines the paper's goals, direction, and scope. It is supported by evidence.The calculation of premiums in insurance is complex. Because, it needs to factor in many different risks and regulations such as government tax, natural disasters, customer income, customer, and several claims change regularly. It involves a lot of decisions at different levels.

6.17. Keywords:

- Insurance Premium
- Loss Ratio Working Method
- Claims Incurred
- Claims Paid
- Claim Settlement Ratio (CSR) and
- Actual Claim Amount (ACM) etc.,

6.18. Self-Assessment Questions:

i.) What is insurance premium and explain the method of calculation of insurance premium?

ii.) Explain the method of Calculation of Loss and mentionloss ratio working method?

iii) Explain various types of losses in insurance and ways to improve the loss ratio?

iv) What is the difference between claims incurred and claims paid?

v) Explain the method of Calculation of the Claim Settlement Ratio (CSR)?

vi)Explain the method of Calculation of Actual Claim Amount (ACM)?

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Lesson-7
TYPES OF AGRICULTURAL INSURANCES

OBJECTIVES OF THE LESSON:

After go through this lesson you are able to:

- To know the concept of agricultural insurances.
- Understand the basic concepts of agricultural insurances and its related information.
- Introduction to the agricultural insurances.
- Understand Challenges and Opportunities in Agriculture Insurances.
- Over view of types of agriculture insurances.

STRUCTURE OF THE LESSON

7.1. Introduction to Types of Agriculture Insurances
7.2. Crop Insurance
7.3. Livestock Insurance
7.4. Property Insurance
7.5. Liability Insurance
7.6. Catastrophic Risk Insurance
7. 7. Specialty Crop Insurance
7.8. Conclusion

7.1 INTRODUCTION:

Agriculture, the cornerstone of human civilization, has always been intertwined with risk. From ancient civilizations facing droughts to modern farmers grappling with market volatility, agriculture's inherent uncertainties necessitate robust risk management strategies. In this introduction, we explore the pivotal role of agriculture insurance in mitigating these risks, ensuring the resilience and sustainability of farming operations. Agriculture insurance acts as a shield against the vagaries of nature and market fluctuations, providing financial protection to farmers against losses stemming from a myriad of factors, including adverse weather conditions, crop failures, livestock diseases, and liability claims. By understanding the diverse landscape of agriculture insurance, stakeholders can effectively navigate the complexities of modern farming, fostering resilience and stability in the agricultural sector. This introduction sets the stage for an in-depth exploration of the various types of agriculture insurances and their significance in safeguarding farmers' livelihoods and the global food supply chain. Agriculture, the bedrock of human civilization, has always been subject to an array of risks stemming from natural phenomena, market fluctuations, and societal factors. In this introduction, we delve into the multifaceted world of agriculture insurances, exploring their significance, evolution, and diverse applications in modern farming practices.

7.1.1The Importance and Role of Agriculture Insurances:

Agriculture insurances play a pivotal role in mitigating the inherent risks associated with farming activities. They offer financial protection to farmers and stakeholders against unforeseen events that could jeopardize their livelihoods. By providing a safety net against crop failures, livestock losses, property damage, liability claims, and adverse weather conditions, agriculture insurances contribute to the stability, sustainability, and resilience of agricultural operations.

7.1.2 Evolution of Agriculture Insurances:

The concept of insurance has deep roots in human history, with ancient civilizations devising rudimentary forms of risk-sharing arrangements to cope with agricultural uncertainties. Over time, the evolution of modern insurance practices, coupled with advances in technology and actuarial science, has led to the development of sophisticated agriculture insurance products tailored to meet the specific needs of farmers and stakeholders.

7.1.3 Diverse Applications of Agriculture Insurances:

The diverse nature of agricultural activities necessitates a wide range of insurance products designed to address the unique risks faced by farmers across different sectors of the industry. From crop failures to market volatility and natural disasters, agriculture insurances offer comprehensive coverage against a myriad of perils, providing farmers with peace of mind and enabling them to focus on sustainable farming practices.

7.1.4 Role of Agriculture Insurances in Food Security:

As the global population continues to expand, ensuring food security has become an increasingly pressing challenge. Agriculture insurances play a critical role in safeguarding the food supply chain by mitigating risks along the agricultural value chain, from production to distribution. By protecting farmers against losses and enabling them to recover from setbacks, agriculture insurances contribute to the stability and reliability of food production worldwide.

7.1.5 Challenges and Opportunities in Agriculture Insurances

While agriculture insurances offer significant benefits to farmers and stakeholders, they also face various challenges, including affordability, accessibility, and relevance. Addressing these challenges requires collaboration among governments, insurers, policymakers, and other stakeholders to develop innovative solutions that meet the evolving needs of the agricultural sector.

In conclusion, agriculture insurances are indispensable tools for managing risk and ensuring the resilience of farming operations in an increasingly uncertain world. By providing financial protection against a wide range of perils, including crop failures, livestock losses, property damage, liability claims, and adverse weather conditions, agriculture insurances help farmers navigate challenges and sustain their livelihoods. Understanding the importance, evolution, and diverse applications of agriculture insurances is essential for farmers, policymakers, insurers, and other stakeholders involved in the agricultural sector.

7.1.6 Types of Agriculture Insurances: An Overview:

Agriculture insurances encompass a comprehensive array of products tailored to address the multifaceted risks inherent in farming activities. From protecting crops and livestock to safeguarding property and income, these insurance policies play a crucial role in mitigating uncertainty and fostering resilience in agriculture. Let's delve deeper into the main types of agriculture insurance and their applications:

7.2 .CROP INSURANCE

Crop Insurance:

Crop insurance stands as a cornerstone of agriculture risk management, offering financial protection to farmers against losses resulting from factors beyond their control. In this section, we delve deeper into the intricacies of crop insurance, exploring its types, coverage options, benefits, and challenges.

7.2.1 Types of Crop Insurance:

Crop insurance encompasses several types of policies, each offering distinct forms of coverage tailored to meet the diverse needs of farmers:

•**Yield-Based Insurance**: This type of insurance compensates farmers based on the actual yield of their crops. If the yield falls below a certain threshold due to covered perils such as drought, flood, or pest infestation, the farmer receives compensation to offset the loss.

•**Revenue-Based Insurance:** Revenue-based insurance protects farmers against revenue fluctuations stemming from both crop yield and market price variability. By guaranteeing a minimum level of revenue, this insurance product shields farmers from the financial impacts of adverse market conditions.

•**Area-Based Insurance: Index**-based insurance, also known as area-based insurance, compensates farmers based on predefined indices such as weather conditions or yield averages in a specific geographic area. This innovative approach to insurance coverage offers broad protection against widespread crop failures, irrespective of individual farm-level losses.

Coverage Options:

Crop insurance policies offer various coverage options to meet the specific needs and risk preferences of farmers:

•**Comprehensive Coverage:** Comprehensive crop insurance policies provide broad protection against a wide range of perils, including adverse weather conditions, pest infestations, and market fluctuations. These policies offer peace of mind to farmers by ensuring financial support in the event of crop losses or yield reductions.

•**Peril-Specific Coverage:** Some crop insurance policies offer coverage for specific perils or risks, such as hail, wind, or fire damage. While these policies may offer lower premiums, they provide limited protection compared to comprehensive coverage options.

•**Supplemental Coverage:** Farmers can supplement their existing crop insurance policies with additional coverage options to enhance protection against specific risks or contingencies. Supplemental coverage options may include coverage for replanting costs, prevented planting, or revenue guarantees.

7.2.2 Benefits of Crop Insurance:

Crop insurance offers numerous benefits to farmers and stakeholders, including:

•**Risk Management:** Crop insurance helps farmers manage the inherent risks associated with agricultural production, providing financial protection against crop failures, yield reductions, and revenue losses.

•**Stability and Predictability:** By providing a safety net against adverse events, crop insurance promotes stability and predictability in farming operations, enabling farmers to plan and invest with confidence.

•**Access to Credit**: Crop insurance enhances farmers' access to credit by mitigating lenders' risk exposure, making it easier for farmers to secure financing for input purchases, equipment upgrades, and other farm investments.

•**Market Competitiveness**: Crop insurance enhances farmers' competitiveness in the marketplace by reducing their vulnerability to production risks and enabling them to compete more effectively with larger, more established operations.

7.2.3Challenges and Opportunities

Affordability:

The cost of crop insurance premiums can be prohibitive for small-scale and resource-constrained farmers, limiting their ability to access insurance coverage and manage production risks effectively.

Accessibility:

In many regions, crop insurance coverage may be limited or unavailable due to factors such as geographic location, crop type, and insurance market dynamics. Improving accessibility to crop insurance is essential to ensure that all farmers have access to the financial protection they need.

Relevance:

Crop insurance products must evolve to meet the changing needs and priorities of farmers in response to emerging risks such as climate change, market volatility, and technological advancements. Innovations in insurance products and delivery mechanisms are needed to enhance the relevance and effectiveness of crop insurance in the agricultural sector.

Crop insurance plays a vital role in safeguarding farmers' livelihoods and promoting resilience in agricultural production. By offering financial protection against crop failures, yield reductions, and revenue losses, crop insurance enables farmers to manage risk effectively and sustain their operations in an increasingly uncertain world. Understanding the types, coverage options, benefits, and challenges of crop insurance is essential for farmers, policymakers, insurers, and other stakeholders involved in the agricultural sector.

7.3 .LIVESTOCK INSURANCE

7.3.1 Importance of Livestock Insurance:

Livestock insurance plays a crucial role in safeguarding farmers' investments and ensuring the sustainability of livestock production systems. By offering financial protection against the risks of mortality, disease outbreaks, accidents, and market fluctuations, livestock insurance provides farmers with peace of mind and enables them to manage production risks effectively.

7.3.4 Types of Livestock Insurance:

Livestock insurance encompasses several types of policies tailored to meet the specific needs and risk profiles of farmers:

Mortality Insurance: Mortality insurance compensates farmers for the death of their livestock due to covered perils, including diseases, accidents, natural disasters, and theft. This type of insurance provides financial support to farmers, helping them recover from the loss of valuable animals and maintain the viability of their operations.

Loss of Income Insurance: In addition to mortality coverage, loss of income insurance provides compensation for revenue losses resulting from the inability to sell livestock due to illness, injury, or market disruptions. This insurance product helps farmers stabilize their incomes and mitigate the financial impacts of reduced productivity.

Coverage Options:

Livestock insurance policies offer various coverage options to meet the diverse needs and risk preferences of farmers:

Individual Animal Coverage: Individual animal coverage provides protection for specific animals against mortality risks, offering compensation in the event of death or injury due to covered perils. This coverage option allows farmers to tailor insurance protection to the value and importance of individual animals within their herds.

Herd Coverage: Herd coverage offers protection for entire herds of livestock against mortality risks, providing financial support in the event of widespread losses due to diseases, natural disasters, or other covered perils. This coverage option helps farmers manage risks at the herd level and ensure the continuity of livestock production operations.

Benefits of Livestock Insurance:

Livestock insurance offers numerous benefits to farmers and stakeholders, including:

Risk Mitigation: Livestock insurance helps farmers manage the inherent risks associated with animal husbandry, providing financial protection against mortality, disease outbreaks, accidents, and market volatility.

Financial Security: Livestock insurance provides farmers with peace of mind and financial security, enabling them to recover from losses and maintain the viability of their operations in the face of unforeseen events.

Asset Protection: Livestock insurance safeguards farmers' investments in livestock, ensuring that they can recoup their losses and continue their operations in the event of adverse events.

Market Competitiveness: Livestock insurance enhances farmers' competitiveness in the marketplace by reducing their vulnerability to production risks and enabling them to compete more effectively with larger, more established operations.

Challenges and Opportunities:

Despite its benefits, livestock insurance faces various challenges, including affordability, accessibility, and data availability:

Affordability: The cost of livestock insurance premiums can be prohibitive for small-scale and resource-constrained farmers, limiting their ability to access insurance coverage and manage production risks effectively.

Accessibility: In many regions, livestock insurance coverage may be limited or unavailable due to factors such as geographic location, herd size, and insurance market dynamics. Improving accessibility to livestock insurance is essential to ensure that all farmers have access to the financial protection they need.

Data Availability: Livestock insurance requires accurate and reliable data on mortality rates, disease prevalence, and market prices to assess risk and set premiums. However, data availability can be limited in some regions, hindering the development and implementation of livestock insurance programs.

Livestock insurance plays a vital role in promoting resilience and sustainability in animal agriculture by offering financial protection against mortality, disease outbreaks, accidents, and market volatility. By providing farmers with peace of mind and enabling them to manage production risks effectively, livestock insurance contributes to the stability and viability of livestock production systems worldwide. Understanding the types, coverage options, benefits, and challenges of livestock insurance is essential for farmers, policymakers, insurers, and other stakeholders involved in the animal agriculture sector.

7.4.PROPERTY INSURANCE

Farm Structure Insurance:

This policy provides coverage for farm buildings, including barns, silos, and storage facilities, against damage or loss caused by perils such as fire, lightning, or vandalism. By safeguarding critical infrastructure, farm structure insurance ensures the continuity of farming operations.

Farm Equipment Insurance:

Farm equipment insurance protects farmers' machinery and equipment, including tractors, harvesters, and irrigation systems, against damage, theft, or mechanical breakdowns. This insurance product plays a crucial role in minimizing downtime and maximizing productivity on the farm.

Crop Storage Insurance:

Stored crops are vulnerable to various risks, including spoilage, contamination, and theft. Crop storage insurance covers losses resulting from these perils, providing farmers with financial compensation for damaged or lost crops. By safeguarding stored commodities, this insurance product helps farmers preserve their income and manage inventory risks.

Livestock Facilities Coverage:

Livestock facilities coverage provides protection for barns, milking parlors, poultry houses, and other structures used for housing and managing livestock. This coverage option safeguards farmers' investments in infrastructure essential to animal husbandry operations.

Crop Storage Facilities Coverage:
Crop storage facilities coverage offers protection for grain bins, silos, warehouses, and other structures used for storing harvested crops. This coverage option helps farmers manage the risks associated with crop storage, including spoilage, contamination, and theft.

7.5 LIABILITY INSURANCE FOR FARM VISITORS:

Liability insurance for farm visitors provides coverage for bodily injury and property damage occurring on the farm premises or during agritourism activities. This coverage option protects farmers against legal claims and lawsuits arising from accidents or injuries involving visitors to the farm.

Property insurance stands as a fundamental component of agriculture risk management, offering financial protection for farmers' physical assets and infrastructure. By providing coverage for farm structures, equipment, livestock facilities, crop storage facilities, and liability risks, property insurance enables farmers to safeguard their investments and ensure the continuity of farming operations. Despite challenges such as affordability, accessibility, and data availability, property insurance offers numerous benefits to farmers and stakeholders, including risk mitigation, asset protection, financial security, and liability coverage. Moving forward, efforts to improve accessibility, affordability, and coverage options will be essential to enhancing the resilience and sustainability of agriculture systems worldwide.

Income Protection Insurance

Whole Farm Revenue Protection:
This insurance product guarantees a minimum level of income for farmers based on their historical revenue or projected crop yields and prices. By providing comprehensive coverage against revenue losses, whole farm revenue protection insurance enables farmers to plan and invest with confidence, knowing that their income is safeguarded against market fluctuations and production uncertainties.

Livestock Gross Margin Insurance:
Livestock gross margin insurance protects farmers' income by ensuring a minimum margin between the cost of feed and the value of livestock sales. By mitigating the financial risks associated with fluctuating feed prices and market volatility, livestock gross margin insurance helps farmers maintain profitability and sustainability in livestock production.

Price Risk Insurance:
Price risk insurance provides protection for farmers against fluctuations in commodity prices, ensuring a minimum level of revenue or price guarantee for their agricultural products. This coverage option helps farmers manage the risks associated with volatile market conditions, enabling them to maintain financial stability and profitability.

Input Cost Insurance:
Input cost insurance offers protection for farmers against increases in input costs such as seeds, fertilizers, pesticides, and fuel. This coverage option safeguards farmers' profit margins and ensures that they can cover their production expenses even in the face of rising input costs, helping them sustain their operations and mitigate financial risks.

Income protection insurance serves as a critical tool for managing income-related risks in agriculture, offering financial protection for farmers against fluctuations in revenue, commodity prices, and input costs. By providing coverage for whole farm revenue, livestock gross margin, price risk, input cost, and other income-related risks, income protection insurance enables farmers to stabilize their incomes, maintain financial stability, and sustain their operations. Despite challenges such as affordability, accessibility, and data availability, income protection insurance offers numerous benefits to farmers and stakeholders, including risk mitigation, financial security, profitability, and peace of mind. Moving forward, efforts to

improve accessibility, affordability, and coverage options will be essential to enhancing the resilience and sustainability of agriculture systems worldwide.
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7.6.CATASTROPHIC RISK INSURANCE

Government-Backed Programs:
Many countries implement government-backed insurance programs to provide financial support to farmers affected by catastrophic events. These programs often involve subsidies or reinsurance arrangements to ensure the availability of funds for compensation and promote resilience in the agricultural sector.

Reinsurance Arrangements:
Reinsurance companies play a critical role in spreading the risk of catastrophic losses across multiple insurers, ensuring the financial stability of the agriculture insurance market and facilitating timely compensation for farmers in the event of large-scale disasters. By providing reinsurance coverage to primary insurers, reinsurance arrangements help mitigate the impacts of catastrophic events on farmers' livelihoods and promote resilience in the agricultural sector.

Pandemic Insurance:
Pandemic insurance provides protection for farmers against losses resulting from widespread disease outbreaks affecting crops, livestock, or agricultural markets. This coverage option helps farmers manage the risks associated with pandemics, ensuring financial compensation for losses incurred due to disease-related disruptions in the agricultural sector.

Market Collapse Insurance:
Market collapse insurance offers protection for farmers against losses resulting from sudden and severe downturns in agricultural markets, such as crashes in commodity prices or disruptions in global trade. This coverage option safeguards farmers' incomes and ensures that they can withstand the financial impacts of market collapses, helping them sustain their operations and mitigate economic risks.

Catastrophic risk insurance serves as a critical tool for managing large-scale risks and systemic shocks in agriculture, offering financial protection for farmers against catastrophic events such as natural disasters, pandemics, and market collapses. By providing coverage for government-backed programs, reinsurance arrangements, pandemics, market collapses, and other catastrophic risks, catastrophic risk insurance enables farmers to recover from extreme events, maintain financial stability, and sustain their operations. Despite challenges such as affordability, accessibility, and data availability, catastrophic risk insurance offers numerous benefits to farmers and stakeholders, including risk mitigation, financial security, resilience, and peace of mind. Moving forward, efforts to improve accessibility, affordability, and coverage options will be essential to enhancing the resilience and sustainability of agriculture systems worldwide.

7.7.SPECIALTY CROP INSURANCE

Citrus Fruit Insurance:
Citrus fruit growers face specific risks related to diseases, pests, weather events, and market fluctuations. Citrus fruit insurance provides comprehensive coverage against these risks, ensuring the financial viability of citrus orchards and promoting sustainability in citrus production.

Organic Crop Insurance:
Organic farming practices entail additional risks, including contamination, pesticide drift, and certification requirements. Organic crop insurance offers specialized coverage for organic

farmers, addressing the unique challenges associated with organic production methods and promoting the growth of the organic agriculture sector.

High-Value Crop Insurance:

High-value crop insurance provides protection for specialty crops with high market value, such as berries, nuts, and herbs. This coverage option safeguards farmers' investments in high-value crops and ensures financial compensation for losses incurred due to crop failures, market fluctuations, or other risks specific to specialty crop production.

GMO-Free Crop Insurance:

GMO-free crop insurance offers protection for farmers who grow non-genetically modified organism (GMO) crops, providing coverage against contamination, cross-pollination, and market rejection risks associated with GMO crops. This coverage option helps farmers maintain the integrity and marketability of their GMO-free crops, ensuring financial compensation for losses incurred due to GMO-related issues.

Specialty crop insurance plays a vital role in promoting diversification and sustainability in agriculture, offering tailored coverage for crops with unique risk profiles and market characteristics. By providing protection for citrus fruit, organic crops, high-value crops, GMO-free crops, and other specialty crops, specialty crop insurance enables farmers to manage the risks associated with specialty crop production, maintain financial stability, and sustain their operations. Despite challenges such as data availability, market volatility, and niche crop coverage limitations, specialty crop insurance offers numerous benefits to farmers and stakeholders, including risk mitigation, financial security, market competitiveness, and peace of mind. Moving forward, efforts to improve accessibility, affordability, and coverage options will be essential to enhancing the resilience and sustainability of specialty crop production worldwide.

7.7 Summary

Agriculture insurance stands as a bulwark against the myriad risks inherent in farming activities, offering financial protection to farmers against losses stemming from adverse weather conditions, crop failures, livestock diseases, and liability claims. By providing a safety net for farmers and promoting resilience in the agricultural sector, agriculture insurance plays a vital role in ensuring food security, fostering economic development, and sustaining livelihoods worldwide.

As the global population continues to grow and climate change poses new challenges to agricultural production, the importance of agriculture insurance will only increase. By understanding the diverse landscape of agriculture insurance and its applications, stakeholders can work together to build a more resilient and sustainable agricultural sector, capable of meeting the challenges of the 21st century and beyond.

Furthermore, the significance of agriculture insurance extends beyond its immediate economic implications. It serves as a cornerstone for social stability, particularly in rural communities where farming is often the primary source of livelihood. By safeguarding farmers' incomes and investments, agriculture insurance helps prevent rural poverty and migration, contributing to the social fabric of agricultural societies.

Moreover, agriculture insurance has broader implications for environmental sustainability and climate resilience. By incentivizing risk-reducing practices such as crop diversification, soil conservation, and water management, insurance programs can promote sustainable agricultural practices and mitigate the environmental impacts of farming activities. In this way, agriculture insurance becomes a catalyst for fostering a more environmentally sustainable food system.

As we look to the future, the imperative for agriculture insurance becomes increasingly clear. With a growing global population and escalating climate challenges, the resilience of

agricultural systems is paramount. Agriculture insurance stands as a linchpin in this endeavor, providing the necessary financial protection and risk management tools to ensure the viability of farming operations in the face of uncertainty.

In conclusion, agriculture insurance represents not only a financial instrument but also a pillar of resilience, sustainability, and social cohesion in the agricultural sector. By recognizing its multifaceted benefits and embracing innovative approaches, stakeholders can harness the power of agriculture insurance to build a more resilient and sustainable future for farming communities worldwide.

7.8TECHNICAL TERMS

- ✓ GMO: Genetically modified organism
- ✓ Crop Insurance
- ✓ Livestock Insurance
- ✓ Property Insurance
- ✓ Liability Insurance
- ✓ Weather Risk Insurance
- ✓ Income Protection Insurance

7.9 SELF ASSESSMENT QUESTIONS

1. Explain the various aspects and types of Crop Insurance?
2. Describe briefly on the Livestock Insurance?
3. Write about the Liability Insurance
4. Explain about Liability Insurance for Farm Visitors?
5. Describe the Income Protection Insurance?

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Lesson-8
Agriculture Relief and Crop Insurance

OBJECTIVES OF THE LESSON:
After go through this lesson you are able to:

- To know the concept of Agriculture Relief and Crop Insurance
- To Understand the difference between Agriculture Relief and Crop Insurance
- Introduction to the Agriculture Relief and Crop Insurance.
- Understand Challenges and Opportunities in Agriculture Relief and Crop Insurance.
- Over view of types of Agriculture Relief and Crop Insurance.

STRUCTURE OF THE LESSON
8.1. Introduction to Agriculture Relief and Crop Insurance
8.2. Crop Insurance
8.3. Livestock Insurance
8.4. Summary
8.5 Technical terms
8.6 Self- Assessment questions
8.7 References

8.1 INTRODUCTION:

Agriculture is inherently susceptible to various risks, ranging from natural disasters and adverse weather conditions to market fluctuations and policy changes. In response to these risks, governments, insurance providers, and other stakeholders have developed diverse mechanisms to support farmers and mitigate the impact of agricultural losses. Two prominent strategies in this regard are agriculture relief and crop insurance, each serving distinct purposes and operating under different frameworks.

Agriculture relief programs are often initiated in response to acute crises or emergencies that affect large segments of the farming community. These crises may include natural disasters such as floods, droughts, wildfires, or pest outbreaks, which can result in widespread crop damage, livestock losses, and financial distress among farmers.

The primary objective of agriculture relief is to provide immediate assistance and relief to farmers affected by these disasters, enabling them to recover from the adverse impacts and resume agricultural activities as quickly as possible. Relief efforts may include the provision of emergency grants, low-interest loans, subsidies for input purchases, or tax incentives to help farmers cover the costs of replanting, repairing infrastructure, or sustaining their livelihoods.

Agriculture relief programs are typically administered by government agencies at the federal, state, or local levels, with coordination and support from non-governmental organizations (NGOs), community-based organizations, and other stakeholders. These programs are designed to be flexible and responsive to the specific needs of farmers in the aftermath of a disaster, with expedited application processes and streamlined eligibility criteria to ensure timely assistance.

8.1.1The Importance and Role of Agriculture Relief and Crop Insurance:

Agriculture relief programs and crop insurance play pivotal roles in modern agriculture, offering crucial risk mitigation tools and financial support to farmers. In the

volatile agricultural landscape, these mechanisms provide stability by safeguarding farm incomes against a myriad of unpredictable factors, including extreme weather events, pests, diseases, market fluctuations, and policy changes. By offering assistance during crises and market downturns, they ensure the stability of farm incomes, allowing farmers to meet financial obligations and invest in their operations. This stability not only fosters economic resilience but also encourages innovation and investment in sustainable agricultural practices. Moreover, these programs contribute significantly to food security by enabling farmers to recover from disasters swiftly and maintain reliable food production. Beyond the farm gate, they support rural economies, sustain jobs, and preserve the social fabric of rural communities. With climate change intensifying risks, these tools are becoming even more critical in building resilience and adapting to environmental challenges. Overall, agriculture relief programs and crop insurance are indispensable pillars of modern agriculture, promoting economic stability, food security, and resilience in the face of evolving agricultural landscapes.

8.1.2 Evolution of Agriculture Relief and Crop Insurance:

The evolution of agriculture relief and crop insurance has been marked by a dynamic interplay of factors such as changing agricultural practices, economic conditions, technological advancements, and shifts in public policy. Historically, communities relied on informal risk-sharing arrangements, but as agriculture became more market-oriented, governments began to intervene with formalized relief programs. Modern crop insurance programs emerged in the late 19th and early 20th centuries, initially facing challenges in coverage and sustainability. However, with advances in actuarial science and technology, these programs expanded and improved, integrating digital solutions for risk assessment and claims processing. Moreover, there has been a notable shift towards promoting sustainable agriculture practices within these frameworks, reflecting growing environmental concerns. Globalization has also spurred efforts towards international cooperation and harmonization of policies. Today, agriculture relief and crop insurance continue to evolve to address emerging risks such as pandemics and cybersecurity threats, ensuring the resilience and prosperity of agriculture amidst uncertainty.

8.1.3 Diverse Applications of AgricultureRelief and Crop Insurance:

Agriculture relief programs and crop insurance have diverse applications across the agricultural sector, serving as vital tools for risk management, economic stability, and sustainability. Firstly, they provide essential support to farmers facing natural disasters, including floods, droughts, hurricanes, and wildfires, helping them recover from crop losses and financial setbacks. Additionally, these mechanisms play a crucial role in stabilizing farm incomes, enabling farmers to navigate market volatility and price fluctuations. By offering financial assistance during periods of low commodity prices or reduced yields, agriculture relief programs and crop insurance help mitigate the financial risks inherent in agricultural production.

Moreover, they facilitate investment and innovation in agriculture by providing farmers with confidence and security. With the assurance of a safety net in place, farmers are more willing to adopt new technologies, practices, and crops that can enhance productivity and sustainability. This, in turn, contributes to the long-term resilience and competitiveness of the agricultural sector. Furthermore, agriculture relief programs and crop insurance promote food security by ensuring a reliable supply of agricultural products. By helping farmers recover quickly from adverse events, they minimize disruptions to food production and distribution, thereby safeguarding food access for consumers.

Beyond their direct impact on farmers, agriculture relief programs and crop insurance also have broader societal benefits. They support rural economies by stabilizing farm incomes and sustaining agricultural jobs and businesses. Additionally, they contribute to environmental conservation efforts by incentivizing sustainable farming practices and land management techniques. For example, some crop insurance programs offer premium discounts for adopting conservation practices that reduce soil erosion or improve water quality. By integrating environmental considerations into risk management frameworks, these programs help address pressing environmental challenges while supporting agricultural sustainability.

In summary, agriculture relief programs and crop insurance are versatile tools with wide-ranging applications in agriculture and rural development. From mitigating financial risks and promoting innovation to ensuring food security and environmental sustainability, these mechanisms play indispensable roles in fostering resilience and prosperity in the agricultural sector. As agricultural systems continue to evolve in response to changing conditions and emerging challenges, the importance of effective risk management strategies provided by agriculture relief and crop insurance will only grow in significance.

8.1.4 Role of AgricultureRelief and Crop Insurance in Food Security:

The role of agriculture relief programs and crop insurance in food security cannot be overstated, as they serve as critical pillars in ensuring a reliable and abundant food supply. These mechanisms play multifaceted roles in safeguarding food security at various levels of the agricultural system. Firstly, agriculture relief programs provide essential support to farmers during times of crisis, such as natural disasters or market downturns, enabling them to recover quickly and resume food production. By offering financial assistance and resources for rebuilding infrastructure, replanting crops, or restocking livestock, these programs minimize disruptions to food production and distribution networks, thereby ensuring continued access to essential food supplies.

Additionally, crop insurance plays a vital role in mitigating production risks for farmers, providing financial compensation when crop yields fall below expected levels due to adverse weather, pests, or diseases. This stability in farm incomes enables farmers to make long-term investments in their operations, adopt innovative technologies, and maintain productivity even under challenging conditions. By reducing the financial risks associated with farming, crop insurance encourages farmers to pursue sustainable agricultural practices that enhance resilience to climate change and contribute to long-term food security.

Furthermore, agriculture relief programs and crop insurance contribute to broader efforts to improve food security by promoting agricultural productivity and sustainability. By supporting farmers in adopting conservation practices, soil management techniques, and climate-smart agricultural strategies, these mechanisms help increase agricultural resilience and productivity while minimizing environmental degradation. Moreover, by stabilizing farm incomes and rural economies, they contribute to overall economic stability, which is essential for food security at the national and global levels.

In conclusion, agriculture relief programs and crop insurance play integral roles in ensuring food security by providing vital support to farmers, mitigating production risks, promoting sustainability, and fostering economic stability in the agricultural sector. As global food systems face increasing challenges from climate change, population growth, and economic uncertainty, the importance of effective risk management strategies provided by agriculture relief and crop insurance will only grow in significance in safeguarding food security for current and future generations.

8.1.5 Challenges and Opportunities in Agriculture Relief and Crop Insurance

In the realm of agriculture relief and crop insurance, several challenges and opportunities shape their effectiveness and implementation. One significant challenge lies in the complexity of assessing and managing agricultural risks, which can vary widely depending on factors such as geographic location, crop type, and climate conditions. Developing accurate risk assessment models and pricing mechanisms that reflect these diverse risks remains a persistent challenge for policymakers and insurance providers.

Moreover, the affordability and accessibility of agriculture relief programs and crop insurance can be barriers for smallholder farmers and those in marginalized communities. Premium costs, administrative burdens, and eligibility criteria may limit participation, leaving vulnerable farmers without adequate protection. Addressing these affordability and accessibility issues requires innovative approaches such as targeted subsidies, risk-pooling mechanisms, and mobile-based insurance solutions tailored to the needs of smallholder farmers.

Another challenge is the limited availability of historical data and actuarial information in certain regions, particularly in developing countries with underdeveloped agricultural insurance markets. Insufficient data make it challenging to accurately assess risks and set appropriate premium rates, hindering the expansion of crop insurance coverage in these areas. Investing in data collection infrastructure, remote sensing technologies, and partnerships with local stakeholders could help address this data gap and facilitate the development of more robust insurance products.

Despite these challenges, there are also significant opportunities to enhance the effectiveness and reach of agriculture relief and crop insurance programs. Advances in technology, such as satellite imagery, weather forecasting, and blockchain-based platforms, offer new possibilities for improving risk assessment, claims processing, and transparency in insurance transactions. By harnessing these technologies, insurers can streamline operations, reduce costs, and enhance the accuracy of risk modelling, ultimately making crop insurance more accessible and affordable for farmers.

Furthermore, there is growing recognition of the importance of integrating climate resilience and sustainability considerations into agriculture relief and crop insurance programs. By incentivizing practices that enhance soil health, water conservation, and biodiversity, these programs can help farmers adapt to climate change while mitigating its impacts on food production. Similarly, efforts to promote index-based insurance products that use weather data to trigger payouts can provide timely assistance to farmers affected by climate-related disasters, improving resilience and reducing reliance on ad hoc relief measures.

In conclusion, while agriculture relief and crop insurance face numerous challenges, there are also ample opportunities for innovation and improvement. By addressing affordability barriers, enhancing data availability, leveraging technology, and promoting sustainable agricultural practices, policymakers and stakeholders can strengthen the resilience of farming communities, enhance food security, and promote inclusive economic development in the agricultural sector.

8.1.6 Types of Agriculture Relief and Crop Insurance: An Overview:

Agriculture relief and crop insurance encompass a variety of mechanisms designed to provide financial protection and support to farmers facing risks and challenges in their agricultural operations. These mechanisms can be broadly categorized into several types, each serving specific purposes and addressing different aspects of risk management in agriculture.

One of the primary types is disaster relief programs, which offer immediate assistance to farmers affected by natural disasters such as floods, droughts, hurricanes, or wildfires.

These programs provide emergency funds, resources, or services to help farmers recover from crop losses, property damage, or income disruptions caused by catastrophic events.

Another type is price support programs, which aim to stabilize agricultural commodity prices and ensure farmers receive fair compensation for their produce. These programs may involve government intervention in commodity markets through measures such as price floors, purchase guarantees, or direct subsidies to farmers.

Income support programs are also common, providing financial assistance to farmers during periods of low market prices or crop failures. These programs typically involve direct payments or subsidies to farmers to supplement their incomes and mitigate the impact of adverse market conditions or production risks.

Crop insurance is another essential type of risk management tool that provides financial compensation to farmers when their crop yields or revenues fall below predetermined levels due to covered risks. Crop insurance policies vary in coverage, premiums, and indemnity mechanisms, but they generally offer protection against losses caused by weather events, pests, diseases, or other specified perils.

Additionally, there are programs and initiatives aimed at promoting sustainable agriculture practices and environmental stewardship. These may include conservation programs that offer financial incentives or technical assistance to farmers for adopting soil conservation, water management, or biodiversity enhancement measures.

Overall, the diverse array of agriculture relief and crop insurance mechanisms reflects the multifaceted nature of risks in agriculture and the need for tailored solutions to address specific challenges faced by farmers. By combining various types of support and risk management tools, policymakers and stakeholders can enhance the resilience, sustainability, and prosperity of the agricultural sector.

8.2 .CROP INSURANCE

Crop Insurance:

Crop insurance stands as a cornerstone of agriculture risk management, offering financial protection to farmers against losses resulting from factors beyond their control. In this section, we delve deeper into the intricacies of crop insurance, exploring its types, coverage options, benefits, and challenges.

8.2.1 Types of Crop Insurance:

Crop insurance encompasses several types of policies, each offering distinct forms of coverage tailored to meet the diverse needs of farmers:

•**Yield-Based Insurance**: This type of insurance compensates farmers based on the actual yield of their crops. If the yield falls below a certain threshold due to covered perils such as drought, flood, or pest infestation, the farmer receives compensation to offset the loss.

•**Revenue-Based Insurance:** Revenue-based insurance protects farmers against revenue fluctuations stemming from both crop yield and market price variability. By guaranteeing a minimum level of revenue, this insurance product shields farmers from the financial impacts of adverse market conditions.

•**Area-Based Insurance: Index**-based insurance, also known as area-based insurance, compensates farmers based on predefined indices such as weather conditions or yield averages in a specific geographic area. This innovative approach to insurance coverage offers broad protection against widespread crop failures, irrespective of individual farm-level losses.

Coverage Options:

Crop insurance policies offer various coverage options to meet the specific needs and risk preferences of farmers:

•**Comprehensive Coverage:** Comprehensive crop insurance policies provide broad protection against a wide range of perils, including adverse weather conditions, pest infestations, and market fluctuations. These policies offer peace of mind to farmers by ensuring financial support in the event of crop losses or yield reductions.
•**Peril-Specific Coverage:** Some crop insurance policies offer coverage for specific perils or risks, such as hail, wind, or fire damage. While these policies may offer lower premiums, they provide limited protection compared to comprehensive coverage options.
•**Supplemental Coverage:** Farmers can supplement their existing crop insurance policies with additional coverage options to enhance protection against specific risks or contingencies. Supplemental coverage options may include coverage for replanting costs, prevented planting, or revenue guarantees.

8.2.2 Benefits of Crop Insurance:

Crop insurance offers numerous benefits to farmers and stakeholders, including:
•**Risk Management:** Crop insurance helps farmers manage the inherent risks associated with agricultural production, providing financial protection against crop failures, yield reductions, and revenue losses.
•**Stability and Predictability:** By providing a safety net against adverse events, crop insurance promotes stability and predictability in farming operations, enabling farmers to plan and invest with confidence.
•**Access to Credit**: Crop insurance enhances farmers' access to credit by mitigating lenders' risk exposure, making it easier for farmers to secure financing for input purchases, equipment upgrades, and other farm investments.
•**Market Competitiveness**: Crop insurance enhances farmers' competitiveness in the marketplace by reducing their vulnerability to production risks and enabling them to compete more effectively with larger, more established operations.

8.2.3Challenges and Opportunities

Affordability:

The cost of crop insurance premiums can be prohibitive for small-scale and resource-constrained farmers, limiting their ability to access insurance coverage and manage production risks effectively.

Accessibility:

In many regions, crop insurance coverage may be limited or unavailable due to factors such as geographic location, crop type, and insurance market dynamics. Improving accessibility to crop insurance is essential to ensure that all farmers have access to the financial protection they need.

Relevance:

Crop insurance products must evolve to meet the changing needs and priorities of farmers in response to emerging risks such as climate change, market volatility, and technological advancements. Innovations in insurance products and delivery mechanisms are needed to enhance the relevance and effectiveness of crop insurance in the agricultural sector.

Crop insurance plays a vital role in safeguarding farmers' livelihoods and promoting resilience in agricultural production. By offering financial protection against crop failures, yield reductions, and revenue losses, crop insurance enables farmers to manage risk effectively and sustain their operations in an increasingly uncertain world. Understanding the types, coverage options, benefits, and challenges of crop insurance is essential for farmers, policymakers, insurers, and other stakeholders involved in the agricultural sector.

8.3. AGRICULTURE RELIEF

Agriculture Relief:

Agriculture relief encompasses various forms of assistance provided to farmers during emergencies, including natural disasters and market challenges, aiming to help them recover and sustain food production. This assistance includes financial aid, technical support, and resource allocation, with a focus on immediate relief and long-term resilience. By integrating sustainability principles, such as promoting eco-friendly practices, agriculture relief initiatives not only protect farmers' livelihoods but also enhance the resilience and sustainability of the agricultural sector as a whole, contributing to food security and rural development.

8.3.1 Types of Agriculture Relief:

Types of agriculture relief encompass a spectrum of assistance programs aimed at supporting farmers during times of crisis or adversity. These relief efforts include immediate responses to natural disasters like floods, droughts, or wildfires, offering emergency funds, food aid, and agricultural inputs to affected farmers. Additionally, long-term relief initiatives address ongoing challenges such as market volatility or input shortages through income support programs, price stabilization measures, and subsidies. Moreover, agriculture relief increasingly integrates sustainability principles, promoting practices that enhance resilience to future shocks and stresses, ensuring the stability and sustainability of the agricultural sector.

Certainly, here are some types of agriculture relief:

1**. Emergency Relief:**

Immediate financial assistance provided to farmers in the aftermath of natural disasters such as floods, droughts, hurricanes, or wildfires.Include emergency funds, food aid, temporary shelter, and essential supplies like seeds and livestock feed.

2. **Income Support Programs:**

Government-sponsored programs offering financial assistance to farmers during periods of low market prices, crop failures, or income loss. Designed to stabilize farm incomes and mitigate the impact of adverse market conditions on agricultural producers.

3.**Price Stabilization Measures:**

Interventions aimed at stabilizing agricultural commodity prices to ensure farmers receive fair compensation for their produce. Includes price floors, purchase guarantees, and market interventions by government agencies to support commodity prices.

4.Input Subsidies:

Subsidies provided to farmers to reduce the cost of agricultural inputs such as fertilizers, pesticides, seeds, and irrigation. Intended to improve access to essential inputs and enhance agricultural productivity, particularly for smallholder farmers.

5.Technical Assistance and Advisory Services:

Provision of agricultural extension services, technical expertise, and advisory support to farmers on crop management, pest control, soil conservation, and other agronomic practices. Helps farmers adopt best practices, improve productivity, and mitigate risks associated with agricultural production.

6. Infrastructure Development:

Investments in rural infrastructure, including roads, irrigation systems, storage facilities, and market infrastructure. Enhances agricultural productivity, reduces post-harvest losses, and improves market access for farmers.

7. Disaster Risk Reduction Strategies:

Long-term initiatives aimed at reducing the vulnerability of agricultural systems to natural disasters and climate-related risks.Includemeasures such as watershed management, soil conservation, agroforestry, and early warning systems.

8. Market Access and Value-Added Services:

Initiatives to improve market linkages, facilitate value addition, and enhance market access for agricultural products. Includes support for farmer cooperatives, market information systems, and value chain development programs.

8.3.2 Benefits of Agriculture Relief:

The benefits of agriculture relief programs are multifaceted, providing critical support to farmers and rural communities facing challenges and crises. Here are several key advantages:

1.Protecting Livelihoods: Agriculture relief programs help safeguard the livelihoods of farmers by providing financial assistance, technical support, and essential resources during times of crisis, such as natural disasters or market downturns. This support enables farmers to recover from losses, maintain their operations, and sustain their incomes, thereby preventing widespread economic distress in rural areas.

2.Ensuring Food Security: By helping farmers overcome obstacles to food production, agriculture relief programs contribute to ensuring food security for communities and nations. Timely assistance in the aftermath of disasters or market disruptions minimizes disruptions to food supply chains, ensuring that essential food commodities remain available and accessible to consumers.

3.Promoting Rural Development: Agriculture relief programs stimulate economic activity and promote rural development by supporting the agricultural sector, which serves as the backbone of many rural economies. Investments in rural infrastructure, technical assistance, and market access initiatives create employment opportunities, boost local economies, and improve living standards in rural communities.

4.Enhancing Resilience: Agriculture relief programs build resilience in agricultural systems by helping farmers adopt sustainable practices, improve risk management strategies, and prepare for future challenges. By promoting climate-smart agriculture, disaster risk reduction, and conservation measures, these programs empower farmers to withstand shocks and adapt to changing environmental conditions.

5.Mitigating Social and Environmental Impacts: Agriculture relief programs mitigate the social and environmental impacts of agricultural crises by providing targeted support to vulnerable communities and ecosystems. By addressing food insecurity, poverty, and environmental degradation, these programs contribute to social equity, environmental sustainability, and overall well-being.

6.Fostering Innovation and Knowledge Exchange: Agriculture relief programs foster innovation and knowledge exchange by providing farmers with access to technical expertise, research, and training opportunities. By promoting best practices, technology adoption, and collaboration among stakeholders, these programs drive agricultural productivity, efficiency, and resilience.

7.Building Community Resilience: Agriculture relief programs strengthen community resilience by fostering cooperation, social cohesion, and mutual support among farmers and rural residents. By mobilizing collective resources, sharing knowledge, and promoting community-based approaches to risk management, these programs build solidarity and resilience at the grassroots level.

In summary, agriculture relief programs offer a range of benefits that extend beyond immediate crisis response, encompassing economic, social, environmental, and developmental dimensions. By providing essential support to farmers and rural communities,

these programs contribute to sustainable development, food security, and resilience in agricultural systems.

These types of agriculture relief provide essential support to farmers and rural communities, helping them cope with various challenges and build resilience in the face of adversity.

8.3.3Challenges and Opportunities

In the realm of agriculture relief, numerous challenges persist alongside promising opportunities for improvement and innovation:

Challenges:

1.Limited Access: Many farmers, particularly smallholders and those in remote or marginalized communities, face barriers to accessing agriculture relief programs due tofactors such as lack of awareness, administrative complexities, eligibility criteria, or insufficient resources.

2. Inadequate Funding: Agriculture relief programs often suffer from inadequate funding, leading to insufficient resources to meet the needs of affected farmers, especially during large-scale disasters or prolonged crises.

3.Data Deficiency: Limited availability of accurate and up-to-date data on agricultural risks, vulnerabilities, and impacts hampers the effective design and implementation of agriculture relief programs, hindering targeted interventions and risk assessment.

4.Fragmentation and Coordination Challenges: Fragmentation among various stakeholders, including government agencies, NGOs, and international organizations, can lead to duplication of efforts, inefficient resource allocation, and gaps in coverage, highlighting the need for better coordination and collaboration.

5.Sustainability Concerns: Some agriculture relief programs may inadvertently perpetuate unsustainable farming practices or dependency on external assistance, rather than promoting long-term resilience and self-reliance among farmers and communities.

Opportunities:

1.Technology and Innovation: Advances in technology, such as remote sensing, mobile applications, blockchain, and artificial intelligence, offer opportunities to improve the efficiency, transparency, and accessibility of agriculture relief programs, enabling better targeting, faster response, and more effective risk management.

2. Partnerships and Collaboration: Strengthening partnerships and collaboration among governments, NGOs, private sector entities, research institutions, and local communities can enhance the effectiveness, reach, and sustainability of agriculture relief efforts, leveraging diverse expertise, resources, and networks.

3. Data Analytics and Predictive Modeling: Harnessing big data analytics, predictive modeling, and remote sensing technologies can enhance risk assessment, early warning systems, and decision-making processes in agriculture relief, enabling proactive responses and more informed interventions.

4. Capacity Building and Empowerment: Investing in capacity building, training, and empowerment initiatives for farmers and local stakeholders can enhance their resilience, adaptive capacity, and self-reliance, enabling them to better cope with and recover from agricultural crises.

5. Climate Adaptation and Resilience: Integrating climate adaptation and resilience-building measures into agriculture relief programs can help farmers anticipate, mitigate, and adapt to climate-related risks, fostering long-term sustainability and reducing vulnerability to future shocks.

By addressing these challenges and seizing opportunities for innovation and collaboration, stakeholders can enhance the effectiveness, efficiency, and impact of agriculture relief efforts,

ensuring that they meet the evolving needs of farmers and rural communities in an increasingly uncertain and interconnected world.

8.4 Summary

In summary, agriculture relief programs are essential components of disaster management, providing critical support to farmers and rural communities during times of crisis. These programs offer various forms of assistance, including financial aid, technical support, and resource allocation, aimed at safeguarding livelihoods, ensuring food security, and promoting rural development. While challenges such as limited access, funding constraints, and sustainability concerns persist, opportunities for improvement and innovation abound, particularly through technology integration, partnership building, and capacity enhancement. By addressing these challenges and leveraging opportunities, stakeholders can enhance the effectiveness, efficiency, and resilience of agriculture relief efforts, ensuring their ability to meet the evolving needs of farmers and communities in an increasingly complex and interconnected world.

8.5 TECHNICAL TERMS

- ✓ GMO: Genetically modified organism
- ✓ Crop Insurance
- ✓ Agriculture relief
- ✓ Data Analytics and Predictive Modeling
- ✓ Price Stabilization Measures
- ✓ Climate Adaptation and Resilience
- ✓ Sustainability Concerns

8.6 SELF ASSESSMENT QUESTIONS

1. Define agriculture relief and crop insurance, outlining their main objectives and support mechanisms for farmers during crises?
2. Highlight the key differences between agriculture relief and crop insurance, including scope, eligibility, funding, and types of assistance?
3. Explain how agriculture relief programs and crop insurance promote resilience, sustainability, and food security, considering their complementary roles?
4. Analyze the pros and cons of agriculture relief programs and crop insurance in mitigating risks and enhancing farmer well-being?
5. Evaluate the effectiveness of these programs in addressing challenges like natural disasters and market fluctuations, considering accessibility and coverage?
6. Discuss opportunities for improving agriculture relief and crop insurance through technology, policy reforms, and partnerships?
7. Compare the roles of government agencies, NGOs, and the private sector in delivering these services, noting strengths and areas for collaboration?
8. Reflect on personal understanding of agriculture relief and crop insurance, identifying areas for further learning and professional growth?

8.7 REFERENCE BOOKS

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LESSON – 9
HEATLH AND MEDICAL INSURANCE

Learning Objectives:

1. To make the students to know the basic concepts of Health and Medical Insurance
2. To make the students to understand overview of Health Insurance
3. To make the students to understand how health policy work and its process
4. To make the students to understand general insurance and life insurance.

Structure of the lesson

9.1 Introduction:
9.2 Insurance - Meaning and Definition
9.3 How does an Insurance Policy Work?
1.4Insurance Components
91.6 Key Features of Insurance
9.7 Benefits of Insurance
9.8 Must-Have Life Insurance Policies
9.9 Tax Benefits of Insurance
9.10 Introduction to Health Insurance
9.11 Definition of Health Insurance
9.12 Importance of Health Insurance
9.13 Principles of Health/Medical Insurance
9.14 Why is Health Insurance Important?
9.15 Summary
9.16 Key Words
9.17 Self-Assessment Questions
9.18 Suggested Readings

9.1 Introduction: Insurance is a legal agreement between an insurer (insurance company) and an insured (individual), in which an insured receives financial protection from an insurer for the losses he may suffer under specific circumstances.

Under an insurance policy, the insured needs to pay regular amount of premiums to the insurer. The insurer pays a predetermined sum assured to the insured if an unfortunate event occurs, such as death of the life insured, or damage to the insured or his property.

9.2 Insurance - Meaning and Definition

The literal meaning of insurance would be an assurance against unforeseen and unfortunate loss. This means, that if you encounter a less than normal event in your normal course of life, and happen to incur a financial loss because of it, you can be compensated.For example, you met with an accident on your way to the office in your car and the car suffers damage. Your insurer can reimburse the repair expenses in this case. However, the insurer will not reimburse normal wear and tear like a headlamp stopped working.

Legally insurance has been defined as a contract where the insurer agrees to compensate the insured against the losses incurred due to any unforeseen contingency. The contract also involves a consideration which is called a premium. The maximum available benefit amount is called sum assured or sum insured.

9.3 How does an Insurance Policy Work?: To understand how insurance works, you should know below terms:

- ✓ **Premium:** is the money you pay to the insurance company to avail of insurance policy benefits.
- ✓ **Sum Insured:** Sum insured is applicable for a non-life insurance policy like home and health insurance. It refers to the maximum cap on the costs you are covered for in a year against any unfortunate event.
- ✓ **Sum Assured:** Sum assured is the amount the life insurance company pays to the nominee if the insured event happens (death of insured).

9.4 Insurance Components

An insurance policy is made of multiple components. Some of the important parts of an insurance contract are:

- **Premium:** This is the financial consideration which makes the insurance agreement a legally binding contract.
- **Policy Limit:** Policy limit applies to health and general insurance policies where compensation depends on the amount of loss. The policy may limit the maximum compensation for certain types of losses.
- **Deductible:** Deductible applies to general insurance and health insurance policies. A deductible is the maximum amount of loss you will bear out of your pocket. The insurer will start paying only when your losses (or expenses) rise above the deductible limit.

Insurance contract has been classified into two categories traditionally. These classifications are based on insurance principles:

9.5 Types of Insurance Policies

S.NO	Life Insurance	General Insurance
1	Term Life Insurance	Health Insurance (Mediclaim) plans
2	Endowment Life Insurance	Vehicle Insurance
3	Money back Plans	Fleet Insurance
4	Savings Plans	Home/Property Insurance
5	Child Education Plans	Fire & Hazards Insurance
6	Unit Linked Insurance Plans (ULIPs)	Travel Insurance
7		Liability Insurance
8		Keyman Insurance

9.5.1 Life Insurance Policy: It is insurance on your life. You buy life insurance to ensure that your loved ones are financially secured even when you are not around. If you are the only breadwinner, you would want your family members to maintain the same living standards in the event of your untimely demise. The nominee gets the sum assured in case of your death.

9.5.2 Health Insurance Policy; Although health insurance is usually counted as a general insurance contract, there are a few differences. Health insurance covers your medical costs for expensive treatments. You can avail two types of health insurance policies:

- **Mediclaim Insurance**, which compensates you for the medical expenses
- **Critical Health Insurance**, which offers lump-sum payments for dangerous and life-threatening health conditions

9.5.3 Non-life Insurance Policy : These compensate for the losses sustained arising from a specific financial event that is not related to life. Non-life insurance could be car insurance, home insurance, etc.

Anyone can avail insurance benefits under the following two types of policies:
Because of these two variants health insurance falls perfectly between general and life insurance policies. Also, both health insurance policies are important in ensuring complete financial safety for you and your family.

Individual Insurance	**Group Insurance**
It caters to an individual and is customized as per one's needs and requirements. The premium amount is decided based on your age, family medical history, health, etc.	These are insurance companies drawn in the group's name. The premium amount is general and gets deducted from your salary. The group cost is lower.

9.6 Key Features of Insurance

Listed below are the key features of an insurance plan that you should consider:

I. Insurance is a tool for risk transfer.
II. Insurance is a community solution as several people, who are exposed to the same risk, pool their funds together to bear the loss.
III. The contract is based on the ‘utmost good faith’ principle unlike other business contracts.
IV. Insurance cover does not affect the chance of loss or minimise the magnitude of loss.
V. As a party to the insurance contract, you should always try to avoid, mitigate and minimize the losses.
VI. You can only insure against risks which are unpredictable in occurrence and magnitude.
VII. Speculative, financial (betting) and business risks cannot be insured.

9.7 Benefits of Insurance: There are a lot of benefits of buying insurance and listed below are some of them:

- ❖ **Financial Safety for Family:** They provide cover against life's uncertainties and protect you against losses arising from different unexpected events in life.
- ❖ **Safety of Financial Status:** Certain events like medical emergencies can have a significant impact on your cash flow management. Insurance ensures you don't have to pay out of pocket for such situations.
- ❖ **Wealth Creation Goals:** Insurance policies like ULIPs give you investment opportunities and help you fulfil your essential financial goals

- ❖ **Wealth Preservation:** Life insurance policies like endowment and moneyback plans are some of the safest long-term investments possible. These plans help you preserve your wealth from inflation and taxes for long periods.
- ❖ **Wealth Distribution:** Few investment plans offer the kind of safety offered by life insurance pension plans. After retiring at the age of 60, you can live up to 100. Only life insurance pension plans can guarantee a regular income for that period.

9.8 Must-Have Life Insurance Policies

Insurance plays an important role in our lives. Be it a life insurance policy, or a motor insurance, having insurance coverage helps us financially in different stage of our lives.

Listed below are different types of insurance coverage that one should have:

- **Term Insurance Plan:**This is the purest form of life insurance wherein you pay a premium towards the policy, and in case of your death during the policy tenure, the nominee receives the sum assured. With term insurance, you can receive high coverage against a lower premium. iSelect Smart360 Term Plan by Canara HSBC Bank of Commerce Life Insurance offers critical illness cover against 40 listed illnesses.
- **Health Insurance Plan:**Knowing the rising cost of healthcare and the number of diseases you can have, it is wise to have a financial cushion against health contingencies. A health insurance plan will cover the expenses of your healthcare expenses as per the health policy that you have.
- **Motor Insurance:**A motor insurance is mandatory for those who own a vehicle in India. It is compulsory to avail of a third-party liability motor insurance. However, you can have a comprehensive package – personal accident cover that offers coverage against the risks of damage.
- **Home Insurance:**Your home is exposed to various kinds of risk like theft, damage due to natural calamity, etc. Hence to protect your home against such damages, you must avail of home insurance.

Such insurance plans will help you stay afloat even after a costly mishap or calamity.

9.9 Tax Benefits of Insurance

Along with providing financial security, insurance also offers tax benefits. Here are some of the tax benefits offered by insurance:

- Any Indian citizen can claim a life insurance premium of up to Rs. 1.5 lakh under Section 80C.
- Under Section 80D, you can claim a medical insurance premium of up to Rs. 25,000 for self and family and additional Rs 25,000 for parents. The deduction limit rises to Rs 50,000 if the insured are senior citizens.
- Under Section 10(10D), the life insurance benefits you or the nominee receives from the insurance company are tax-exempted. This means both maturity value and death benefit received from a life insurance policy will be tax-free.

However, the maturity benefit is tax-free only if your annual premium for the policy does not exceed 10% of the base life cover in the policy.

9.10 Introduction to Health Insurance: With the increasing cost of health services and medical bills which a common man cannot afford, this class of insurance has a growing market. It is estimated that a family spends an average of 10% of its monthly income on health care. A prolonged illness or disability can spell havoc for the family budget and upset all the planning. While the importance of Health Insurance cannot be denied, it is unfortunate that so far in India the Health Insurance policy is being purchased by families and individuals who can afford to pay the medical bills. But the Govt. of India is putting all its efforts to encourage people to buy health insurance and specialized insurance companies are promoted which are exclusively dealing in health insurance. The life insurance companies are also permitted to issue the health insurance policy.

9.11 Definition of Health Insurance:

According to Agarwala says that, “Health Insurance is a collective system through which a certain amount of risk can be distributed among the people concerned.” According to Professor Morgan, “insurance is the consent of the individual to the welfare of each and every member of a particular community, or the commitment of the community in general to consider the welfare of each of its members.”

According to Porter, "insurance is the lifeblood of endangered people." In other words, health insurance is a contract where the person taking the insurance has to pay the premium and in that case the insurer pays compensation to the insured in case of any accidental loss. Therefore, insurance simply means a contract of compensation.

The purpose of any insurance is to provide economic protection against the losses that may be incurred due to chance events such as:

- Death
- Disability
- Medical expenses
- Home or automobile damage, etc.

One party (the insurer) for a set amount of money (premium), agrees to pay the other party (the insured or beneficiary), a sum of money (benefit) upon the occurrence of an event which may or may not occur, during the effective time of the contract, which is called a policy.

A Health Insurance Policy would normally cover expenses reasonably and necessarily incurred under the following heads in respect of each insured person subject to overall ceiling of sum insured (for all claims during one policy period).

- ❖ Room, Boarding expenses
- ❖ Nursing expenses
- ❖ Fees of surgeon, anaesthetist, physician, consultants, specialists
- ❖ Anaesthesia, blood, oxygen, operation theatre charges, surgical appliances, medicines, drugs, diagnostic materials, X-ray, Dialysis, chemotherapy, Radio therapy, cost of pace maker, Artificial limbs, cost or organs and similar expenses.
- ❖ The Sum Insured offered may be on an individual basis or on floater basis for the family as a whole.
- ❖ Cumulative Bonus (CB) Health Insurance policies may offer Cumulative Bonus wherein for every claim free year, the Sum Insured is increased by a certain percentage at the time of renewal subject to a maximum percentage (generally 50%). In case of a claim, CB will be reduced by 10% at the next renewal.
- ❖ Cost of Health Check-up Health policies may also contain a provision for reimbursement of cost of health check-up. Read policy carefully to understand what is allowed.
- ❖ Minimum period of stay in Hospital in order to become eligible to make a claim under the policy, minimum stay in the Hospital is necessary for a certain number of hours. Usually this is 24 hours. This time limit may not apply for treatment of accidental injuries and for certain specified treatments. Read the policy provision to understand the details.
- ❖ Pre and post hospitalization expenses incurred during a certain number of days prior to hospitalization and post hospitalization expenses for a specified period from the date of discharge may be considered as part of the claim provided the expenses relate to the disease / sickness. Go through the specific provision in this regard.

Cashless Facility Insurance companies have tie-up arrangements with a network of hospitals in the country. If policyholder takes treatment in any of the network hospitals, there is no need for the insured person to pay hospital bills. The Insurance Company, through its Third Party Administrator (TPA) will arrange direct payment to the Hospital. Expenses beyond sub limits prescribed by the policy or items not covered under the policy have to be settled by the insured direct to the Hospital. The insured can take treatment in a non-listed hospital in which case he has to pay the bills first and then seek reimbursement from Insurance Company.

9.12 Importance of Health Insurance

In our busy lives, there is always a probability of unexpectedly becoming sick and requiring expensive treatments. There is always a slight chance that someone dear to us might be at the mercy of a chronic condition which requires long-term care. Fortunately, there is health insurance. Health insurance ensures that undergoing long term treatment does not throw a family into dire financial straits. By paying a small amount of premium to the insurer, can take a cover under a comprehensive health insurance plan. This will shield savings from sudden shocks of medical treatments. In this way, health insurance acts as a protective cover for both savings and healthcare so that and beloved family can continue to enjoy their life.

The importance of health insurance in India can mean different things for people with diverse profiles. It is in the best interest to know the offered benefits and their relevance to society. Here are some of the benefits that add to the importance of health insurance:

- ✓ **Insurance Coverage**: Insurance coverage is the primary function of a health insurance policy. Many may not be aware of the variety of services offered under them. Most insurers offer the facility of cashless treatment that allows the insured to get healthcare without paying the bills upfront. The expenses are settled between the insurance company and hospital directly. Health Care provider government or private Consumer individual, and/or employer Third Party Institutions government or private The health insurance process 6 Alternately, the insurer will reimburse the payments made by the policyholder. The scope and importance of health insurance extend to regular health-checkups, transportation charges, room rent, and more.
- ✓ **Additional Cover**: Most corporate companies realize the importance of health insurance today. Typically, there is a group health plan that covers all its employees. However, it does not necessarily eliminate the need for health insurance on an individual basis. Since the group plan covers many people, it may not be enough to fulfill a single person's requirements appropriately. Additionally, a standalone health plan for and family members gives the freedom to opt for the necessary benefits under the plan. When it comes to plan for family's health and safety, it is better to tie all loose ends beforehand.
- ✓ **Rider Options**: The importance of health insurance varies in each person's life according to their medical conditions. For instance, if someone is more exposed to a harmful environment or has a history of medical conditions, their health plan is structured to accommodate it. There are riders available to attach to policy for additional benefits. Some of the commonly offered riders are an accidental death benefit, critical illness rider, etc.
- ✓ **Tax Benefits**: When are preparing for the future, it must not strain income in the present. Considering the importance of health insurance, the Government of India extends certain tax deductions to purchasing a health plan. Can refer to Section 80D of the Income Tax Act, 1961, to review the applied benefits to plan. Tax benefits are as prevailing tax laws subject to change
- ✓ **To fight lifestyle diseases**: Lifestyle diseases are on the rise, especially among people under the age of 45. Illnesses like diabetes, obesity, respiratory problems, heart disease, all of which are prevalent among the older generation, are now rampant in younger people too. Some contributing factors that lead to these diseases include a sedentary lifestyle, stress, pollution, unhealthy eating habits, gadget addiction and undisciplined lives. While following precautionary measures can help combat and manage these diseases, an unfortunate incident can be challenging to cope with, financially. Opting for Investing in a health plan that covers regular medical tests can help catch these illnesses early and make it easier to take care of medical expenses, leaving with one less thing to worry about.
- ✓ **To safeguard the family**: When scouting for an ideal health insurance plan, can choose to secure entire family under the same policy rather than buying separate policies. Consider ageing parents, who are likely to be vulnerable to illnesses, as well as dependent children.

Ensuring they get the best medical treatment, should anything happen to them, is something would not have to stress about if have a suitable health cover. Research thoroughly, talk to experts for an unbiased opinion and make sure get a plan that provides all-round coverage.

- ✓ **To counter inadequate insurance cover**: If already have health insurance (for example, a policy provided by the employer) check exactly what it protects against and how much coverage it offers. Chances are it will provide basic coverage. If current policy does not provide cover against possible threats - such as diseases or illnesses that run in the family - it could prove insufficient in times of need. And with medical treatments advancing considerably, having a higher sum assured can ensure every medical need is taken care of financially. But don't worry if cannot afford a higher coverage plan right away. Can start low and gradually increase the cover.
- ✓ **To deal with medical inflation**: As medical technology improves and diseases increase, the cost for treatment rises as well. And it is important to understand that medical expenses are not limited to only hospitals. The costs for doctor's consultation, diagnosis tests, ambulance charges, operation theatre costs, medicines, room rent, etc. are also continually increasing. All of these could put a considerable strain on finances if are not adequately prepared. By paying a relatively affordable health insurance premium each year, can beat the burden of medical inflation while opting for quality treatment, without worrying about how much it will cost.
- ✓ **To protect savings**: While an unforeseen illness can lead to mental anguish and stress, there is another side to dealing with health conditions that can leave drained the expenses. By buying a suitable health insurance policy, can better manage medical expenditure without dipping into savings. In fact, some insurance providers offer cashless treatment, so don't have to worry about reimbursements either. Savings can be used for their intended plans, such as buying a home, child's education and retirement. Additionally, health insurance lets avail tax benefits, which further increases savings.
- ✓ **Insure early to stay secured**: Opting for a health insurance early in life has numerous benefits. Since are young and healthier, can avail plans at lower rates and the advantage will continue even as grow older. Additionally, will be offered more extensive coverage options. Most policies have a pre-existing waiting period which excludes coverage of pre-existing illnesses. This period will end while are still young and healthy, thus giving the advantage of exhaustive coverage that will prove useful if fall ill later in life.

9.13 Principles of Health/Medical Insurance

- o **Principle of Utmost Good Faith**: Principle of Uberrimaefidei (a Latin phrase), or in simple English words, the Principle of Utmost Good Faith, is a very basic and first primary principle of insurance. According to this principle, the insurance contract must be signed by both parties (i.e. insurer and insured) in an absolute good faith or belief or trust.
- o **Principle of Insurable Interest**: The principle of insurable interest states that the person getting insured must have insurable interest in the object of insurance. A person has an insurable interest when the physical existence of the insured object gives him some gain but its non-existence will give him a loss. In simple words, the insured person must suffer some financial loss by the damage of the insured object.
- o **Principle of Indemnity**: Indemnity means security, protection and compensation given against damage, loss or injury. According to the principle of indemnity, an insurance contract is signed only for getting protection against unpredicted financial losses arising due to future uncertainties. Insurance contract is not made for making profit else its sole purpose is to give compensation in case of any damage or loss.

However, in case of life insurance, the principle of indemnity does not apply because the value of human life cannot be measured in terms of money.

- **Principle of Contribution**: Principle of Contribution is a corollary of the principle of indemnity. It applies to all contracts of indemnity, if the insured has taken out more than one policy on the same subject matter. According to this principle, the insured can claim the compensation only to the extent of actual loss either from all insurers or from any one insurer. If one insurer pays full compensation then that insurer can claim proportionate claim from the other insurers.
- **Principle of Loss Minimization**: According to the Principle of Loss Minimization, insured must always try his level best to minimize the loss of his insured property, in case of uncertain events like a fire outbreak or blast, etc. The insured must take all possible measures and necessary steps to control and reduce the losses in such a scenario. The insured must not neglect and behave irresponsibly during such events just because the property is insured. Hence it is a responsibility of the insured to protect his insured property and avoid further losses.
- **Principle of Proximate**: Principle of CausaProxima (a Latin phrase), or in simple English words, the Principle of Proximate (i.e. Nearest) Cause, means when a loss is caused by more than one causes, the proximate or the nearest or the closest cause should be taken into consideration to decide the liability of the insurer. The principle states that to find out whether the insurer is liable for the loss or not, the proximate (closest) and not the remote (farest) must be looked into.

9.14 Why is Health Insurance Important?

- **Financial Assistance** - The Health Insurance Policies offer the insured individuals financial assistance during any sort of medical emergencies.
- **Tax Benefits** - Buying a Health Insurance Policy will help you in tax deductions as it is listed under Section 80D of the Income-tax.
- **Investment plus savings** - Once you buy the Health Insurance Policy worrying about the treatment expenses is not a concern anymore. That's because the expenses will be covered by the insurance company.
- **Annual health checkups** - Bajaj Allianz provides you with the coverage benefits of annual health check-ups. Hence, the company looks after the expenses that incur in the insured person's annual health check-ups.
- **Deal with Medical Inflation** - Investing in Health Insurance Policies will help you to deal with medical inflation in a much easier and a better way without putting any burden on your pockets.
- **Covers complex procedures -** Health Insurance Policy provides coverage benefits for the complex procedures such as Bariatric surgery.
- **Benefits for organ donors -** buying a health insurance policy will provide coverage benefit in case you are donating any organ. It offers coverage up to the sum that is insured.
- **Coverage for alternative treatments -** when you purchase a health insurance policy from Bajaj Allianz, it offers you coverage for alternative treatments such as Ayurveda, Homeopathy, and Yoga.

9.15 Summary: Health insurance is a contract that requires an insurer to pay some or all of a person's healthcare costs in exchange for a premium. More specifically, health insurance typically pays for medical, surgical, prescription drug, and sometimes dental expenses incurred by the insured. Health insurance can reimburse the insured for expenses incurred from illness or injury, or pay the care provider directly. Health insurance is a contract that

requires an insurer to pay some or all of a person's healthcare costs in exchange for a premium. More specifically, health insurance typically pays for medical, surgical, prescription drug, and sometimes dental expenses incurred by the insured. Health insurance can reimburse the insured for expenses incurred from illness or injury, or pay the care provider directly. Health insurance is a wide range of scope for back bone to the customers. Health Insurer shall pay the expenses reasonably and necessarily incurred by or on behalf of the Insured Person under the 19 following categories but not exceeding the Sum Insured and subject to deduction of any deductible as reflected in the policy schedule in respect of such Insured person as specified in the Schedule

9.16 Key Words: Insurance, Health Insurance

9.17 Self-Assessment Questions

1. Define insurance? Explain its nature types.
2. Explain the need and importance of health insurance in Indian Context?
3. Explain in detail about the different benefits for insurance holders?
4. Give the principles and benefits for health insurance

9.18 Suggested Readings:

- Insurance principles and practices, SB Mishra MN Mishra,S Chand and co Ltd, 22eedition, 2022.
- Understanding health insurance, Michelle A Green, Cengage learning, 14 edition.
- Fundamentals of insurance and risk management, Dr.Sunil Kumar, JSR publishing house LLP, 3 editions, 2020.
- Principles of risk management and insurance, George E Rejda, 12 edition, 2014.
- Commercial insurance, Arthur L Flither , Insurance institute of America, 4 edition 2014.

P.SRINIVASARAO

LESSON – 10
POLICIES – CALCULATION OF PREMIUMS AND PAYMENT OF CLAIMS

Learning Objectives:

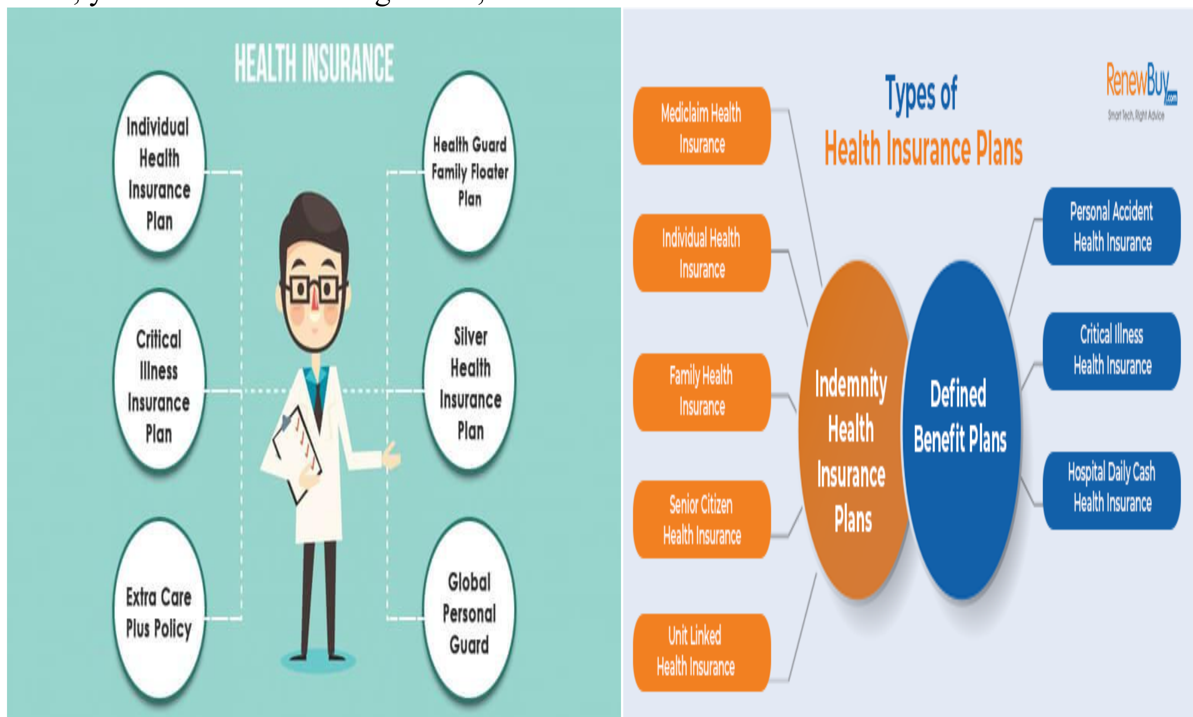
1. To make the students to know the types of policies in health insurance
2. To make the student to understand calculation of premium
3. To aware the student process of payment of claims

Structure of the lesson

10.1 Introduction
10.2 Types of Policies
10.2.1 Individual Health Insurance
10.2.2 Family Health Insurance
10.2.3 Critical Illness Insurance
10.2.4 Senior Citizen Health Insurance
10.2.5 Top Up Health Insurance
10.2.6 Hospital Daily Cash
10.2.7 Personal Accident Insurance
10.2.8 Mediclaim
10.2.9 Group Health Insurance
10.2.10 Disease-Specific (M-Care, Corona Kavach, etc.)
10.2.11 ULIPs
10.2.12 Indemnity & Fixed Benefit Plans
10.2.13 Fixed Benefits
10.3 Calculation of Premium
10.4 Factors Affect Health Insurance Premium
10.4 Health Insurance Riders in India
10.5 Health Insurance Riders
10.6 Best Health Insurance Riders in India
10.7 Benefits of Buying Riders under Health Insurance
10.8 Things to Consider While Buying Health Insurance Riders
10.9 Comprehensive Plans
10.10 Why Should we Buy a Comprehensive Health Insurance Policy
10.11 In a Nutshel
10.12 How is a comprehensive health insurance premium calculated?
10.13 Things to keep in mind while buying a comprehensive health insurance policy
10.14 Payment of Claims
10.15 Types of Health Insurance Claims
10.16 Health Insurance Claim Process
10.17 Documents required to file a Health Insurance Claim
10.18 Health insurance - Death Claim
10.19 The procedure for a death claim
10.20 Summary
10.21 Keywords
10.22 Self-Assessment Questions
10.23 Suggested for further readings

10.1 Introduction: In our busy lives, there is always a probability of unexpectedly becoming sick and requiring expensive treatments. There is always a slight chance that someone dear to us might be at the mercy of a chronic condition which requires long-term care. Fortunately, there is health insurance. Health insurance ensures that undergoing long term treatment does not throw a family into dire financial straits. By paying a small amount of premium to the insurer, can take a cover under a comprehensive health insurance plan. This will shield savings from sudden shocks of medical treatments. In this way, health insurance acts as a protective cover for both savings and healthcare so that and beloved family can continue to enjoy their life. The importance of health insurance in India can mean different things for people with diverse profiles. It is in the best interest to know the offered benefits and their relevance to society.

10.2 Types of Policies Health insurance is the most important and cost-effective way of protecting your finances. It is an imperative decision that requires you to be careful while buying. By saying that, without knowing the types of health insurance plans available in India, you can't ensure the right deal, hence it is the need of the hour.



10.2.1 Individual Health Insurance

An Individual Health Insurance plan is meant for a single person. As the name suggests, it can be bought by a single individual. The individual who gets himself insured with this plan is compensated for the expenses incurred for illness and medical expenses. Such types of medical insurance plan cover all the hospitalisation, surgical, pre and post medication expenditures till the insured limit is reached. The premium of the plan is decided on the basis of the buyer's age and medical history. Moreover, the insured individual can cover his spouse, his children, and parents, too by paying an extra premium under the same plan. However, if you get insured for any existing illness, there is a waiting period of 2-3 years for claiming the benefits.

10.2.2 Family Health Insurance

Popularly known as the Family Floater Plan, Family Health Insurance Policy secures your entire family under a single cover. Health insurance plans for family covers all the

members of your family including your spouse, kids, and elders. Only one member of the family has to pay the premium, and the entire family gets insured in a single premium. In case two family members are getting simultaneous treatment, you can claim the insurance for both of them till the limit is reached. The premium is decided on the basis of the age of the eldest member to be covered up in the plan. So, try to avoid adding the members who are above 60 years in your family health insurance plan as they are more prone to illness, and thus, the premium will get impacted.

10.2.3 Critical Illness Insurance

The Critical Illness Insurance plan insures the person by offering a lump sum amount of money for life-threatening diseases. At the time of buying the insurance, the chosen health problems are included, and if you get affected by any of the pre-selected conditions, you can claim your insurance. Hospitalisation is not required to file a claim under this type of insurance policy. Only the diagnosis of the disease can make you avail the benefits of the critical illness insurance. The amount to be paid is pre-decided irrespective of pre and post-hospitalization expenses. Below is a list of all the critical diseases that are covered up in the Critical Illness Insurance.

- Major organ transplant
- Cancer
- Aorta graft surgery
- Kidney failure
- Stroke
- Multiple sclerosis
- Paralysis
- First heart attack
- Coronary artery bypass surgery
- Primary pulmonary arterial hypertension

10.2.4 Senior Citizen Health Insurance

As indicated by the name, such types of Health Insurance in India provides coverage to people who are 65 years and above. So if you are planning to buy an insurance policy for your parents or grandparents, then this is the best insurance policy for you. The Senior Citizen Health Insurance will offer you coverage for the cost of hospitalisation and medicines, whether it arises from a health issue or any accident. It covers hospitalisation expenses and post-treatment costs too. On top of this, some other benefits like Domiciliary Hospitalization and Psychiatric benefits are also being covered. The upper age limit has been marked at 70 years of age. Also, the insurer can ask for a complete body checkup before he sells the Senior Citizen Health Insurance. Moreover, the premium for this plan is comparatively higher as the senior citizens are more prone to illness.

10.2.5 Top Up Health Insurance

An individual can buy the Top Up Health Insurance plan if he seeks coverage for higher amounts. But there is a “Deductible Clause” added to this policy. Therefore, when the claim is made, the payment done is over and above the pre-defined limit that is mentioned in the policy. Moreover, there is also a Super Top-Up plan available for the individual. It provides additional coverage over the regular policy to increase the amount of sum insured. The Super Top-up plan can only be used once the insured sum of the regular policy gets exhausted.

10.2.6 Hospital Daily Cash

Another segment is the different types of health insurance policy providing an innovative solution is the Hospital Daily Cash. If you feel insecure about buying an insurance policy, then you should go further with this plan and learn about how these health insurance policies work. This plan can help you to protect yourself from unexpected expenses during your hospitalisation. Once a person gets hospitalised, the routine hospital expenses are not fixed, and they tend to change as per the condition. In such a situation, the Hospital Daily Cash works the best for an individual. In this plan, the individual gets a daily cash benefit of Rs. 500 to 10,000, as per the coverage amount selected at the time of insurance. Convalescence benefits are also offered in some of the plans if the individual gets hospitalised for more than seven days. Other add-ons include Parental accommodation and wellness coach.

10.2.7 Personal Accident Insurance

The number of road accident cases have increased over the years, and that is why today, there are dedicated types of health insurance in India to protect the citizens. Thus, people end up losing their life or getting disabled, and bearing the treatment expenses can be a bit traumatising. So, availing of the personal accident insurance policy is a wise idea. This policy provides a lump sum amount to the victim or his/her family as support. Some of the plans also offer education benefits and orphan benefits meant to cover the expenses of the children. Moreover, Bajaj Allianz also provides add-on coverage like temporary total disablement, assistance service, worldwide emergency, and accident in-patient hospitalisation with personal accident plans. Other than this, if the insured suffers from an accident and has any loan obligations, it will also be taken care of by the insurance provider.

10.2.8 Mediclaim

Illnesses and accidents do not come with a pre-notification. The same goes for the expenses that one has to bear once the person gets hospitalised for any of these. Therefore, one should go for buying a Mediclaim Policy. The Mediclaim Policy ensures compensation for your hospitalisation expenses in case of any illness and accident. It provides coverage for the in-patient expenses that include surgery expenses, doctor’s fees, nursing charges, oxygen, and anaesthesia. The Mediclaim Policy is available in the market as group mediclaim, individual medical insurance, overseas medical insurance, etc.

10.2.9 Group Health Insurance

Group Health is one of the up and coming types of health insurance plans trending these days. Many medium and large-scale enterprises are offering this insurance policy to the employees. This type of health insurance is bought by the employer of the company for its employees. The premium of this policy is comparatively lower than the Individual Health Insurance Policy. It is offered to the group of employees to meet the financial crisis and prudence in the company.

10.2.10 Disease-Specific (M-Care, Corona Kavach, etc.)

Nowadays, people are prone to get infected by an array of illnesses, and one of them is Covid-19. Thus, treatment for such infections can be a bit heavy on your pocket. Therefore, to make it easy for the people to avail treatment Bajaj Allianz has introduced some disease-specific insurance policies. Therefore, you must think of buying a health insurance policy that helps you in such severe health problems. Disease-Specific comes under the situation-oriented types of medical insurance policy that provides you coverage for specific diseases. One of the insurance policies is Corona Kavach that provides a fund of Rs. 50,000 to Rs. 5,00,000 to the person insured. The age limit is set between 18 to 65 years. It is a type of

Family Floater Policy. If we talk about M-Care Health Insurance Policy, it provides insurance to the insured person against the diseases caused by mosquitoes. There are different types of mosquito-borne diseases that include Dengue Fever, Malaria, Chikungunya, Zika virus, etc. Thus, M-Care offers you coverage for these diseases.

10.2.11 ULIPs

ULIPs expands to Unit Linked Insurance Plans. In these plans, a part of your premium is invested, and the other remaining part is used for buying health covers. Therefore, this plan helps you earn a return besides providing you a safety net. Your savings can run short with the ever-rising cost of health facilities. So, it is always better to have more money at your disposal. ULIPs don't assure you a fixed amount as it is subjected to market risks. And the returns that are earned from ULIPs are paid to the buyer at the end of the policy term.

10.2.12 Indemnity & Fixed Benefit Plans

Indemnity plans are those types of health insurance plans where the policyholder can claim the hospital expenses up to a fixed limit. The policyholder can make multiple claims only till the maximum limit is reached. There are two different ways by which your insurance provider will provide you with your medical expenses:

- **Reimbursement Facility**- The bills are first paid by you, and then the insurance provider reimburses those bills.
- **Cashless Facility-** Where you do not have to pay any bills as the insurance provider pays them directly to the hospitals.

The types of medical insurance policy that fall in the category of Indemnity plans are as under:

- Individual Health Insurance
- Family Floater Plan
- Group Health Insurance
- ULIPs

10.2.13 Fixed Benefits

Fixed Benefits offers you a definite amount of money for specific health issues caused due to accidents or illness. It covers those health conditions that are listed at the time of buying the policy. The popular Health Insurance Policies that are covered in the fixed benefits are listed below;

- Personal Accident Plan
- Critical Illness Plan
- Hospital Cash Plan

10.3 Calculation of Premium

The Health Insurance Premium is the amount of money you need to pay periodically to an insurer in order to avail the medical coverage as well as to ensure that the policy remains in force. Health insurance premium calculator facilitates you to calculate your mediclaim premium, based on your insurance needs. In return, the insurer is liable to pay for the hospitalization expenses and medical bills in the event of a medical emergency or when an ailment is diagnosed subject to the policy terms. Typically, insurance providers give a grace period for you to pay the premium if you have failed to make the payment within the due date. If you do not renew your plan within this grace period, your health insurance policy may be cancelled.

10.4 Factors Affect Health Insurance Premium: If you want to know why health insurance premiums vary from one insured to another, you need to know that there are several factors at play. Know the factors affecting health insurance premiums below:

- **Age of the policy holders:**

Age plays a key role in determining the premium on your health insurance plan. In this regard, as you age and the older you get, the more premium you would have to pay. This is mainly because the chances of falling sick are high when you are older. Thus, older people are considered high-risk individuals by insurance providers.

- **Place where the policy holder live**

Another crucial factor that might affect your health insurance premium is the part of the country where you reside. Some insurers keep insurance plans that have geography-based pricing. So, if you live in a metropolitan city like Mumbai, Delhi or Bengaluru, you might have to pay higher premiums as compared to someone who lives in a Tier-2 city.The reason behind the premiums being higher in metros is that the cost of medical treatment is higher in such cities. Moreover, some insurers believe that people living in metropolitan cities have a questionable lifestyle, making them vulnerable to more diseases. This raises the cost of premiums.

- **Sum insured and add-ons**

The sum insured is the limit up to which your insurer agrees to pay your medical expenses. You can choose a health insurance plan with an insured sum of your choice. However, note that a higher sum insured would mean more premiums.

Add-ons on health insurance are additional covers that you may choose to increase the benefits of your health insurance plan. In this regard, the more add-on covers you choose, the more your health insurance premium will be

- **BMI and lifestyle**

According to insurance companies, individuals with a higher or lower BMI are more vulnerable to various illnesses, such as heart ailments and diabetes. Thus, the premium cost for such individuals is generally on the higher side.

Further, the insurer may also consider negotiating by reducing certain coverage benefits on your policy while imposing regular premiums.

- **Type of insurance**

The type of insurance policy you choose also affects the premium. For instance, a health insurance plan with extensive coverage will have a higher premium than the one with minimal coverage.

Moreover, a family floater health insurance plan would be cheaper than an individual policy. This is because the family floater plan covers the entire family under the sum insured.

Health Insurance Riders: Riders are extra coverage or benefits that a policyholder can buy over and above the base health insurance coverage on the payment of an additional premium. They help to enhance the scope of coverage of a health insurance policy by amending its existing terms and conditions. Riders enable the policyholder to obtain specific coverage that are otherwise missing from the base health policy, eliminating the need to buy another policy.

10.4 Health Insurance Riders in India

1. **Critical Illness Rider**: The critical illness rider provides a lump sum benefit to the policyholder equal to the sum insured amount on the diagnosis of a listed critical illness, such as cancer, kidney failure, heart attack, stroke, etc. This rider usually comes with a waiting period of 90 days and ceases to exist after a claim is raised.

2. OPD Rider: The OPD rider pays for the medical expenses incurred in the outpatient department, such as doctor's consultations, diagnostic tests, medicines, etc.
3. Maternity Rider: The maternity rider pays for the medical expenses arising out of pregnancy and childbirth, including delivery expenses, pre & post-natal expenses, new-born baby expenses, etc. The coverage is usually available after a waiting period ranging from 9 months to 6 years, depending on the insurance company.
4. Room Rent Waiver :The room rent waiver rider removes the coverage limit on the hospital room rent allowing policyholders to opt for a room with higher room rent. It also removes any restriction on the room rent type enabling the insured to get admitted to a hospital room of their choice without paying extra at the time of admission.*For example, suppose your base policy covers hospitalization expenses up to 1% of the sum insured for a twin-sharing room. With the room rent waiver, you can opt for a single private room regardless of its rent.*
5. Day 1 PED Coverage Rider: The Day 1 PED Coverage rider waives off any waiting period for pre-existing diseases like hypertension, diabetes, asthma and hyperlipidaemia. This rider can be opted for at the time of buying the policy for the first time.
6. Unlimited Restoration of Sum Insured: The unlimited restoration of sum insured rider restores the sum insured of the base policy unlimited times in a policy year in case the original amount gets exhausted on raising single or multiple claims. However, the sum insured may be restored for claims due to unrelated illnesses or the same illnesses, depending on the policy terms and conditions.
7. Reduction in PED Waiting Period: The reduction in PED waiting period rider reduces the waiting period to cover pre-existing diseases to some extent. *For example, suppose your health policy covers pre-existing diseases after a waiting period of 4 years. With the reduction in PED waiting period rider, the waiting period for pre-existing diseases can be reduced to only 2 years.*
8. Personal Accident Rider: The personal accident rider provides a lump sum benefit to the policyholder if he/she suffers from a total/partial disability or dies in an accident. In case of accidental death, the lump sum benefit is paid to the family member/nominee of the policyholder.
9. Hospital Cash Rider: The hospital cash rider pays a daily cash allowance to the insured for each day of hospitalization. The allowance can be used to pay ancillary expenses incurred during hospitalization, such as consumables, food costs, etc. To activate this rider, the insured must be hospitalized for at least 24 hours or more, depending on the policy terms and conditions.
10. Zone Upgrade: The zone upgrade rider allows policyholders to avail a higher medical coverage based on their city zone. It covers the difference in medical treatment costs between different city zones for a nominal premium. Usually, Zone A includes metropolitan cities, Zone B comprises of Tier II cities, and Zone C includes Tier III cities.
11. Global Cover Rider: The global cover rider ensures that the insurance company pays for the medical expenses incurred within India and abroad. Most health insurance plans cover overseas medical costs incurred on hospitalization and day care treatments only.

10.5 Health Insurance Riders

Riders are extra coverage or benefits that a policyholder can buy over and above the base health insurance coverage on the payment of an additional premium. They help to enhance

the scope of coverage of a health insurance policy by amending its existing terms and conditions. Riders enable the policyholder to obtain specific coverage that are otherwise missing from the base health policy, eliminating the need to buy another policy.

10.6 Best Health Insurance Riders in India

Check out some of the best health insurance riders available in India:

1. Critical Illness Rider

The critical illness rider provides a lump sum benefit to the policyholder equal to the sum insured amount on the diagnosis of a listed critical illness, such as cancer, kidney failure, heart attack, stroke, etc. This rider usually comes with a waiting period of 90 days and ceases to exist after a claim is raised.

2. OPD Rider

The OPD rider pays for the medical expenses incurred in the outpatient department, such as doctor's consultations, diagnostic tests, medicines, etc.

3. Maternity Rider

The maternity rider pays for the medical expenses arising out of pregnancy and childbirth, including delivery expenses, pre & post-natal expenses, newborn baby expenses, etc. The coverage is usually available after a waiting period ranging from 9 months to 6 years, depending on the insurance company.

4. Room Rent Waiver

The room rent waiver rider removes the coverage limit on the hospital room rent allowing policyholders to opt for a room with higher room rent. It also removes any restriction on the room rent type enabling the insured to get admitted to a hospital room of their choice without paying extra at the time of admission.

For example, suppose your base policy covers hospitalization expenses up to 1% of the sum insured for a twin-sharing room. With the room rent waiver, you can opt for a single private room regardless of its rent.

5. Day 1 PED Coverage Rider

The Day 1 PED Coverage rider waives off any waiting period for pre-existing diseases like hypertension, diabetes, asthma and hyperlipidaemia. This rider can be opted for at the time of buying the policy for the first time.

6. Unlimited Restoration of Sum Insured

The unlimited restoration of sum insured rider restores the sum insured of the base policy unlimited times in a policy year in case the original amount gets exhausted on raising single or multiple claims. However, the sum insured may be restored for claims due to unrelated illnesses or the same illnesses, depending on the policy terms and conditions.

7. Reduction in PED Waiting Period

The reduction in PED waiting period rider reduces the waiting period to cover pre-existing diseases to some extent. **For example**, suppose your health policy covers *pre-existing diseases* after a waiting period of 4 years. With the reduction in PED waiting period rider, the waiting period for pre-existing diseases can be reduced to only 2 years.

8. Personal Accident Rider

The personal accident rider provides a lump sum benefit to the policyholder if he/she suffers from a total/partial disability or dies in an accident. In case of accidental death, the lump sum benefit is paid to the family member/nominee of the policyholder.

9. Hospital Cash Rider

The hospital cash rider pays a daily cash allowance to the insured for each day of hospitalization. The allowance can be used to pay ancillary expenses incurred during hospitalization, such as consumables, food costs, etc. To activate this rider, the insured

must be hospitalized for at least 24 hours or more, depending on the policy terms and conditions.

10. Zone Upgrade

The zone upgrade rider allows policyholders to avail a higher medical coverage based on their city zone. It covers the difference in medical treatment costs between different city zones for a nominal premium. Usually, Zone A includes metropolitan cities, Zone B comprises of Tier II cities, and Zone C includes Tier III cities.

11. Global Cover Rider

The global cover rider ensures that the insurance company pays for the medical expenses incurred within India and abroad. Most health insurance plans cover overseas medical costs incurred on hospitalization and day care treatments only.

10.7 Benefits of Buying Riders under Health Insurance

Here are some of the benefits of buying different types of health insurance riders:

1. Enhanced Coverage

Riders help policyholders to add specific covers to their base health insurance policy that are not already a part of it. Thus, they can enhance the level of coverage of their base policy as per their health needs and make it a comprehensive policy.

2. No New Policy Required

A rider eliminates the need for buying another health insurance policy to avail certain covers that are missing from the base policy. Instead, it adds the desired cover to the existing health policy, thereby reducing the hassle of managing two separate policies.

3. Lower Premiums

Policyholders need to buy riders additionally at the time of purchasing their base health policy. However, the cost of buying a rider is very low compared to purchasing another policy to get the same coverage. Hence, it does not put a financial burden on the policyholder.

Besides, as per IRDAI guidelines, the cost of a rider cannot be more than 30% of the base policy premium. *For example, if the premium of your base policy is Rs 10,000, then the cost of a rider cannot be more than Rs 3000.*

4. Customized Coverage

Riders give policyholders the freedom to customize their policy and choose the coverage they want in a health policy. The same freedom is not available on buying a pre-designed policy.

10.8 Things to Consider While Buying Health Insurance Riders

Take a look at the things to be considered while buying health insurance riders:

- **Coverage** – Make sure to carefully go through the scope of coverage offered by a rider to know exactly what you are covered for. *For example, some hospital cash riders get activated only after the insured is hospitalized consecutively for 2-3 days.* Thus, buy a rider only if it meets your medical requirements.

- **Premium** – Make sure to check the extra premium that you will have to pay to buy a rider before making the actual payment. This will help you purchase a rider that fits your budget.

- **Waiting Period** - Several riders offer coverage after a waiting period. *For instance, health insurance with critical illness rider offers coverage for critical illnesses after a waiting period of 90 days.* Hence, read the terms and conditions of a rider carefully and check for any applicable waiting period.

- **Exclusions** – Top health insurance riders also have certain exclusions that limit the coverage offered by your insurer. *For example, maternity rider mostly does not cover ectopic pregnancy.* Therefore, check the exclusions applicable to the rider before purchasing it.

10.9 Comprehensive Plans: A comprehensive health insurance policy is an all-inclusive plan that provides extensive coverage against medical emergencies with lifetime renewability. It provides you with financial support to cover a wide range of medical expenses, including hospitalization expenses, day care treatment, road ambulance charges, etc Comprehensive health insurance plans are known for their extensive policy coverage. Take a look at some of the most common covers available under comprehensive health plans in India:

- In-patient hospitalization
- Day care treatment
- Pre-hospitalization
- Post-hospitalization
- Organ donor expenses
- Domiciliary hospitalization
- OPD treatment
- AYUSH Treatment
- Emergency ambulance

When you decide to buy a comprehensive health insurance policy, you will find multiple plans from different insurers. It is best to compare health insurance plans on the basis of their coverage benefits and premium before buying to find the most suitable plan

10.10 Why Should we Buy a Comprehensive Health Insurance Policy?

You may have often heard that '*Health is Wealth'*. But in the fast-paced life today, our health is getting neglected in more ways than we would like. Not only has the stress levels increased but more people have turned to a sedentary lifestyle which is only doing irreversible damage to the body. Besides, medical inflation has made availing healthcare facilities highly expensive.

In such a situation, buying a comprehensive health insurance policy is the best way to pay for exorbitant medical expenses. It ensures that your medical expenses are taken care of by your insurance company, thereby, eliminating any financial burden and protecting your hard-earned savings.

Get a better understanding of comprehensive health insurance by going through its benefits below:

- ❖ **Wider Coverage**: A comprehensive health insurance policy comes with wider coverage. It provides coverage for in-patient hospitalization expenses along with pre and post-hospitalization expenses. It also covers the cost of availing road ambulance services and day care procedures. Most plans also offer coverage for AYUSH treatment, organ donor expenses and domiciliary hospitalization expenses. In some plans, maternity expenses may also be covered after a waiting period.
- ❖ **Covers the Entire Family:** Most comprehensive health insurance plans in India provide coverage to the entire family. You can cover your spouse and children under the same policy with you. Some plans may also extend coverage to your parents and parents-in-law. The sum insured may be either available on an individual or floater basis.
- ❖ **Outpatient Treatment**: Unlike basic health plans, most comprehensive health insurance plans provide coverage for outpatient treatment or OPD expenses. It

pays for the OPD consultation cost that you may incur if you visit a doctor without the need for getting hospitalized.

- **Pre-existing Disease Coverage**: All comprehensive health insurance plans provide coverage for pre-existing diseases. However, such diseases are covered only after a waiting period. Generally, pre-existing diseases come with a waiting period of 2 to 4 consecutive years.
- **Riders/Add-on Covers**: Besides basic coverage, a comprehensive health plan also comes with a few riders or add-on covers. You can purchase these riders to expand the coverage level of your policy. Some of the most common riders available under comprehensive health insurance plans are critical illness cover, maternity cover, hospital daily cash, personal accident cover, etc.
- **Cashless Treatment**: Just like regular health plans, a comprehensive health insurance policy also offers cashless treatment facilities to its policyholders. Under cashless treatment, the hospital bills are directly paid by your health insurance company. All you need to do is visit a network hospital of your insurer to avail cashless medical treatment.
- **Cumulative Bonus**: A comprehensive health insurance policy comes with a cumulative bonus benefit. It increases your sum insured by a certain percentage if you do not raise any claim in the previous policy year for no extra cost.

List of Comprehensive Health Insurance Plans in India

S.No	Comprehensive Health Insurance Plans	Eligibility Criteria	Sum Assured	No. Of Network Hospitals
1	Aditya Birla Active Assure Diamond Policy	Adult – 18 Years onwards Child – 91 days to 25 years	Rs. 2 lakh to Rs. 2 Crore	6000 +
2	Bajaj Alianz Health care supreme	Adult – 18 Years onwards Child – 03 months to 25 years	Rs 5 lakh to Rs 50 lakh	6500 +
3	Bharti AXA Health AdvanEDGE Policy	Adult - 18 years to 65 years Child - 91 days onwards	Rs 2 lakh to Rs 3 crore	4500+
4	Care Health Insurance Plan	Adult - 18 years onwards Child - 91 days onwards	Rs 3 lakh to Rs 75 Lakh	16,500+
5	Chola Health line Policy	Adult - 18 years to 65 years Child - 90 days to 26 years	Rs 2 lakh to Rs 10 lakh	6500+
6	Digit Health Care Plus Policy	Adult - 18 years onwards Child - 91 days onwards	Up to Rs. 3 crore	5000+
7	Edelweiss Health	Adult - 18 years to	Rs 1 lakh to Rs	2500+

	Insurance	65 years Child - 03 months to 26 years	1 crore	
8	Future Generali Health Total	Adult - 18 years onwards Child - 1 day to 25 years	Rs 3 lakh to Rs 1 crore	6000+
9	IFFCO Tokio Health Protector	Adult - 18 years to 65 years Child - 91 days onwards	Rs 50,000 to Rs 20 lakh	6400+
10	Kotak Mahindra Health Insurance	Adult - 18 years to 65 years Child - 91 days to 25 years	Rs 2 lakh to Rs 1 crore	4800+
11	Liberty HealthPrime Connect Policy	Adult - 18 years to 65 years Child - 91 days to 25 years	Rs 10 lakh to Rs 1 crore	5000+
12	ManipalCignaProHealth Insurance	Adult - 18 years onwards Child - 91 days to 23 years	Rs 2.5 lakh to Rs 1 crore	6500+
13	NivaBupa (Formerly known as Max Bupa) GoActiv Health Insurance	Adult - 18 to 65 years Child - 91 days to 21 years	Rs 4 lakh to Rs 25 lakh	7000+
14	National Mediclaim Plus Policy	Adult - 18 to 65 years Child - 03 months to 18 years	Rs 1 lakh to Rs 50 lakh	6000+
15	New India Health Insurance	Adult - 18 to 65 years Child - 03 months to 25 years	Rs 1 lakh to Rs 15 lakh	3000+
16	Oriental Mediclaim Insurance Policy	Adult - 18 to 65 years Child - 03 months to 18 years	Rs 1 lakh to Rs 10 lakh	4300+
17	Raheja Health QuBE Comprehensive Plan	Adult - 18 to 65 years Child - 03 months to 25 years	Rs 3 lakh to Rs 50 lakh	5000+
18	Reliance HealthWise Policy	Adult - 18 to 65 years Child - 91 days to 25 years	Rs 1 lakh to Rs 5 lakh	7300+
19	Royal Sundaram Lifeline Health Insurance Plan	Adult - 18 years onwards Child - 91 days to	Rs 2 lakh to Rs 1.5 crore	5000+

		25 years		
20	SBI Arogya Supreme Health Insurance	Adult - 18 to 65 years Child - 91 days to 25 years	Rs 3 lakh to Rs 1 crore	6000+
21	Star Comprehensive Insurance Policy	Adult - 18 to 65 years Child - 3 months to 25 years	Rs 5 lakh to Rs 1 crore	11,000+
22	Tata AIG Medicare Policy	Adult - 18 years onwards Child - 91 days onwards	Rs 3 lakh to Rs 20 lakh	7200+
23	United India Family Medicare Policy	Adult - 18 to 70 years Child - 91 days to 18 years	RS 3 lakh to Rs 25 lakh	7000+
24	Universal Sompo Complete Healthcare Insurance	Adult - 18 to 70 years Child - 91 days to 25 years	Rs 1 lakh to Rs 10 lakh	4000+

10.11 In a Nutshell

Buying a comprehensive health insurance policy is the best decision that you make for the well-being of yourself and your family. You will be able to opt for the best treatment without worrying about paying the hospital bills. Besides, you will protect your savings from getting depleted. Just make sure to compare the plans before buying to find the most suitable plan for your health needs.

10.12 How is a comprehensive health insurance premium calculated?

The comprehensive health insurance premium is calculated by weighing different factors related to coverage, sum insured, insured person's age, number of dependents, etc. These factors can vary from person to person; thus, two people with a similar health insurance plan can be charged different premiums.

Sometimes insurers also present the option of co-pay or voluntary deductible. Here the policyholder promises to pay a pre-decided part of the claim amount during settlement. If the co-pay clause is applicable, then the premium may also reduce to an extent.

Consider using the health insurance premium calculator if you want to get an idea about the plan's cost. All you have to do is enter relevant details related to you, and the dependents (if applicable) and the calculator will generate a quote. Usually, insurers (such as ACKO) embed the premium calculator in their purchase journey. This means you will see a free quote while buying the policy.

10.13 Things to keep in mind while buying a comprehensive health insurance policy

Making haste while buying medical insurance can lead to high out-of-pocket expenses during a medical emergency. But you can avoid this by weighing available options and considering the following.

1. **The balance between coverage and premium:** Usually, coverage and premium go hand in hand. More number of inclusions means a higher premium. But sometimes, a policy

may be expensive and still not provide enough necessary coverage. Look for health plans that offer the right balance between coverage and premium.

2. **Exclusions of the medical insurance plan:** Being aware of the things that are not covered under the plan, i.e. exclusions can help a lot in case of claims. If you claim against an exclusion, the insurance company will reject it. This can lead to disappointment, especially during distressing situations. Thus, make sure that you read through the list of exclusions carefully before buying health insurance.
3. **The room rent clause:** The room rent clause can be tricky as the entire hospital bill gets affected if you choose a room that costs more than the allowed limit.
4. **Services and turnaround time of the insurer:** An insurance company's reputation often depends upon the kind of services they provide. Making sure that the insurer has a quick turnaround time will help you spend less time completing a certain action. For example, actions like making changes in the policy, renewing health plans, making claim settlements, etc., can be completed quickly when the insurer provides a quick resolution. Also, look for an insurer who has a round-the-clock customer care centre.
5. **Availability of add-ons:** Sometimes insurance companies provide optional coverages that can prove to be quite useful in a medical emergency. For example, Daily Hospital Cash add-on. This add-on can cover additional expenses when you or a loved one is hospitalised.
6. **Waiting period:** Most insurance companies enforce at least 2 to 3 types of waiting periods on a health insurance policy. This includes the initial waiting period, waiting period on pre-existing diseases, etc. Note that you cannot raise a claim for a particular illness for an applicable waiting period. Be aware of which type of waiting period is enforced for which ailment.
7. **Deductibles and deductions:** Deductibles refer to an amount you must pay at the time of claim settlement (usually 10 per cent of the claim amount). Similarly, an insurance company applies certain deductions on the claim amount (for example, non-medical expenses that include registration/admission charges, cost of surgical blades, digestion gels, etc.). These can increase your out-of-pocket expenses

10.14 Payment of Claims

Health Insurance – payment of Claim

A health insurance claim is a request made by a policyholder to the insurance company to provide medical benefits and services covered in the health insurance policy. It is the process of obtaining monetary compensation from the insurer for all incurred medical expenses. The policyholder can either get the cost of medical services reimbursed by the insurer or opt for direct claim settlement (also known as cashless claims).

10.15 Types of Health Insurance Claims

Providing financial assistance for healthcare services is the sole purpose of a health insurance plan. A health insurance claim needs to be raised to obtain this financial support at the time of need. A policyholder can raise two types of health insurance claims. They are:

1. **Cashless Claims**: In this type of claim, the insurer settles all the medical bills with the hospital directly. However, an insured needs to be hospitalized only at a network hospital to get the benefit of cashless hospitalization.
2. **Reimbursement Claims**:In this type of claim process, the policyholder pays for the hospitalization expenses upfront at the time of discharge and requests the insurance company for reimbursement later. Reimbursement claims can be raised at both network and non-network hospitals.

10.16 Health Insurance Claim Process

Take a look at the both health insurance cashless and reimbursement claim process below:

- ❖ ***Cashless Health Insurance Claim Settlement Process***::The step-by-step procedure to avail a cashless claim under a health insurance policy is as follows:

  Step 1: Get admitted to a network hospital of your insurance company and contact the insurance helpdesk at the hospital.

  Step 2: Show the health card issued by your insurer for identification

  Step 3: The hospital will verify your identity and give you a pre-authorization form for cashless treatment.

  Step 4: Fill in the pre-authorization form and submit it at the insurance desk

  Step 5: The network hospital will submit the pre-authorization form to your health insurance provider.

  Step 6: The insurance company will review your pre-authorization request along with the submitted documents and approve your cashless claim according to the terms and conditions of your health insurance policy. Some insurers also assign a field doctor to make the cashless claim authorization process easier;

  Step 7: At the time of discharge, pay for the medical expenses that are not covered by your health policy

  Step 8: Your insurance company will pay the claim amount directly to the hospital as per the terms and conditions of your policy

- ➢ **Reimbursement Health Insurance Claim Settlement Process::** Follow the steps given below to raise a reimbursement claim under a health insurance policy:

  Step 1: Inform your health insurance provider about your hospitalization at the earliest;

  Step 2: Obtain treatment at the hospital

  Step 3: During discharge, pay the entire hospital bills and collect all the documents

  Step 4: Submit all the required documents to your health insurance company

  Step 5: The insurer will review all the submitted documents and process the claim according to the terms and conditions of your health policy.

  Step 6: Once your claim has been approved, the claim amount will be paid to you.

10.17 Documents Required to file a Health Insurance Claim

The following documents should be submitted to file a health insurance claim:

- Health Card (Health Insurance ID Card)
- All the consultation papers provided by the doctor
- Completely filled-in claim form
- All the investigation and diagnosis reports, such as CT scans, X-rays, blood reports, etc.
- Hospital bills with payment receipts
- Medico Legal Certificate (MLC) or/and FIR (in case of accidents)
- Invoices of the pharmacy with respective prescriptions and payment receipts
- Discharge summary
- Any other relevant documents requested by the insurer

10.18 Health insurance - Death Claim : The insurance company will respond to this intimation and will ask for the following documents:

- Filled-up claim form (provided by the insurance company)
- Certificate of death • Policy document
- Deeds of assignments/ re-assignments if any
- Legal evidence of title, if the policy is not assigned or nominated
- Form of discharge executed and witnessed

- Other documents such as medical attendant's certificate, hospital certificate, employer's certificate, police inquest report, post mortem report etc could be called for, as applicable.

10.19 The procedure for a death claim:

The first and most important step is informing the insurance company of the death of the insured. There are two classifications for death according to insurance companies an ‘early death’ and a ‘nonearly death’. These are based on the time from when the policy was taken. Early death is one wherein the insured dies within three years of having taken the policy. The documents necessary for claiming insurance for the two types of death can vary. Approach the insurance company and obtain the claim intimation form. At the same time, could also ask them for the necessary documents that need to produce for the claim. For online insurance policies, can apply online for the form.

Attestation of Documents: The documents need to submit for death claim must be attested. Any of the following persons may attest the documents:

- A company agent, employee or relationship manager
- Branch manager of a distributing bank for insurer’s policies
- Bank manager of a nationalized bank with appropriate stamp
- A Gazetted officer, Headmaster or Principle of a Government school
- Magistrate

10.20 SUMMARY: A health or medical insurance claim is a process of requesting the insurer to provide the benefits and services covered in health insurance policy. can either opt for a cashless claim (also known as direct claim settlement) or a reimbursement claim for medical expenses incurred. Claims Management refers to dealing with issues related to customers or third parties wherein they bring forward a claim against place of employ, or a service company represents. It involves dealing with customers, investigations, litigation support, and settlements. Claim Manager(s) work in insurance-based firms and are responsible for the logging, maintenance, processing of claims. They deal with customers at the front end and manage the progress and updates on any claims filed. Let’s look at their day to day role and responsibilities. The claim intimation should contain information like the date, place and cause of death. The insurance agent has the duty to help the life assured’s family/ assignee to deal with the insurance company to fulfil the formalities for a claim.

10.21 Keywords: types of policies, claims, calculation of premium

10.22 Self-Assessment Questions

Define claims documentation in health insurance?
Explain different types of health insurance policies
Explain the process of calculation of health insurance premium
What is healthcare riders explain different types of riders

10.23 Suggested for further readings

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