IC 38 Training For IRDA Exam Part 1/3

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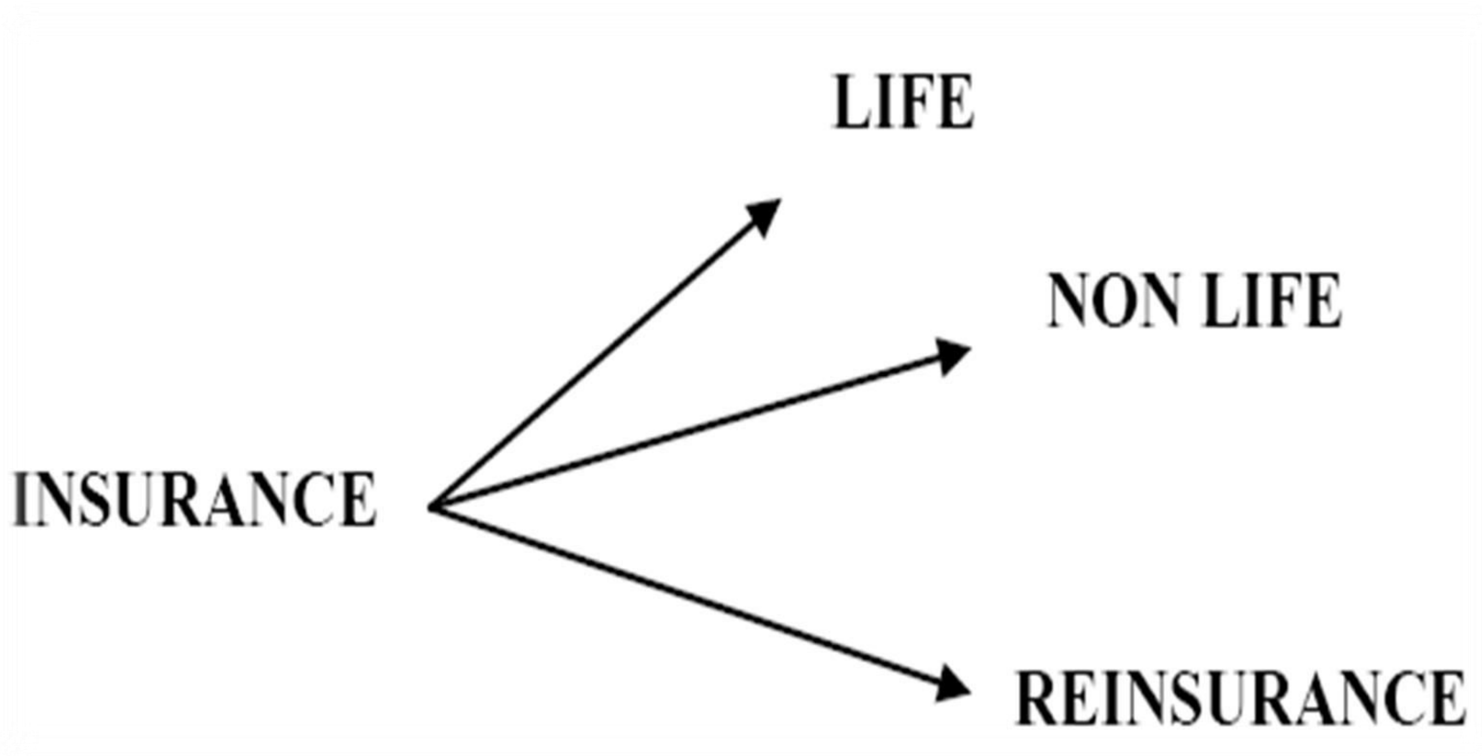
Exam STRETEGY to follow

Total No. Of questions =50
Total Time = 1 hr (60 mint)
Total Marks =50 (For each Ans one Mark)
Passing 35% =18 (even you score 17 marks ,One mark will be given as grace)

Minimum Obtain Marks

50 questions
Solve 10 question minimum-----------------------10
Ans “C” option remaining 40 Question-----------10
Total Obtain Marks=======20(Passed)

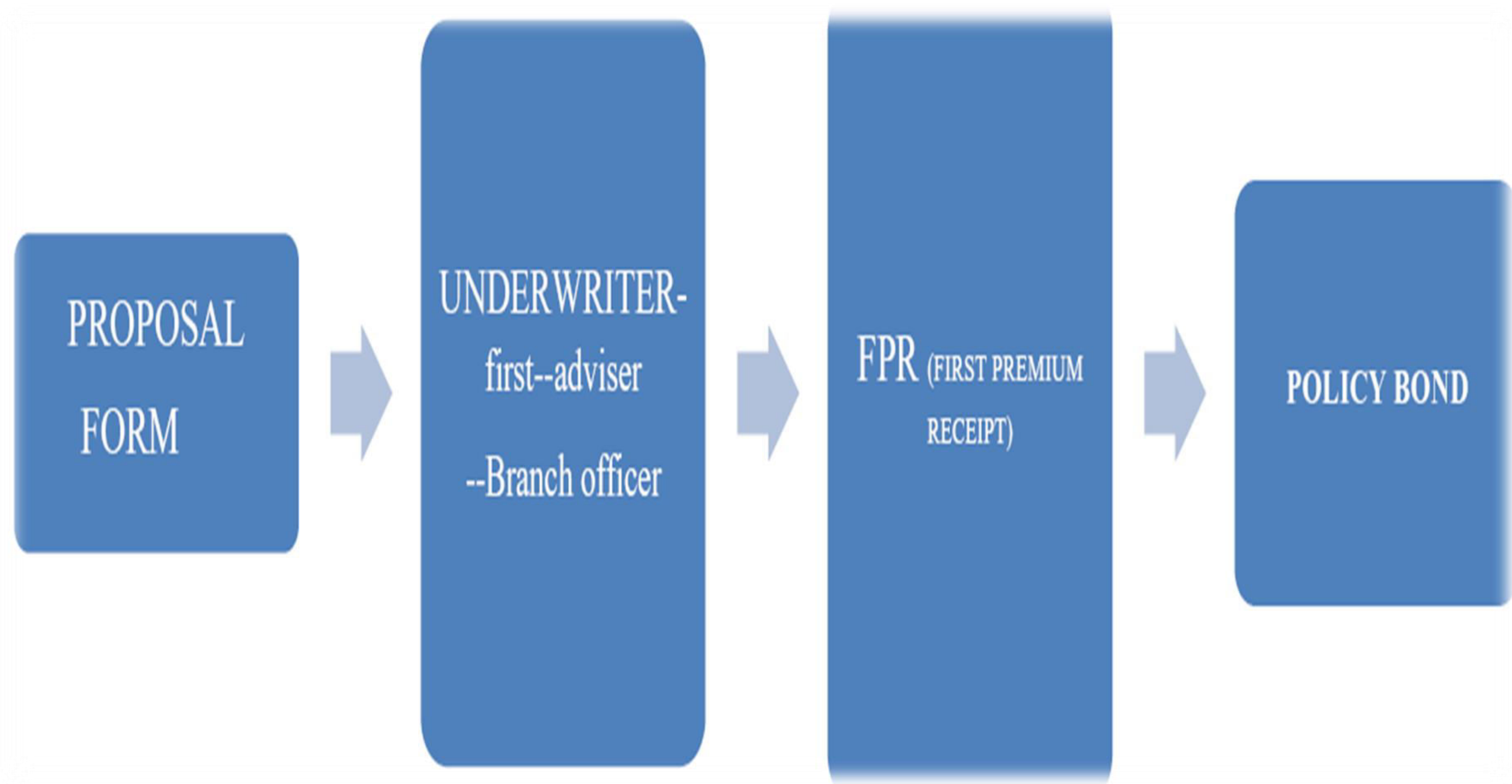
Note : Don’t Leave any question unanswered ,there is no (-ve) marks


LIFE
NON LIFE
INSURANCE
REINSURANCE

- VALUE CONTRACT
- OFFER AND ACCEPTANCE
- CONSIDARATION
- CAPACTITY OF CONTRACT
- LEGAL ASPECT

Smoking is HAZARD and LUNG cancer is a PERIL

- **Perils** : Peril refers to specific events which might cause a loss.Perils are risk being insured against. Loss arising out of peril can be Loss of Life or Loss of Property
- **Hazard**: Hazard is a condition that either increases the chance that a peril will happen or may cause its effects to be worse, if it does Hazards can be categorized as Physical Hazard and Moral Hazard. Physical Hazard refers to dimensions and physical characteristics of the risk.
- Moral Hazard refers to habits and activities of the individual that increases the risk.
- •Some hazards that would cause an individual to be categorized as high risk are


PROPOSAL FORM
UNDERWRITER-
first--adviser
--Branch officer
FPR (FIRST PREMIUM RECEIPT)
POLICY BOND

UTMOST GOOD FAITH (Indisputable clause—Sec 45(with in 2 yrs)

- A positive duty voluntarily to disclose, accurately and fully, all facts material to the risk being proposed whether requested or not the principle applies equally to both the proposer and the insurer throughout the contract.
- Breaches of the duty of utmost good faith can be categorised as
- Non-disclosure, Concealment of a material fact.
- Fraudulent misrepresentation or statements made with the intention of deceiving the insurer.
- Innocent misrepresentation or inaccurate statements which are believed to be true.

Insurable interest

- *is said to exist when an individual stands to gain or benefit from the continued existence or well-being of another individual(s) or property, and at the same time the individual would suffer a financial loss or inconvenience if there is damage to the other individual(s) or property.*
    - *Relative/Family*
    - *Employer-Employee*
    - *Creditor -Debtor*

TYPES OF INSURANCE PLAN

- Term insurance(Only risk cover)
- Pure endowment(Only Maturity)
- Endowment plan(Money back)
- ULIP(Market Related Return)

MICRO INSURANCE

- Micro insurance products provide insurance protection to people in lower income group , such as self help group (SHG) members , farmers, rickshaw pullers etc.
- Min premium Rs.15 (collected on a weekly basis).
- The Minimum life insurance cover is Rs. 5000 & Maximum cover is Rs. 50,000 .

- **ETF (Extended traded fund) -One UNIT= 1 grm or ½ grm (You have 50 UNIT ETF = you have 50-100grms GOLD)**

- **RIDERS- Max 30% of premium.**

- **EMI—40% of MONTHLY INCOME will be Your EMI.**

- **LIEN: Underwriter feels that risk associated with a person might decrease over a time , in such cases ,underwriter accepts this proposal with LIEN.**

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1st yr—100% no claim

2nd ---80%

3rd ---60%

4th---40%

5th---20%

6th—100% claim paid

- 3rd year LIEN is higher than 4 yrs
- If Claim settled ,however Full S.A not paid ---Due to LIEN.

LOADIND: Adjustment amount taken into account for expenses and profit of the insurer is known as loading.

NOMINATION—

a) No limit of nominee in PLOLICY

b) Nomination can be changed any time.

- **ASSIGNMENT (CAN NOT BE CHANGE)**

a) ABSOLUTE

b) CONDITIONAL

LOCK IN period

3 year for traditional plan

5 years for ULIP

- **Pension –**

a) Differed (MAXIMUM 2/3 of your fund can be withdrawn)

b)Immediate

MWP (Married Woman Act) (1874)

- Married Women's Property (MWP) Act 1874 provides that a life insurance policy that has been taken out by a married man on his own life, for the benefit of his wife and children, shall be deemed to be a trust and will be outside the control of the life insured, his creditors, court attachments etc.
- Nominee –trustee
- No assignment
- As per IRDA rule –Illustration as on Return on maturity should be shown 4% to 8% .
- Presumption of death—If policy holder is *Missing of 7 years, he will be considered as death.*
- Suicide of person –after 1yr –claim will be paid.

Agency LICENCE- sec 45

- *Training 25 hrs*
- Min age 18ys
- Min Education -ssc Passed

TRAINING INSTITUTES

- The Insurance Institute of India (III)
- Insurance Institute of Risk Management (IIRM) and
- The National Insurance Academy (NIA) .

•*COPA-1986*
•*MICRO INSURANCE-2005*
•*INSURANCE ACT-1938*

Pooling of risks

Separate pools will be maintained by insurance companies for:

Life insurance
Car insurance
Home insurance
Travel insurance

Pooling of risks is one of the fundamental principles of insurance.
With pooling of risks an insurance company pools the premium collected from several individuals to insure them against similar risks. The insurance company maintains different sets of pools for different risks

AGE PROOF

STANDARD AGE PROOF DOCUMENTS

- School or college records
- Municipal recorsds made at the time of birth
- Passport
- Permanent Account Number (PAN) Card
- The service registers of the employer
- Baptism Certificate
- A certified extract from a family Bible, if it contains the date of birth
- Iidentity card of defence personnel, issued by the defence department

NON-STANDARD AGE PROOF DOCUMENTS

- A horoscope prepared at the time of birth
- A ration card
- Self decleration, Elder's declaration
- A certificate from the village panchayat

FIRST PREMIUM RECEIPT (FPR):

- *The FPR is important as it is the evidence that the insurance contract has begun. The policy document, which is the evidence of the contract, may be issued some time later. The first premium receipt contains the following information:*

  - **Name and address of the life insure**
  - **Policy Number**
  - **Premium amount paid**
  - **Method and frequency of premium payment**
  - **Next date that premium payment is due**
  - **Date of commencement of the risk (i.e.when the cover begins)**
  - **Date the policy matures**
  - **Date the last premium will be paid: and**
  - **Sum insured**

RENEWAL PREMIUM RECEIPT (RPR)

- After the issue of the FPR the insurance company will issue subsequent premium receipts when it receives further premiums from the proposer. These receipts are known as renewal premium receipts (RPRs). The RPRs act as proof of payment in the event of any disputes related to premium payment, and so is important. The RPRs should be kept in a safe place along with the FPR and the policy document so that they can be produced easily when required

POLICY DOCUMENT

- *It is the evidence of the contract between the insured and the insurance company. It is not the contract itself: if the policy document is lost by the policyholder, it does not affect the insurance contract. The insurance company will simply issue a duplicate policy without making any changes to the contract. The policy document has to be signed by a competent authority and should be stamped according to the Indian Stamp Act.*
- *The heading of the policy document contains the name and address of the company and its logo.*
- *The preamble of the policy states that the proposal and declaration signed by the proposer form the basis of the contract.*

- *The operative clause lays down the mutual obligations of the parties regarding: .*

- ***The proviso of the policy states the general provisions relating to guaranteed surrender value, nomination, assignment and loans on security of the policy etc.***

- ***The schedule gives all the essential particulars of the policy, such as:***
- ***The date of commencement of policy***
- ***The date the policy matures***
- ***The sum insured (when and how much the policy will pay)***
- ***The premium to be paid and their due dates***
- ***The nominee (if stated in the proposal from)***
- ***The attestation confirms that the insurers have authenticated the policy document by signature. The attestation can be done by authorised officials of the insurance company***

Grace period: The grace period would normally be one month, but not less than 30 days for yearly, half-yearly or quarterly premium payments, and 15 days for monthly premium payments. However, some insurers allow 30 days even for monthly premium payments.

PAID UP VALUE

If a policyholder fails to pay a premium on a policy that is capable of having a value (e.g. an endowment or savings plan) and the policy lapses, then the insurance company is not liable to pay the full sum insured. Such a lapsed policy can be made a paid up policy. In a paid up policy the sum insured is reduced to an amount based on the amount of premiums already paid.

Paid up Value = [(Number of premiums paid ÷ Total number of premiums payable) X Sum insured] + Bonus

- **Adverse selection**: The underwriter must also protect the company from adverse selection. This is a term used to describe the situation where an insurance company accepts too many proposers who bring a higher than average risk to the pool. The concept of adverse selection is based on the view that people who fear that they are prone to risk are more likely to want to take out life insurance as opposed to people who feel that they are prone to low risk. If a company does find itself exposed to adverse selection it may find that it pays out more claims than anticipated. This obviously has a bad effect on the success of the company.

CALCULATING PREMIUMS

The process of calculating the premium is as follows

1. Calculate the risk premium
2. Based on the risk premium, calculate the level premium
3. Deduct the expected interest on investments to calculate the net premium
4. Add the loadings
5. Arrive at the gross premium to be charged .

[Risk premium = Mortality rate X Sum insured]

{Net Premium=Premium - Interest earnings}

BONUSES : These profits are distributed to the policyholders in the form of bonuses. There are four types of bonus given by insurance companies.

- ***Simple revisionary bonus*** *: This is paid out at the time of the claim or the maturity of the policy, or at any other time as specified by the insurance company*
- ***Compound revisionary bonus****: Under this method the insurance company computes the annual bonus on a compound interest basis, i.e. the bonus is added to the sum insured and the next year's bonus is calculated on the enhanced amount.*
- ***Terminal bonus:*** *This bonus is given by the insurance company as an incentive to the insured to continue with the company long-term until the end of the policy.*
- ***Interim bonus****: Policies on which death claims are made or which mature between the two valuation dates also contribute to the surpluses, although this is disclosed only in the valuation made after their closure. As these policies have left the insurance company's books before the valuation date, they will not participate in the process of valuation.*

Churning and product switching

Repeatedly encouraging clients to switch policies or investments from one to another is known as Churning .

It is unethical practice and should be avoided.

When Product switching is suitable. Where the switch is clearly in the client's best interest

Bank deposits

TRADITIONAL DEPOSITS:
With this type of deposit the bank pays the interest on the depositor's fund on a monthly/ quarterly/half yearly/yearly basis as chosen by the depositor at the time of making the deposit .

CUMULATIVE DEPOSITS:
With this type of deposit the investor deposits a specified amount every month over a chosen time horizon

RECURRING DEPOSITS :
With this type of deposit the bank pays the principal and the total interest at the end of the tterm. In a cumulative deposit the interest is normally compounded on a quarterly basis .

SAVINGS PRODUCTS

o Life insurance

o Bank deposits

o Mutual funds

o Shares

o Bonds

o Post office

POST OFFICE SAVINGS

 National savings certificate (NSC).

 Kisan vikas patra (KVP).

 Public provident fund (PPF).

 Post office savings account.

 Recurring deposit account.

 Time deposit account.

 Post office monthly income scheme (POMIS).

 Senior citizens saving scheme (SCSS

INVESTMENT IN GOLD AND SILVER

good returns

portfolio diversification

hedge (protection) against inflation

insurance against uncertainties

CLAIMS

- DEATH Claim
- Maturity Claim
- Survival Benefit Claim (Money Back policy)
- Missing Person Claim
- Suicide Person claim

DEATH Claim

- **Early death claim**: Death occur with in 2 yrs of Policy taken.
- **Non-Early claim**: Death occur After 2 yrs
- Must complete investigation settle within 30 days
- If delay more than 180 days in Payment then Insurer has to pay extra (2%) from bank.

Suicide Case

- Case 1: Death With 1yr 90% of Premium Paid
- Case 2 : After1 yr Full SA paid as Normal Policy

Missing Person

- Presumption of death :From 7yrs
- Days will be consider from the date of FIR of missing person

Dispute Authority
Customer can go only one grievances channel at one time

OMBUDSMAN

- Limit upto 20 lac
- Result in 3months or 180 days
- Insurer will get reward if decision comes within 15 days
- Customer can put complain after 30 days of receiving decision latter.

CONSUMER PROTECTION ACT 1986(COPA)

- District level upto 20 lac(Mumbai)
- State level -1 cr (Maharastra)
- National level-above 1 cr(India)

- CIVIL COURT

SECTION 80c

- Under section 80C a deduction from taxable income is allowed for investments made in the following products:
- Life insurance premium paid for traditional products.
- Unit-linked insurance plans (ULIPs).
- Pension plans.
- Repayment of the principal component of home loan.
- Employee provident funds (EPFs)
- Equity linked saving schemes (ELSs).
- Tuition fees paid for children

- Five-year tax saving bank deposits.
- Public provident funds (PPFs)
- National savings certificates (NSCs)
- Stamp duty and registration charges.
  Infrastructure bonds.
- Pension funds.
  Senior citizen savings schemes (SCSs).
- Post office time deposit – five years

SEC 80(d)-Mediclaim upto Rs 15000 and additional for senior citizen

Financial Planning

- Financial planning is a process to identify his goals; assess net worth; estimating future financial needs; and working towards meeting those needs.
- It is a process in which clients current and future needs are considered and evaluated along with his risk profile and income assessment. Financial planning includes – Investing, Risk management, Estate planning, Retirement planning, Tax planning and financing daily and regular requirements.
- **Note** – the right time to start financial planning is when one starts receiving his 1st salary.

- Short term – buying LCD Television; family vacation.
- Medium term –buying a house
- Long term – Children’s education/ marriage; post-retirement provision

HEALTH INSURANCE

- A health insurance policy provides financial protection to the insured person in the event of an unforeseen and sudden accident/illness leading to hospitalization.
    - *individual policy,*
    - *family floater policy,*
    - *group policy*

- Pre hospitalization expenses would be relevant medical expenses incurred during period up to the defined number of days (generally 30 days) prior to hospitalization and will be considered as part of claim.
- Post hospitalization expenses would be relevant medical expenses incurred during period up to the defined number of days (generally 60 days) after hospitalization and will be considered as part of claim.

- In a family floater policy, the family consisting of spouse, dependent children and dependent parents are offered a single sum insured which floats over the entire family.
- A hospital daily cash policy provides a fixed sum to the insured person for each day of hospitalization.
- Critical illness policy is a benefit policy with a provision to pay a lump sum amount on diagnosis of certain named critical illness.
- High Deductible or Top -up Covers offer cover for higher sum insured over and above aspecified chosen amount (called threshold or deductible).
- The fixed benefits cover provides adequate cover to the insured person and also helps the insurer to effectively price his policy
- A Personal Accident (PA) Cover provides compensation in the form of death and disability benefits due to unforeseen accidents.

- **Hospital** – any institution having in-patient or day-care treatment facility and has atleast 10beds in city with population less than 10,00,000 and 15beds in other places along with trained nurses n doctors round the clock. Fully equipped operation theatre and maintain daily records of patients and makes accessible to insurer.
- **Notice of claim** – claim documents for reimbursement is to be submitted within 15days of discharge.
- **Free health check** – for 4 claim-free policy years reimbursement is given for health check done

Intimation → Registration →

Verification of Documents → Capturing →

Billing Information → Coding the claim →

Processing/Adjudication of Claim →

Arriving the final claim payable

IMPORTANT Keyword

- **Free Look-In Period (or) Cooling off period**
- **Level Premium**
- **Key man insurance**
- **Mortgage Redemption Insurance**
  - is also known as loan protector policy.
  - financial protection for home loan
  - The insurance cover decreases each year

IMPORTANT Keyword

- **Married Women's Property Act (MWP)**
  - **Nominee Trustee**
  - section 6 of MWP act 1874
- **Uberima Fides means Utmost good faith**
- **Caveat Emptor**" which means **buyer beware**

- **Grace period** -The standard length of the grace period is one month or 31 days
- Grace period in Mode (**Yrly,Half yrly,Qtrly for 30 day**) In **Monthly 15 days**
- **Free Look/Cooling off ---15 days**
- **LOADING**
- **Rebate: SA and Mode**

  Q:One of the methods of reducing insurance cost of an insured is? Ans:**Rebate**
- **HLV**

  Q:Who devised the concept of HLV (Human Life Value)? **Ans Prof: Hubener**

- MPL-Maximum possible loss
- AMC-Asset Management Company
- ACR-Agent Confidential Report
- KYC-Know Your Client
- IRDA-Insurance Regulatory Development authority
- IGMS-Integrated Grievance Management System
- FUP : First Unpaid Premium
- FPR First Premium Receipt
- RPR: Renewal Premium receipt

- **Third party administrators (TPA)**
- **Preferred provider network (PPN)**

LOCK IN period

- – 3 year for traditional plan
- – 5 years for ULIP

Good luck