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INSURANCE CAPSULE

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EXAM 2024

Contents

Chapter-01 : HISTORY OF INSURANCE

❖ INSURANCE HISTORY IN INDIA

- In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (*Manusmrithi*), Yagnavalkya (*Dharmasastra*) and Kautilya (*Arthasastra*).
- 1818 saw the **advent of life insurance business in India** with the establishment of the Oriental Life Insurance Company in Calcutta.
- In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency.
- 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency.
- In 1914, the Government of India started publishing returns of Insurance Companies in India.
- **The Indian Life Assurance Companies Act, 1912** was the first statutory measure to regulate life business.
- In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the **Insurance Act, 1938**.
- The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business.
- An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year.
- The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all.
- The **history of general insurance dates** back to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century.
- General Insurance in India has its roots in the establishment of **Triton Insurance Company Ltd**.
- In the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd, was set up. This was the **first company** to transact all classes of general insurance business.
- 1957 saw the formation of the General Insurance Council, a wing of the Insurance Associaton of India.
- In 1968, the Insurance Act was amended to regulate investments and set minimum solvency margins.
- In 1972 with the passing of the General Insurance Business (Nationalisation) Act, general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were amalgamated and grouped into four companies, namely **National Insurance Company Ltd.**, **The New India Assurance Company Ltd.**, **Oriental Insurance Company Ltd** and **United India Insurance Company Ltd.**
- The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on January 1st 1973.
- In 1993, the Government set up a committee under the chairmanship of **RN Malhotra**, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector.
- The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry. They stated that foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.
- Following the recommendations of the **Malhotra Committee report, in 1999**, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry.
- The **IRDA** was incorporated as a statutory body in **April, 2000**.
- The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.
- The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%.
- In December, 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time GIC was converted into a national re-insurer. Parliament passed a bill de-linking the four subsidiaries from GIC in July, 2002.
- Today there are 31 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 24 life insurance companies operating in the country.

Chapter-02: INSURANCE COMPANIES IN INDIA AND REGULATOR

❖ INSURANCE BUSINESS REGULATOR

Insurance Regulatory & Development Authority of India (IRDAI)

A. Organizational Structure of IRDAI:

- **Composition of IRDAI:**
  As per Sec. 4 of IRDAI Act, 1999, the composition of the Authority is:
  a) Chairman;
  b) Five whole-time members;
  c) Four part-time members,
  (appointed by the Government of India)
  IRDAI's Head Office is at Hyderabad.

B. Entities Regulated by IRDAI:

- **Life Insurance Companies -** Both public and private sector Companies
- **General Insurance Companies -** Both public and private sector Companies. Among them, there are some standalone Health Insurance Companies which offer health Insurance policies.
- **Re-Insurance Companies**
- **Agency Channel**
- **Intermediaries** which include the following:
  - Corporate Agents
  - Brokers
  - Third Party Administrators (TPA)
  - Surveyors and Loss Assessors.

❖ TYPES OF INSURANCE COMPANIES IN INDIA

- **LIFE INSURANCE.**
- **GENERAL INSURANCE.**
- **RE-INSURANCE.**
- **HEALTH INSURANCE.**

- **SPECAILISED INSURANCE COMPANIES**

❖ LIST OF LIFE INSURANCE COMPANIES IN INDIA

Insurers	Foreign Partners
PRIVATE	
1. Aditya Birla Sunlife Insurance Company Ltd.	Sun Life Financial (India) Insurance Investment Inc, Canada
2. Aegon Life Insurance Company Ltd.	Aegon India Holdings BV, Netherlands
3. Aviva Life Insurance Company India Ltd.	Aviva International Holdings Ltd. UK
4. Bajaj Allianz Life Insurance Company Ltd.	Allianz, SE Germany
5. Bharti AXA Life Insurance Company Ltd.	AXA India Holdings, France
6. Canara HSBC OBC Life Insurance Company Ltd.	HSBC Insurance (Asia Pacific) Holdings Ltd. UK
7. DHFL Pramerica Life Insurance Company Ltd.	Prudential International Insurance Holdings Ltd. USA
8. Edelweiss Tokio Life Insurance Company Ltd.	Tokio Marine & Nichido Fire Insurance Company Ltd. Japan
9. Exide Life Insurance Company Ltd.	---
10. Future Generali India Life Insurance Company Ltd.	Participatie Maatschapij Graafsschap Holland NV, Netherlands
11. HDFC Standard Life Insurance Company Ltd.	Standard Life (Mauritius Holdings) 2006, Ltd. UK
12. ICICI Prudential Life Insurance Company Ltd.	Prudential Corporation Holdings Ltd. UK
13. IDBI Federal Life Insurance Company Ltd.	Aegis Insurance International NV Netherlands

Insurers	Foreign Partners
14. India First Life Insurance Company Ltd.	Legal & General Middle East Ltd.
15. Kotak Mahindra Life Insurance Ltd.	---
16. Max Life Insurance Company Ltd.	Mitsui Sumitomo Insurance Company Ltd. Japan
17. PNB Metlife India Insurance Company Ltd.	Metlife International Holdings Inc, USA
18. Reliance Nippon Life Insurance Company Ltd.	Nippon Life Insurance Company Ltd. Japan
19. Sahara India Life Insurance Company Ltd.	---
20. SBI Life Insurance Company Ltd.	BNP Paribas Cardif, France
21. Shriram Life Insurance Company Ltd.	Sanlam Emerging Markets (Mauritius) Limited
22. Star Union Dai-ichi Life Insurance Company Ltd.	Dai-ichi Life Insurance Company Ltd. Japan
23. TATA AIA Life Insurance Company Ltd.	American International Assurance Company (Bermuda) Ltd.
PUBLIC SECTOR	
1. Life Insurance Corporation of India	

❖ **LIST OF GENERAL INSURANCE COMPANIES IN INDIA**

Insurers	Foreign Partners/Investors
PRIVATE SECTOR	
1. Acko General Insurance Ltd.	---
2. Bajaj Allianz General Insurance Company Ltd.	Allianz, SE Germany
3. Bharti AXA General Insurance Company Ltd.	M/s. Societe Beaujon, France
4. Cholamandalam MS General Insurance Company Ltd.	Mitsui Sumitomo, Japan
5. DHFL General Insurance Ltd.	---
6. Edelweiss General Insurance Company Ltd.	---
7. Future Generali India Insurance Company Ltd.	Participatie Maatschapij Graafsschap Holland NV, Netherlands ("Generali")
8. Go Digit General Insurance Ltd.	---
9. ICICI Lombard General Insurance Company Ltd.	FAL Corporation, Canada
10. IFFCO Tokio General Insurance Company Ltd.	Tokio Marine Asia Pte. Ltd. Japan
11. Kotak Mahindra General Insurance Company Ltd.	---
12. HDFC ERGO General Insurance Company Ltd.	ERGO International AG, Germany
13. Liberty Videocon General Insurance Company Ltd.	Liberty City State Holdings Pte Ltd., USA
14. Magma HDI General Insurance Company Ltd.	HDI-Gerling Industrie Versicherung AG, Germany
15. Raheja QBE General Insurance Company Ltd.	QBE Holdings (AAP) Pty.Ltd. Australia
16. Reliance General Insurance Company Ltd.	---
17. Royal Sundaram General Insurance Company Ltd.	---
18. SBI General Insurance Company Ltd.	IAG International Pty Ltd. Australia
19. Shriram General Insurance Company Ltd.	Sanlam, South Africa
20. TATA AIG General Insurance Company Ltd.	AIG MEA Investments and Services Inc., USA
21. Universal Sompo General Insurance Company Ltd.	Sompo, Japan. Insurance Inc.

Insurers	Foreign Partners/Investors
PUBLIC SECTOR	
1. National Insurance Company Ltd.	---
2. The New India Assurance Company Ltd.	---
3. The Oriental Insurance Company Ltd.	---
4. United India Insurance Company Ltd.	---
STANDALONE HEALTH PRIVATE	
1. Aditya Birla Health Insurance Co. Ltd.	MMI Strategic Investment (Pty) Limited , South Africa
2. Apollo Munich Health Insurance Company Ltd.	Munich Health Holding AG, Germany
3. Cigna TTK Health Insurance Company Ltd.	Cigna Holdings Overseas Inc. USA
4. Max BUPA Health Insurance Company Ltd.	BUPA Singapore Holdings Pte Ltd. UK
5. Religare Health Insurance Company Ltd.	---
6. Star Health & Allied Insurance Company Ltd.	Oman Insurance PSC, UAE, Alpha FDI Holding Pte Ltd & Alpha TC Holdings Pte Ltd. and NRIs
SPECIALISED INSURERS	
1. Agriculture Insurance Company of India Ltd.	---
2. Export Credit Guarantee Corporation of India Ltd.	---
REINSURER	
1. General Insurance Corporation of India	---
2. ITI Reinsurance Limited	---

❖ LIFE INSURANCE COMPANIES HEAD OFFICE AND THEIR HEAD

Ref:	Name of the Company & Head Office	Name of the Chairman / MD & CEO
1	Life Insurance Corporation of India MUMBAI	Shri. Siddhartha Mohanty (CEO/MD)
2	HDFC Life Insurance Co. Ltd MUMBAI	Ms. Vibha Padalkar MD & CEO
3	Max Life Insurance Co. Ltd. NEW DELHI	Mr. Prashant Tripathy MD & CEO
4	ICICI Prudential Life Insurance Co. Ltd, MUMBAI	Anup Bagchi MD & CEO
5	Kotak Mahindra Life Insurance Co. Ltd. MUMBAI	Mr. Mahesh Balasubramanian MD & CEO
6	Aditya Birla SunLife Insurance Co. Ltd. MUMBAI	Mr. Kamlesh Rao, MD & CEO
7	TATA AIA Life Insurance Co. Ltd. MUMBAI	Mr. Venkatachalam Iyer MD & CEO
8	SBI Life Insurance Co. Ltd. MUMBAI	Mr. Amit Jhingran MD&CEO
9	Exide Life Insurance Co. Ltd. BENGLURU	Mr. Kshitij Jain, MD&CEO
10	Bajaj Allianz Life Insurance Co. Ltd PUNE	Mr. Tapan Singhel MD&CEO
11	PNB MetLife India Insurance Co. Ltd, Goregaon (West)	Mr. Sameer Bansal MD & CEO
12	Reliance Nippon Life Insurance Company Limited MUMBAI.	Mr. Ashish Vohra, CEO & ED
13	Aviva Life Insurance Company India Ltd. GURUGRAM	Mr. Asit Rath MD & CEO
14	Sahara India Life Insurance Co. Ltd. Lucknow	Mr. A K Dasgupta CEO & President
15	Shriram Life Insurance Co. Ltd. Hyderabad	Mr. Mr Casparus Jacobus Hendrik Kromhout, MD & CEO
16	Bharti AXA Life Insurance Company Ltd, MUMBAI	Mr. Parag Raja MD & CEO
17	Future Generali India Life Insurance Company Limited, MUMBAI	Mr. Anup Rao MD &CEO

Ref:	Name of the Company & Head Office	Name of the Chairman / MD & CEO
18	IDBI Federal Life Insurance Company Limited, MUMBAI	Mr. Vighnesh Sahane MD & CEO
19	Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited, GURUGRAM	Mr. Anuj Mathur, MD & CEO
20	Aegon Life Insurance Company Limited, MUMBAI	Mr. Satishwar Balakrishnan, MD & CEO
21	DHFL Pramerica Life Insurance Co. Ltd GURUGRAM	Mr. Pankaj Gupta MD & CEO
22	Star Union Dai-Ichi Life Insurance Co. Ltd. MUMBAI	Mr. Abhay Tewari MD&CEO
23	IndiaFirst Life Insurance Company Ltd., MUMBAI	Dr. Rushabh Gandhi MD & CEO
24	Edelweiss Tokio Life Insurance Company Limited, MUMBAI	Mr. Sumit Rai MD&CEO

LIST OF GENRAL INSURANCE COMPANIES HEAD OFFICE AND THEIR HEAD

Company	Headquarter	CEO/CMD
1. Acko General Insurance Ltd.	Bengaluru	Mr. Animesh Kumar Das
2. Aditya Birla Health Insurance Co. Ltd.	Mumbai	Mr. Mayank Bathwal
3. Agriculture Insurance Company of India Ltd.	New Delhi	Mr. Dasarathi Singh (ED)
4. HDFC ERGO Health Insurance	Gurgaon	Anuj Tyagi
5. Bajaj Allianz General Insurance Co. Ltd	PUNE	Mr. Tapan Singhel
6. Bharti AXA General Insurance Co. Ltd.	Mumbai	Mr. Parag Raja
7. Cholamandalam MS General Insurance Co. Ltd.	CHENNAI	Mr. M M Murugappan (Chairman)
8. CIGNA TTK Health Insurance Co. Ltd.	GOREGAON	Mr. Prasun Kumar Sikdar
9. DHFL General Insurance Ltd.	MUMBAI	Mr. Vijay Sinha
10.Edelweiss General Insurance Co. Ltd.	MUMBAI	Mr. Shanai Ghosh
11.ECGC Ltd.	MUMBAI	Mrs. Geetha Muralidhar
12.Future Generali India Insurance Co. Ltd.	MUMBAI	Mr. Anup Rau
13.Go Digit General Insurance Ltd	PUNE	Mr. Jasleen Kohli
14.HDFC ERGO General Insurance Co.Ltd.	MUMBAI	Mr. Ritesh Kumar
15.ICICI LOMBARD General Insurance Co. Ltd.	MUMBAI	Mr. Sanjeev Mantri
16.IFFCO TOKIO General Insurance Co. Ltd.	GURUGRAM	Mr. Subrata Mondal
17.Kotak Mahindra General Insurance Co. Ltd.	MUMBAI	Mr. Suresh Agarwal
18.Liberty General Insurance Ltd.	MUMBAI	Mr. Parag Ved
19.Magma HDI General Insurance Co. Ltd.	MUMBAI	Mr. Rajive Kumaraswami
20.Max Bupa Health Insurance Co. Ltd	New Delhi	Mr Ashish Mehrotra
21.National Insurance Co. Ltd.	Kolkata	Mrs. Rajeshwari Singh
22.Raheja QBE General Insurance Co. Ltd	MUMBAI	Mr. Rajeev Dagra
23.Reliance General Insurance Co.Ltd	MUMBAI	Mr. Rakesh Jain
24.Religare Health Insurance Co. Ltd	GURUGRAN	Mr. Anuj Gulati
25.Royal Sundaram General Insurance Co. Ltd.	CHENNAI	Mr. M S Sreedhar
26.SBI General Insurance Co. Ltd.	MUMBAI	Mr. Kishore Kumar Poludasu
27.Shriram General Insurance Co. Ltd.	Jaipur	Mr. Anil Kumar Aggarwal

Company	Headquarter	CEO/CMD
28.Star Health & Allied Insurance Co.Ltd.	CHENNAI	Mr. Anand Roy
29.Reliance Health Insurance Ltd	MUMBAI	Mr. Rakesh Jain (ED & CEO)
30.Tata AIG General Insurance Co. Ltd	MUMBAI	Mr. Neelesh Garg
31.The New India Assurance Co. Ltd	MUMBAI	Ms. Girija Subramanian
32.The Oriental Insurance Co. Ltd.	NEW DELHI	Mr. R.R. Singh
33.United India Insurance Co. Ltd.	CHENNAI	Mr. Bhupesh Sushil Rahul (MD)
34.Universal Sompo General Insurance Co. Ltd	MUMBAI	Mr. Sharad Mathur

❖ Public Sector Insurance Co. And Their Headquarter.

Oriental Insurance Company	New Delhi	Prithvi, Agni, Jal, Akash, Sabki Suraksha Hamare Paas
Life Insurance Corporation of India	Mumbai	Yogakshemam Vahamyaham (I shall ensure the safety and well- being of my devotees)
National Insurance Company	Kolkata	Trusted since 1906,Thoda Simple socho
General Insurance Corporation of India	Mumbai	Aapatkale Rakshisyami
United India Insurance Company	Chennai	At United India ,it's always U before I
New India Assurance Company	Mumbai	India's Premier General Insurance Company
General Insurance Company	Mumbai	Aapatkale Rakshisyami
Agriculture Insurance Company of India Limited	New Delhi	सम्पन्न भारत की पहचान , बीमित फसल खुशहाल कसान

❖ Public Sector Insurance Companies

➢ Life Insurance Corporation of India

LIC of India was incorporated on 1st September, 1956 by amalgamating 243 Companies by the Act of Parliament called Insurance Act, 1956. LIC is governed by the Insurance Act 1938, LIC Act 1956, LIC Regulations 1959 and Insurance Regulatory and Development Authority Act 1999

➢ GENERAL INSURANCE CORPORATION OF INDIA

The General insurance industry was nationalized in 1972 and 107 insurers were grouped and amalgamated into four Companies – National Insurance Co. Ltd., The New India Assurance Co. Ltd., The Oriental Insurance Co. Ltd. and United India Insurance Co. Ltd. The GIC was incorporated in the year 1972 and the other four companies became its subsidiaries. In November 2000, GIC was notified as the Indian Reinsurer, and its supervisory role over its subsidiaries was brought to an end. From 21 March 2003, GIC's role as a holding company of its subsidiaries also came to an end and the ownership of the subsidiaries was transferred to the Government of India. The Corporation has its head office in Mumbai and 3 liaison offices in India (Delhi, Kolkata and Chennai), 3 branches in foreign countries (London, Dubai and Kuala Lumpur) and 1 representative office in Moscow. It also has 2 foreign subsidiaries (GIC Re South Africa and GIC Re India Corporate Member Ltd. in UK

➢ THE NEW INDIA ASSURANCE COMPANY LIMITED

The company was founded by Sir Dorabji Tata on July 23rd, 1919 and nationalized in 1973 with merger of Indian companies.

➢ UNITED INDIA INSURANCE COMPANY LIMITED

United India Insurance Company Limited was incorporated in 1938. With the nationalization of General Insurance business in India, 12 Indian Insurance Companies, 4 Cooperative Insurance Societies and Indian operations of 5 Foreign Insurers, besides General Insurance operations of southern region of Life Insurance Corporation of India were merged with United India Insurance Company Limited

➢ THE ORIENTAL INSURANCE COMPANY LIMITED

The Oriental Insurance Company Ltd was incorporated in the year 1947. In 2003 all shares of the company held by the General Insurance Corporation of India were transferred to the Government of India.

➢ NATIONAL INSURANCE COMPANY LIMITED

The Company was incorporated in the year 1906. After nationalization it was merged, along with 21 foreign and 11 Indian companies, to form National Insurance Company Ltd.

➢ AGRICULTURE INSURANCE COMPANY OF INDIA LIMITED

'Agriculture Insurance Company Of India Limited' (AIC) was incorporated to exclusively cater to the insurance needs of the persons engaged in agriculture and allied activities in India under the Companies Act, 1956 on 20th December 2002. General Insurance Corporation of India (GIC), NABARD and four public sector general insurance companies have contributed towards the share capital of the Company. It has its Head Office in New Delhi.

❖ PAIDUP CAPITAL REQUIRMENT FOR NEW INSURANCE COMPANY IN INDIA

- Life insurance business or General insurance business:100 crore
- Re-insurance business: 200 crores
- Health Insurance Business: 100 crores

❖ FDI IN INSURANCE SECTOR

The Cabinet of Narendra Modi has approved the hike of the Foreign Direct Investment in the insurance sector from 26% to 49%. The Parliament has passed Insurance Laws (Amendment) Bill, 2015. It was first passed in Lok Sabha on 4th March 2015 and later in Rajya Sabha on 12th March 2015 which becomes an Act as soon as the President signs it. The Amendment bill aims to bring improvement and revisions in the existing law relating to insurance business in India. Insurance Regulatory and Development Authority (IRDA) is in favor of an increase in foreign equity capital in insurance joint ventures. The public sector insurance companies have been continuing to dominate the insurance market of the country.

Chapter-03 : PRINCIPLES OF INSURANCE

Seven Principles of Insurance

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

- **Principle of Uberrimae Fidei (Utmost Good Faith)**: Both the insurer and the insured must disclose all material facts truthfully. Any misrepresentation or non-disclosure of facts can void the contract.
- **Principle of Insurable Interest**: The insured must have a financial or personal interest in the subject matter of the insurance, meaning they will suffer a loss if the insured event occurs.
- **Principle of Indemnity**: Insurance aims to compensate the insured for the actual loss suffered, restoring them to the financial position they were in before the loss. It ensures that the insured does not profit from the insurance claim.
- **Principle of Contribution**: If the insured has multiple policies covering the same risk, they cannot claim more than the actual loss. The insurers will share the responsibility of compensating the loss proportionally.
- **Principle of Subrogation**: After compensating for a loss, the insurer gains the right to take over the legal rights of the insured against third parties responsible for the loss.
- **Principle of Loss Minimization**: The insured must take all possible steps to minimize the loss or damage to the insured property in the event of an incident.
- **Principle of Causa Proxima (Nearest Cause)**: In case of a loss, the proximate or nearest cause must be considered to determine the claim. The insurer is liable only if the cause of loss is covered under the policy.

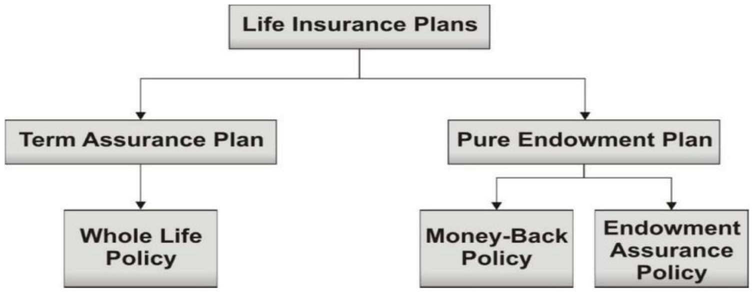
Chapter-04 : LIFE INSURANCE TERMINOLOGY

❖ Important terms defined:

- **INSURED**: An **Insured** is a person who is the buyer of the insurance policy. An insured is the proposer of the policy who pays premium as the consideration to the insurance company. Insured purchases the insurance policies to safeguard the assets from the financial consequences of losses or damage that occur from insured peril
- **INSURER**: An **Insurer** is a company who sells the insurance policies. Insurer is the one who bears the risk in return for considration which is known as premium. Insurer agrees to pay to the insured a certain sum of money if the insured peril occurs so that it is possible to continue the benefits
- **Sum assured:** The insurance company signs a contract with the insured, where it promises to pay a certain amount to the beneficiaries of the policyholders in case the policyholder (insured) dies during the term of the policy or to the policyholder himself, if he survives the term of the policy. The amount is paid to the beneficiaries is also known as death benefit. This sum assured is the amount predetermined by the individual, based on his future liabilities and current income.
- **Lapsed policy:** a default in the payment of premium can result in the cancellation of the policy. This is known as a lapsed policy. A certain grace period is provided by insurance companies to make the payment, if the policyholder fails to make the payment during this period the policy is considered to be lapsed.
- **Age of the policyholder:** the correct age of the policyholder needs to be determined for calculating the premium. The general rule is "higher the age, higher will be the premium". Age of the policyholder on the date of the commencement of the policy needs to be calculated by insurance companies. For calculating age by and large insurance companies consider only the number of years completed and ignores months and days. There are three methods using which the age of the policyholder can be determined:
  - **Age next birthday:** life insurance companies calculate premiums based on the age that an individual will achieve on his next birthday. In other words the age as on the birthday coming after the commencement of policy.
  - **Age last birthday:** this method is also known as actual age method. In this method insurance companies calculate age based on the last birthday. In other words the age is taken as on the birthday coming before the commencement of policy
  - **Age nearest (nearer) birthday:** In this method insurance companies calculate the age based on the nearest birthday, which could be either the last birthday or next birthday. In other words the age is taken as on the birthday within 6 months before or after the date of commencement of policy.
- **Mortality table:** mortality tables are also known as life tables or actuarial tables. Mortality tables are used by insurance companies for calculating premiums for insurance products. The mortality table contains the mortality rate for each age. The mortality experience for each plan is different. Mortality table is prepared by actuaries on the basis of past experiences.
- **Actuaries:** Actuaries are trained professionals who deal with the financial aspect of risk to life. They are people qualified from the Institute of Actuaries London or Actuarial Society of India. They analyze the occurrence of risk and their impact, by using various mathematical, statistical and financial models. Actuaries study probability and analyses the whole operation of insurance business.

Chapter-05 : TYPES OF LIFE INSURANCE PLAN

Different Types of Life Insurance Policies in India



1. Term Plan – pure risk cover
2. Unit linked insurance plan (ULIP) – Insurance + Investment opportunity
3. Endowment Plan – Insurance + Savings
4. Money Back – Periodic returns with insurance cover
5. Whole Life Insurance – Life coverage to the life assured for whole life
6. Child's Plan – For fulfilling your child's life goals like education, marriage, etc.
7. Retirement Plan - Plan your retirement and retire gracefully

Let's dive deeper to know each plan in detail.

1. Term Life Insurance

Term insurance is the simplest form of life insurance plan. Easy to understand and affordable to buy.
A term plan provides death risk cover for a specified period. In case the life assured passes away during the policy period, the life insurance company pays the death benefit to the nominee. It is a pure risk cover plan that offers high coverage at low premiums.
There's an option to add riders to widen up the coverage.
The death benefit is payable as lump sum, monthly payouts, or a combination of both.
There's no payout if the life assured outlives the policy term. However, these days there are companies offering Term Plans with Return of Premiums (TROPS), where insurance companies payback all the paid premium amount in case the life assured outlives the term period. But, such plans are costlier than the vanilla term insurance plan.

Example:
An individual non-smoker male who is looking for a term life plan of Rs.1 crore cover, will cost him approximately Rs.6, 800 to Rs.10, 500 per year.

AGE	TERM	SUM ASSURED	ANNUAL PREMIUM RANGE
25 years	40 years	Rs.1 Crore	Rs.6,800 – Rs.10,500

- **Best known for:** High sum assured (coverage) at a low premium.
- **Benefit of Term Plan:** In case of an untimely death of the breadwinner, family is supported with an enormous amount of money – sum assured, which helps them to replace the loss of the income caused due to the breadwinner's death. Moreover, the money could be utilized to pay off loan, monthly household expenses, child's education, child's marriage, etc.

2. Unit Linked Plans (ULIPs)

A unit linked plan is a comprehensive combination of insurance and investment. The premium paid towards ULIP is partly used as a risk cover (insurance) and partly is invested in funds. One can invest in different funds offered by the insurance company depending on his risk appetite. The insurance company then invests the accumulated amount in the capital market i.e. in bonds, equities, debts, market funds, or a hybrid funds...

Example:

TERM	SUM ASSURED	ANNUAL PREMIUM	FUND VALUE
20 years	Rs.2 lakh	Rs.20,000	Depending on the fund value at the time of maturity.

- **Best known for:** Long-term investment option with much more flexibility to invest.
- **Benefit of ULIP:** Invest money as per your risk appetite. You have the option to invest either in equity, debt or in hybrid funds through the life insurance company with complete transparency.

3. Endowment Plans

Endowment plan is another type of life insurance plan, which is a combination of insurance and saving.
A certain amount is kept for life cover – insurance, while the rest is invested by the life insurance company. In an endowment plan, if the life assured outlives the policy term, the insurance company offers him the maturity benefit. Moreover, Endowment Plans may offer bonuses periodically, which are paid either on maturity or to the nominee under death claim. On death, the death benefit is payable to the nominee.
Endowment plans are also commonly known as traditional life insurance, although, there is an investment component but the risk is lower than the other investment products and so are the returns.

Example:

TERM	SUM ASSURED	ANNUAL PREMIUM RANGE	BONUS
30 years	Rs.10 lakh	Rs.20,000 – Rs.25,000	Depending on the Bonus at the time of maturity.

- **Best known for:** Long-term saving option for people with much lower risk appetite for investment.
- **Benefit of Endowment Plan:** Long-term financial planning and an opportunity to earn returns on maturity.

4. Money Back Life Insurance

Money back plan is a unique type of life insurance policy, wherein a percentage of the sum assured is paid back to the insured on periodic intervals as survival benefit.
Money back plans are also eligible to receive the bonuses declared by the company from time to time. This way, policyholder can meet short-term financial goals.

Example:

TERM	SUM ASSURED	ANNUAL PREMIUM RANGE	PERIODIC RETURNS	MATURITY BENEFIT
20 years	Rs.5 lakh	Rs.20,000 – Rs.25,000	A percentage of Sum Assured paid on regular intervals	Accrued bonuses/Guaranteed Money Back + Coverage

- **Best known for:** Short-term investment product to meet short-term financial goals.
- **Benefit of Money Back Plan:** Short-term financial planning and an opportunity to earn returns on maturity.

5. Whole Life Insurance

A whole life insurance policy covers the life assured for whole life, or in some cases, up to the age of 100 years.
Unlike, term plans, which are for a specified term.
The sum assured or the coverage is decided at the time of policy purchase and is paid to the nominee at the time of death claim of the life assured along with bonuses if any.
However, if the life assured outlives the age of 100 years, the insurance company pays the matured endowment coverage to the life insured.
The premiums are higher as compared to term plans. Whole life insurance plans also offer partial withdrawals after completion of premium payment term.

PREMIUM PAYING TERM	SUM ASSURED (WITH GUARANTEED MATURITY SUM ASSURED)	ANNUAL PREMIUM RANGE	MATURITY BENEFIT
20 years	Rs.3 lakh	Rs.10,000-Rs.15,000	Guaranteed Sum Assured + non- guaranteed bonus (if any) + non- guaranteed terminal bonus (if any)

- **Best known for:** Life coverage for whole life.
- **Benefit of Whole Life Plan:** Lifelong protection to the insured and an opportunity to leave behind a legacy for heirs.

6. Child Plan

Child plan helps to build corpus for child's future growth. Child plans help to build funds for child's education and marriage. Most of the Child Plan provides annual installments or one time payout after the age of 18 years.

In case of an unfortunate event, the insured parent passes away during the policy term - immediate payment is payable by the insurance company. Some child plans waive off the future premiums on death of the life insured and the policy continues till maturity.

TERM	SUM ASSURED	ANNUAL PREMIUM RANGE	PERIODIC RETURNS	MATURITY BENEFIT
20 years	Rs.18 lakh	Rs.1 lakh	Lump sum payouts on regular interval	Maturity benefit + guaranteed returns + non-guaranteed accumulated bonus (if any)

- **Best known for:** Building funds for your child's future.
- **Benefit of Child Plan:** Helps in fulfilling your child's dream.

TERMS USE IN CHILD PLAN

- **Deferment period:** it is the duration between the commencement of policy and the commencement of risk. It is the duration for which one has to wait before the benefits of the insurance plan actually begin. There is no insurance cover during the deferment period. If the child dies during this period, only premiums paid will be returned.
- **Deferred date:** the date on which risk commences. This is the date from which the insurance cover on the child becomes applicable. From this date the insurance cover is applicable to the child.
- **Commencement of the risk:** risk will commence automatically on the deferment date. No medical examination is necessary.
- **Premiums:** Since the child is a minor when the policy is taken, the premium of the plans is quite low. The premiums are to be paid by the parents as they are the owners of the policy, till the vesting date.
- **Vesting:** the process of passing the title of the insurance policy to the insured child, once he turns major (18 years) is known as vesting.
- **Vesting date:** it is the date on which the child completes 18 years of age and the title of the policy passes to the insured child. The policy now becomes a contract between the insured (the child) and the insurer. The deferred date and the vesting date need not be same.
- **Age of the child:** child insurance policies could be taken for the child aged a few months and above, however risk on the life of the child begins only at a specified age, as various plans are now available in the market.
- **Waiver of premium:** there are certain benefits available with the plan where the premiums can be waived, in case the proposer of the policy dies during the term of the policy. This benefit is available as a rider-benefit and is generally optional in nature but is also available sometimes as a bundled product where this is a part of the product feature. In cases, where the premium waiver is available, generally the proposer has to be medically underwritten and waiver of premium facility needs to be granted by the underwriter after an underwriting process.

7. Retirement Plan

Retirement plan helps to build corpus for your retirement. Helping you to live independently financially and without worries. Most of the child plans provide annual installments or one time payout after the age of 60 years.
In case of an unfortunate event, life assured passes away during the policy term - immediate payment is payable to the nominee by the insurance company. Death benefit will be higher of coverage or fund value or 105% of premiums paid. Vesting Benefit will be payable if the life assured survives the maturity age. In which case, payout will be fund value which has to be utilized for buying an annuity.

- **Best known for:** Long-term savings and retirement planning.
- **Benefit of Retirement Plan:** Helps in building corpus for retirement.

Micro Insurance and Rural & Social Sector Obligations

The IRDAI had issued micro Insurance regulations for the protection of low income people with affordable Insurance products to help cope with and recover from common risks with standardised popular Insurance products adhering to certain levels of cover, premium and benefit standards. These regulations have allowed Non Governmental Organisations (NGOs), Self Help Groups (SHGs) and other permitted entities to act as agents to Insurance companies in marketing the micro Insurance products and have also allowed both life and non-life insurers to promote combi-micro Insurance products.
The Regulations framed by the Authority on the obligations of the insurers towards rural and social sector stipulate targets to be fulfilled by insurers on an annual basis. In terms of these regulations, insurers are required to cover year wise prescribed targets (i) in terms of number of lives under social obligations; and (ii) in terms of percentage of policies to be underwritten and percentage of total gross premium income written direct by the life and non-life insurers respectively under rural obligations.

Chapter-06 : RIDER AND ANNUITIES

- **Concept of Riders**

A rider is an additional clause or condition added to the base policy that gives additional (add-on) benefit to the buyer.

EXAMPLE OF RIDER:

A. **Increased death benefit rider:** this rider is more beneficial for primary earning members of the family. The benefit from this rider is that the policyholder can increase his death cover as his liabilities increase. Hence in case of premature death of the insured, the beneficiary gets more money than the normal sum assured.

B. **Critical illness rider:** this rider helps if the insured falls sick and requires hospitalisation and undergoes a major treatment due to a critical illness. The critical illness rider provides protection against major illnesses and diseases. Insurance companies specify the list of illnesses covered and exclusions under this rider. If the insured is diagnosed with any of these illnesses the rider amount is paid either in lump sum or in instalments. Some of the commonly covered critical illnesses under CI rider are :
   - Heart attack
   - Kidney failure
   - Cancer
   - Cardiac surgery
   - Paralytic stroke
   - Major organ transplant

   The products of different companies could have CI covering varied conditions and diseases and their definitions too could vary.

C. **Major surgical assistance benefit:** This rider provides financial support in the event of medical emergencies that require surgery and a part of the sum assured is paid to the policyholder.

D. **Accidental Death Benefit (ADB) rider:** This rider helps if the insured meets with an accident and becomes permanently disabled or dies. This rider covers the risk of disability or death due to accident. In case of death due to accident this rider provides additional benefit over and above the base policy cover amount.

E. **Waiver of premium rider:** This rider helps if the insured becomes disabled and loses his income earning capacity. In such a state it would be difficult for him to pay the premium of his policy. Till the time the insured recovers and becomes employed once again, the insurance company gives up the right to collect premium or waives off the premium under this rider.

F. **Guaranteed insurability option rider:** Choosing this rider helps in increasing the insurance cover at regular intervals, without further medical examination. This option could be exercised, by young individuals, when their earnings are low, and with time, when their income increases, along with their liabilities, they can buy additional insurance cover. So even if one develops some kind of medical illness in due course of time, the insured can increase his insurance cover without undergoing any medical check-ups.

G. **Disability income benefit rider:** if the insured becomes disabled (falling within the scope of the definition), this rider provides a monthly income benefit to him. At the time of taking this rider the insurer specifies a fixed monthly disability income benefit amount or the monthly benefit amount can be linked to the sum assured (SA).

- **Annuities**

Annuities are investments made by an individual with the aim of receiving regular income on a periodic basis after a specified period or immediately. Individuals invest in annuity to meet their post retirement or old age financial needs. The concept of annuity is similar to pension, which an employee receives from their employer after retirement.

Annuities vs. Insurance plans

Both annuities and insurance plans are sold by insurance companies, but the similarity between the two ends there.

An insurance plan is a contract between an individual and the insurance company, in which the individual pays premiums for a specified period, against which the insurance company provides insurance cover to the individual. The insurance company makes a lump sum payment to the beneficiaries on the death of the individual, or to the individual on completion of the policy term.

Annuity is a contract between an individual and the insurance company, in which the individual pays a lump-sum amount or regular payments to the insurance company and at the end of a specified period, the insurance company provides regular income to the individual.

❖ **Some important terms used in an annuity:**

- **Annuitant:** an individual investing in annuity is known as an annuitant.
- **Annuity income:** the annuity (periodic amount) that is paid to the annuitant is annuity income. It can also be referred to as pension, allowance or income.
- **Annuitise: t**o start the pension or annuity, an individual has to annuitise. Annuitising means instructing the insurance company to start the periodic payments.
- **Deferment period:** once the contract between the annuitant and the insurance company commences, the insurance company can start paying the annuity immediately, or after a specified period of time, or from a certain age. Such specified period, from the date the annuity contract begins till the actual annuity payments begin, is called deferment period.
- **Vesting date:** the date from which the annuitant starts receiving regular income is known as the vesting date. This date generally coincides with the retirement date of the annuitant.
- **Commutation:** on the vesting date, the annuitant has two choices. The annuitant can either start receiving the regular annuity payment from the insurance company or withdraw 1/3rd of the total accumulated amount as a lump sum payment (commuted value) from the remaining balance, and request the insurance company to pay out regular annuity payments. This process is known as commutation
- **Commuted value:** at the beginning of the annuity, the lump sum that the annuitant withdraws is known as the commuted value

Chapter-07 : GOVERNMENT INSURANCE SCHEMES

Government Sponsored Socially Oriented Insurance Schemes

- Pradhan Mantri Jeevan Jyoti Bima Yojana(PMJJBY)
- Pradhan Mantri Suraksha Bima Yojana(PMSBY)
- Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)
- Varishtha Pension Bima Yojana
- Pradhan Mantri Fasal Bima Yojana(PMFBY)
- Pradhan Mantri Vaya Vandana Yojana(PMVVY)
- Restructured Weather Based Crop Insurance Scheme (RWBCIS)
- Ayushman Bharat Scheme

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit. Aadhar would be the primary KYC for the bank account. The life cover of Rs. 2 lakhs shall be for the one year period stretching from 1st June to 31st May and will be renewable. Risk coverage under this scheme is for Rs. 2 Lakh in case of death of the insured, due to any reason. The premium is Rs. 330 per annum which is to be auto-debited in one installment f rom the subscriber's bank account as per the option given by him on or before 31st May of each annual coverage period under the scheme. The scheme is being offered by Life Insurance Corporation and all other life insurers who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. Aadhar would be the primary KYC for the bank account. The risk coverage under the scheme isRs.2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. The premium of Rs. 12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one installment. The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)

The Hon'ble Prime Minister in his Independence Day Speech announced a comprehensive program of Financial Inclusion targeting a large number of people who are currently deprived of even rudimentary financial services. In this direction, the Pradhan Mantri Jan DhanYojana (PMJDY) sets out to provide a basic Bank account to every family who till now had no account. The bank account comes with a RuPay debit card with a built-in accidental insurance cover of Rs. 1 lakh. During the launch on 28.08.14 in New Delhi, Hon'ble Prime Minister also announced a life cover of Rs. 30,000/- for those subscribing to a bank account with a RuPay debit card before 26th January, 2015 to complement the Rs. 1 lakh accident insurance cover. This life insurance cover of Rs. 30,000/- under Pradhan Mantri Jan DhanYojana, gives life insurance cover on death of the life assured, due to any reason, to the deceased's family. The scheme aims to provide security to families from economically weaker sections who cannot afford direct purchase of such insurance. The premium subscription for the life cover under PMJDY is borne by the Government of India.

Varishtha Pension Bima Yojana

The NDA Government during its last term in office had introduced the Varishtha Pension BimaYojana (VPBY) as a pension scheme for senior citizens. Under the scheme a total no. of 3.16 lakh annuitants are being benefited and the corpus amounts to Rs. 6,095 crore. For the benefit of citizens aged 60 years and above, the Hon'ble Finance Minister in his Budget Speech for the year 2014-15 proposed to revive the scheme for a limited period from 15 August, 2014 to 14 August, 2015. Accordingly, the revived Varishtha Pension BimaYojana (VPBY) was formally launched by the Finance Minister on 14.08.2014 and has been opened during the window stretching from 15th August, 2014 to 14th August, 2015. Thus all those who subscribe to the VPBY during this period will receive an assured guaranteed return of 9% under the policy. The scheme is administered through Life Insurance Corporation of India (LIC). Under the Scheme the subscribers on payment of a lump sum amount get pension at a guaranteed rate of 9% per annum (payable monthly). Any gap in the guaranteed return over the return generated by the LIC on the fund is compensated by Government of India by way of subsidy payment in the scheme. The scheme allows withdrawals of deposit amount by the annuitant after fifteen years of purchase of the policy.

- **Pradhan Mantri Fasal Bima Yojana (PMFBY)**

The Pradhan Mantri Fasal Bima Yojna was launched on 18th February 2016 by Prime Minister Shri Narendra Modi. 21 states implemented the scheme in Kharif 2016 whereas 23 states and 2 UTs have implemented the scheme in Rabi 2016-17. Approximately 3.7 Crores farmers have been insured in the Kharif 2016 for 3.7 crore ha of land at premium of Rs 16212 crore for a sum insured of Rs 128568.94 crore as per figures available on 31.03.2017.
PMFBY provides a comprehensive insurance cover against failure of the crop thus helping in stabilising the income of the farmers. The Scheme covers all Food & Oilseeds crops and Annual Commercial/Horticultural Crops for which past yield data is available and for which requisite number of Crop Cutting Experiments (CCEs) are conductedbeing under General Crop Estimation Survey (GCES). The scheme is implemented by empanelled general insurance companies. Selection of Implementing Agency (IA) is done by the concerned State Government through bidding. The scheme is compulsory for loanee farmers availing Crop Loan /KCC account for notified crops and voluntary for other others. The scheme is being administered by Ministry of Agriculture.

- **Pradhan Mantri Vaya Vandana Yojana (PMVVY)**

Based on the success and popularity of Varishtha Pension Bima Yojana 2003 (VPBY-2003), Varishtha Pension Bima Yojana 2014 (VPBY-2014) schemes, and to protect elderly persons aged 60 years and above against a future fall in their interest income due to the uncertain market conditions, as also to provide social security during old age, it is decided to launch a simplified scheme of assured pension of 8% called the 'प्रधानिंत्रीवयवन्दनायोजना'. 'प्रधानिंत्रीवयवन्दनायोजना' is being implemented through Life Insurance Corporation (LIC) of India. As per the scheme, on payment of an initial lump sum amount ranging from a minimum purchase price of Rs. 1, 50,000/- for a minimum pension of Rs 1000/- per month to a maximum purchase price of Rs. 7, 50,000/- for maximum pension of Rs. 5,000/- per month, subscribers will get an assured pension based on a guaranteed rate of return of 8% per annum, payable monthly.

- **Restructured Weather Based Crop Insurance Scheme (RWBCIS)**

The RWBCIS was launched on 18th February 2016 by Hon'ble Prime Minister 12 states implemented the scheme in Kharif 2016 whereas 9 states have implemented the scheme in Rabi 2016-17. Approximately 15 lakhs farmers have been insured in the Kharif 2016 for 16.95 lakh ha of land at premium of Rs983.96 crore for a sum insured of Rs8536.53 crore as per figures available on 31.03.2017.
Weather Based Crop Insurance Scheme (WBCIS) aims to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of anticipated crop loss resulting from adverse weather conditions relating to rainfall, temperature, wind, humidity etc. WBCIS uses weather parameters as "proxy‟ for crop yields in compensating the cultivators for deemed crop losses. Pay-out structures are developed to the extent of losses deemed to have been suffered using the weather triggers.
Weather Station (RWS) or Backup Weather Station (BWS) as the case may be, and the claims process shall commence once the weather data is received. Claims processing are strictly as per the insurance term sheets, payout structure and the Scheme provisions. All standard Claims are processed and paid within 45 days from the end of the risk period. The scheme is being administered by Ministry of Agriculture.

- **AYUSHMAN BHARAT**

Ayushman Bharat is National Health Protection Scheme, which will cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization. Ayushman Bharat - National Health Protection Mission will subsume the on-going centrally sponsored schemes - Rashtriya Swasthya Bima Yojana (RSBY) and the Senior Citizen Health Insurance Scheme (SCHIS).

- **Silent Features**
  - Ayushman Bharat - National Health Protection Mission will have a defined benefit cover of Rs. 5 lakh per family per year.
  - Benefits of the scheme are portable across the country and a beneficiary covered under the scheme will be allowed to take cashless benefits from any public/private empanelled hospitals across the country.
  - The beneficiaries can avail benefits in both public and empanelled private facilities.
  - To control costs, the payments for treatment will be done on package rate (to be defined by the Government in advance) basis.
  - One of the core principles of Ayushman Bharat - National Health Protection Mission is to co-operative federalism and flexibility to states.
  - For giving policy directions and fostering coordination between Centre and States, it is proposed to set up Ayushman Bharat National Health Protection Mission Council (AB-NHPMC) at apex level Chaired by Union Health and Family Welfare Minister.
  - States would need to have State Health Agency (SHA) to implement the scheme.
  - To ensure that the funds reach SHA on time, the transfer of funds from Central Government through Ayushman Bharat - National Health Protection Mission to State Health Agencies may be done through an escrow account directly.
  - In partnership with NITI Aayog, a robust, modular, scalable and interoperable IT platform will be made operational which will entail a paperless, cashless transaction.

Chapter-08 : COMMON LIFE AND GENERAL INSURANCE TERMS

1. Policyholder:

The policyholder is the one who proposes the purchase of the life insurance policy and pays the premium (see #7 Premium). The policyholder is the owner of the policy and s/he may or may not be the life assured (see # 2 Life assured).

2. Life assured:

Life assured is the insured person. Life assured is the one for whom the life insurance plan is purchased to cover the risk of untimely death. Primarily, the breadwinner of the family is the life assured.

Life assured may or may not be the policyholder. For instance, a husband buys a life insurance plan for his wife. As the wife is a homemaker, husband pays the premium, thus the husband is the policyholder, and wife is the life assured.

3. Sum assured (coverage):

Life insurance is meant to provide a life cover to the insured.

The financial loss that may arise due to the passing away of the life assured is generally chosen as a life cover when buying a life insurance plan. In technical terms, 'Sum Assured' is the term used for an amount that the insurer agrees to pay on death of the insured person or occurrence of any other insured event.

You may come across the term 'sum assured' at the time of comparing policies online, when buying life insurance plan, and in the policy document. The sum assured is the amount that the life insurance company will pay to the nominee (see #4 Nominee) if the insured person dies during the policy tenure (see #5 Policy tenure).

The sum assured is chosen by the policyholder at the time of purchase. To know more and to choose the right coverage, read this.

4. Nominee:

The 'nominee' is the person (legal heir) nominated by the policyholder to whom the sum assured and other benefits will be paid by the life insurance company in case of an unfortunate eventuality. The nominee could be the wife, child, parents, etc. of the policyholder. The nominee needs to claim life insurance, if the life assured dies during the policy tenure (see #5 Policy tenure).

5. Policy tenure:

The 'policy tenure' is the duration for which the policy provides life insurance coverage. The policy tenure can be any period ranging from 1 year to 100 years or whole life, depending on the type of life insurance plan and its terms and conditions. Many a times, it is also referred to as policy term or policy duration.

The policy tenure decides for how long the company is providing the risk coverage. However, in the case of whole life insurance plans, the life coverage is till the time life assured is alive.

6. Maturity age:

Maturity age is the age of the life assured at which the policy ends or terminates. This is similar to policy tenure, but a different way to say how long the plan will be in force.

Basically, the life insurance company declares up front the maximum age till which the life insurance coverage will be provided to the life insured. For instance, you are 30 years old, you opt for a term plan with a maturity age of 65 years. That means the policy will have a coverage till you are 65 years old, which also means, the maximum policy tenure for a 30- year-old is 35 years.

7. Premium:

The premium is the amount you pay to keep the life insurance plan active and enjoy continued coverage. If you are unable to pay the premium before the payment due date and even during the grace period (#13 Grace period), the policy terminates.

There are various options on how you can pay the premium – regular payment, limited payment term, single payment (discussed below #8 Premium payment mode).

8. Premium payment term/mode/ frequency:

You can pay the life insurance premium as per your convenience.

Regular Premium Payment - You can pay premium regularly throughout the policy term either – monthly, quarterly, half-yearly or yearly.

Limited Premium Payment – You can choose to pay the premiums for a limited amount of time. In this option, you do not pay till the end of the policy term, but for a certain pre-fixed number of years. For example, 10 years, 15 years, 20 years, and so on.
Single Premium Payment – You can also choose to pay the premium for the entire duration of the plan as a lumpsum in one single go.

9. Riders:
Riders are an additional paid-up feature to widen up the scope of the base life insurance policy. Riders are bought at the time of purchase or on policy anniversary. There are different types of riders that can be bought along with the base plan. However, number and type of riders will differ from insurer to insurer.
Plus, the terms and conditions may differ from one insurance to another. However, here's the list of some well-known riders offered by life insurance companies.

- Accidental Death Benefit Rider
- Accidental Total and Permanent Disability Benefit Rider
- Critical illness Cover
- Hospital Cash
- Waiver of Premium.

10. Death Benefit:
You will come across 'Death Benefit' quite frequently whenever you are either planning to buy a life insurance plan or comparing different insurance plans online.
The 'Death Benefit' is what life insurance company pays to the nominee in case the life assured dies during the policy tenure.
If you are thinking whether the sum assured and death benefit are one and the same, then do not be confused. Because the death benefit can be sum assured or even higher than that, which may include rider benefit (if any), and/or other benefits. Except in the case of term insurance – where there is no accrued bonus or guaranteed additions.

11. Survival/Maturity Benefit:
Maturity benefit is the amount that the life insurance company pays when the life assured outlives the policy tenure. Survival benefit is paid when the life assured completes the pre- defined number of years under the policy.
There is no survival or maturity benefit in term plans. However, in other life insurance policies you may find survival benefit or the maturity benefit paid under the plan.

12. Free-look Period:
It is applicable to all new life insurance policies purchased. Free-look period is a time frame during which one may choose to return the purchased policy.
If you are not comfortable with the terms and conditions, you can return the policy within the Free-look period. The insurance company after deducting the expenses incurred on medical examination, stamp duty charges and other charges will refund the remaining premium.
IRDA specifies free-look period in life insurance is 15 or 30 days after receiving the policy document.

13. Grace Period:
If you couldn't pay the renewal premium for your policy on time, life insurance company gives you an extension in the number of days after the premium payment due date. A 'Grace Period' can be period of 15 days in case of monthly premium payment mode, and 30 days in case of annual premium payment mode.
If the policyholder does not pay the premiums even before the end of grace period, the policy gets lapsed.

14. Surrender Value:
If the policyholder decides to discontinue the plan before the maturity age, the life insurance company pays an amount to the policyholder, this is called Surrender Value.
But you must clearly read the terms and conditions whether a plan offers any surrender value or not. And if there is a surrender value, how much it will be. Not all life insurance plans have surrender value.

15. Paid-up Value:
In case the policyholder discontinues to pay the premium after a specified period of time, Insurance companies will offer the policyholder an option to convert his policy into a reduced paid-up policy. Under this option the sum insured is reduced in proportion to the number of premiums paid. If other benefits related to the sum insured are payable, these benefits will now be related to the reduced sum insured, which is the paid-up value.

16. Revival Period:

If the policyholder does not pay the premium even during the grace period, the policy lapses.
However, if the policyholder still wants to continue, the insurance company provides an option of re-activating the lapsed policy. This must be done within a specific period of time after the grace period ends. This specified period is known as a revival period.
To reinstate the lapsed policy, the life insurance company will put forward the request to the team of Underwriters (see #17 Underwriters) for approval.

17. Underwriters:

Underwriters evaluate the risk involved in insurance. The process of risk evaluation starts before the issuance of insurance policy, and ends with settlement of the claim (see #20 Claim Process).
Only with the approval of Underwriters, policy is issued to the policyholder. And only after clearance from the Underwriter, the company pays the claim benefit to the nominee.

18. Tax benefits:

All the premiums paid towards the life insurance plan are eligible for deductions under Section 80 (C) of Income Tax Act, 1961. The maximum amount that one can claim as deductible is Rs.1.5 lakh.
The benefits paid to the policyholder/nominee are tax-free under Section 10 (10D) of Income Tax Act, 1961.

19. Exclusions:

Before you buy any life insurance, read 'Exclusions' carefully. These are things that are not covered under a life insurance policy, and against which if claimed, insurance company wouldn't pay any benefit.
For instance, Suicide, is an exclusion in any life insurance plan.

20. Claim Process:

In case, the life assured passes away during the policy tenure, the nominee needs to lodge a claim to receive the death benefit as mentioned in the policy.

- **LIFE INSURANCE GLOSSARY**
  - Accident
    An event or occurrence causing damage/injury to an entity, and is unforeseen and unintended.
  - Accident Benefit
    Provides for payment of an additional benefit equal to the sum sum assured in instalments on permanent total disability and waiver of subsequent premiums payable under the policy.
  - Age Limits
    Stipulated minimum and maximum ages below and above which the company will not accept applications or may not renew policies.
  - Agent
    An insurance company representative licensed by the state who solicits, negotiates or effects contracts of insurance, and provides service to the policyholder for the insurer.
  - Annuity Plans
    These plans provide for a "pension" (or a mix of a lumpsum amount and a pension) to be paid to the policy holder or his spouse. In the event of death of both of them during the policy period, a lumpsum amount is provided for the next of kin.
  - Application Form
    Supplied by the insurance company, usually filled in by the agent and medical examiner (if applicable) on the basis of information received from the applicant. It is signed by the applicant and is part of the insurance policy if it is issued.
  - Assignment
    Assignment means legal transference. A method by which the policy holder can person on his interest to another person. An assignment can be made by an endorsement on the policy document or as a seperate deed. Assignment can be of two types Conditional absolute
  - Beneficiary
    The person(s) or entity(ies) (e.g. corporation, trust, etc.) named in the policy as the recipient of insurance proceeds upon the death of the insured.
  - Business Insurance
    A policy which primarily provides coverage of benefits to a business as contrasted to an individual. It is issued to indemnify a business for the loss of services of a key employee or a partner who becomes disabled.
  - Cancelable
    A contract of health insurance that may be cancelled during the policy term by the insurer or insured.

- Coinsurance
  1) A provision under which an insured who carries less than the stipulated percentage of insurance to value, will receive a loss payment that is limited to the same ratio which the amount of insurance bears to the amount required;
  2) a policy provision frequently found in medical insurance, by which theinsured person and the insurer share the covered losses under a policy in a specified ratio, i.e., 80 per cent by the insurer and 20 per cent by the insured.
- Convertible Whole Life Policy
  A mix of "whole life policy" and "endowment policy", it provides for very low insurance premiums with maximum risk cover while the life assured is just beginning his working career, and the possibiliy of converting the policy to an "endowment" policy after five years of commencement.
- Coverage
  The scope of protection provided under a contract of insurance; any of several risks covered by a policy.
- Days Of Grace
  Policy holders are expected to apy premium on due dates. a period is 15-30 days is allowed as grace to make payment of premium; such period is days of grace.
- Deferment Period
  Period between the date of subscription to an insurance-cum-pension policy and the time at which the first instalment of pension is received. Such policies generally prescribe a minimum and maximum limit on the deferment period.
- Depreciation
  A decrease in the value of property over a period of time due to wear and tear or obsolescence. Depreciation is used to determine the actual cash value of property at time of loss.
- Double/Triple Cover Plans
  These offer to the beneficiaries double/triple the sum assured on death of life assured during the term of the policy. On survival to the date of maturity, the basic sum assured is paid to the assured. These are low-premium plans, most useful for situations such as housing.
- Embezzlement
  Fraudulent use or taking of another's property or money which has been entrusted to one's care.
- Endowment Policy
  The assured has to pay an annual premium which is determined on the basis of the assured's age at entry and the term of the policy. The insured amount is payable either at the end of specified number of years or upon the death of the insured person, whichever is earlier.
- Excess And Surplus Insurance
  1) Insurance to cover losses above a certain amount, with losses below that amount usually covered by a regular policy.
  2) Insurance to cover an unusual or one-time risk, e.g., damage to a musician's hands or the multiple perils of a convention, for which coverage is unavailable in the normal market.
- Exclusions
  Specific conditions or circumstances for which the policy will not provide benefits.
- Facultative Reinsurance
  A type of reinsurance in which the reinsurer can accept or reject any risk presented by an insurance company seeking reinsurance.
- Family Insurance
  A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the principal breadwinner and small amounts of term insurance on the other spouse and children, including those born after the policy is issued.
- Fiduciary
  A person who holds something in trust for another.
- Fire Insurance
  Coverage for losses caused by fire and lightning, plus resultant damage caused by smoke and water. Flood insurance Coverage against loss resulting from the flood peril, available at low cost under a programme developed by the Central government.
- Franchise Insurance
  A form of insurance in which individual policies are issued to the employees of a common employer or the members of an association under an arrangement by which the employer or association agrees to collect the premium and remit them to the insurer.
- Guaranteed Insurance Sum (GIS)
  A lump sum purchase price is given to purchase future pensions under the Jeevan Akshay Plan of Life Insurance Corporation of India. This amount is referred to as GIS. The monthly pension that is payable one month after payment of first premium is calculated on the basis of the age at entry.

- Gross Insurance Value Element (GIVE)
  The amount payable on the deferred date under Jeevan Dhara Life of Life Insurance Corporation of India. An annutiy of 1% of the GIVE is payable per month after the deferment period. And the entire GIVE is payable on death after deferment period.
- Group Life Insurance
  Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees, or to members of an association, for example a professional membership group. The individual members of the group hold certificates as evidence of their insurance.
- Guaranteed Policies
  These are policies where the payment stays fixed.
- Indemnity
  Legal principle that specifies an insured should not collect more than the actual cash value of a loss but should be restored to approximately the same financial position as existed before the loss.
- Insurable Interest
  A condition in which the person applying for insurance and the person who is to receive the policy benefit will suffer an emotional or financial loss, ifany untouched event occurs. Without insurable interest, an insurance contract is invalid.
- Insurability
  All conditions pertaining to individuals that affect their health, susceptibility to injury and life expectancy; an individual's risk profile.
- Insurance
  Social device for minimizing risk of uncertainty regarding loss by spreading the risk over a large enough number of similar exposures to predict the individual chance of loss.
- Insured
  The person whose life is covered by a policy of insurance.
- Joint Life Endowment Assurance Plans
  The sum assured (plus any accrued bonuses) under this type of policy is payable on the end of the endowment term or on the first death of the two lives assured, whichever is earlier. Typically (though not a necessity) taken out by a couple, a variation is available for couples only. In this case, the sum assured will be payable on first death and then again on the second death (along with all vested bonuses) if both deaths occur during the term of the policy. If one or both lives survive to the maturity date, the sum assured along with all vested bonuses will be payable on maturity date. Premiums during this plan cease on the first death or the expiry of the selected term, whichever is earlier. Another variation provides for annuity to both/surviving spouse, or a lumpsum amount to the legal heirs.
- Keyman Insurance Policy
  A life insurance policy taken by a person on the life of another person who is or was his employee/connected to his business in any manner whatsoever.
- Lapsed Policy
  A policy which has terminated and is no longer in force due to non-payment of the premium due.
- Limited Payment Life Policy
  Premiums need to be paid only for a certain number of years or until death if it occurs within this period. Proceeds of the policy are granted to the beneficiaries whenever death of the policy holder occurs. Again, this policy can also be of the "with profits " or "without profits" type.
- Loyalty Additions
  The loyalty addition is given upon the maturity of the policy, and not before. It's a small percentage of the sum assured. Broadly speaking, loyalty addition is the difference between the performance, of the insurance company and the guaranteed additions. It is LICs effort to further share its surplus after valuation with the policy holders, as LIC is a non-profit organization.
- Life Assured
  The person whose life is insured by an individual life policy is called life assured.
- Maturity
  The date upon which the face amount of a life insurance policy , if not previously invoked due to the contingency covered (death), is paid to the policyholder.
- Maturity Claim
  The Payment to the policy holder at the end of the stipulated term of the policy is called maturity claim.
- Misrepresentation
  Act of making, issuing, circulating or causing to be issued or circulated an estimate, an illustration, a circular or a statement of any kind that does not represent the correct policy terms, dividends or share of surplus or the name or title for any policy or class of policies that does not in fact reflect its true nature.

- Money Back Policy
  Unlike endowment plans, in money back policies, the policy holder gets periodic "survivance payments" during the term of the policy and a lumpsum amount on surviving its term. In the event of death during the term of the policy, the beneficiary gets the full sum assured, without any deductions for the amounts paid till date, and no further premiums are required to be paid.These type of policies are very popular, since they can be tailored to get large amounts at specific periods as per the needs of the policy holder.
- Moral Hazard
  Risk depends on the need for insurance, state of health, personal habits standard of living and income of insured peson. Moral hazard is the risk factors that affects the decesion of the insurance company to accept the risk.
- Nomination
  An act by which the policy holders authorises another person to receive the policy moneys. The person so authorised is called Nominee.
- Non-cancelable policies
  Such policies stay in effect regardless of whatever that might happen and as long as the premium is paid from time to time.
- Premium
  The payment, or one of the regular periodic payments, that a policy holder makes to an insurer in exchange for the insurer's obligation to pay benefits upon the occurrence of the contractually-specified contingency (e.g., death).
- Premium Back Term Insurance Plans
  These provide for refund of all the premiums paid, in the event of th life assured surviving to the end of the policy term. The total sum assured is paid to the beneficiaries in the event death occurs during the policy term.
- Reinstatement
  The restoration of a lapsed policy to in-force status. Reinstatement can only occur after the expiration of the grace period. The company may require evidence of insurability (and, if health status has changed, deny reinstatement), and will always require payment of the total amount of past due premium.
- Risk
  The obligation assumed by the insurer when it issues a policy. The spreading of risk across a broad base of the population, adjusted for statistical probability, and the protection against catastrophic loss, is the entire purpose of insurance. For risk assumption purposes, death is viewed as a contingency. That is, although death is certain, its timing is unknown. The process of evaluating and selecting risk is known as underwriting.
- Salary Saving Scheme
  This scheme provides for payment of premiums by money deduction from the salary of the employees by one employer.
- Sub Standard Risk
  Person who is considered an under-average or impaired insurance risk because of physical condition, family or personal history of disease, occupation, residence in unhealthy climate or dangerous habits.
- Surrender Value
  The value payable to the policy holder in the event of his deciding to terminate the policy before the maturity of the policy.
- Survival Benefit
  The payment of sum assured to the incurred person which has become due by instalments under a money back policy.
- Vesting Age
  The age at which the receipt of pension starts in an insurance-cum-pension plan.
- Whole Life Policy
  Premiums are paid throughout the life time of life assured . This can be with profits or without profits (A "with profit" policy is eligible for various bonuses declared by LIC every year, while a "without profits" policy does not have this privilege)
- With-Profit policy
  Policies entitled to bonus, which is paid at the time of claim-death or maturity one with-profit policies.
- Without-Profit policy
  These policies are not entitled to participate in bonuses.

❖ GENERAL INSURANCE GLOSSARY

A

Accident

Accident must be caused by violent, external and visible means and cause of the injury or injuries solely and independently of any other means.

Accidental death benefit

Benefit, which provides for the payment of an additional sum (usually equal to the sum insured of the basic policy) in the event of death by an accident.

Accidental Bodily Injury

Injury to the body as a result of an accident.

Act of God

A flood, snowstorm, an earthquake or any other accident or event caused by nature that is unpredictable and occurs without any human intervention.

Additional insured

A person or party, other than the policyholder, who is added to a policy so that they will also be covered by that policy.

Agent

An insurance company's representative licensed by IRDAI

An insurance company's licensed representative authorized to sell and service their insurance policies. This agent can be an independent individual representing more than one insurance company to obtain the best pricing for a client. He usually works on commission which is a percentage of the premium which is paid by the client and a service fee. Also usually paid on commission is the direct agent who works exclusively for one company and sells only that company's product.

B

Beneficiary

The person or entity (e.g. corporation, trust, etc.) named in the policy as the recipient of insurance proceeds upon the death of the policy holder.

Burglary Insurance

An insurance against loss of damage resulting from or following the unlawful breaking and entering of designated premises.

C

Cancellation

The discontinuance of an insurance policy before its normal expiration date, either by the insured or the insurance company.

Claim

Written request by an insured for the insurance company to cover an incurred loss, usually submitted on the company's standard form.

Claimant

Person who has as interest in the policy and making a claim on the policy. Critical illness cover a health insurance policy with the benefits payable on diagnosis of one of a number of specified medical conditions.

Compulsory Excess

A compulsory excess is an amount that your your car insurance company has decided that you will have to pay towards each claim. In car insurance, the figure will vary according to the age of the driver, the type of car, and even the kind of claim. For instance young drivers, who are considered to be high-risk customers, often have to pay much higher compulsory excesses than their older, more experienced counterparts.

Cover Note

A cover note is a document issued in advance pending the issue of the policy, and is normally required if the policy cannot for some reason or other be issued straight away. Cover notes can also be issued during the course of negotiations to provide cover on a provisional basis. A cover note is not a stamped document but is honored, all the same , by all parties concerned.

D

Date of commencement
The date on which cover begins, following acceptance of the risk by the insurer.
Death Benefit Payable
The amount payable, as stated in a an insurance policy, to the designated beneficiary (ies) upon the death of the insured. The amount paid is the face value, plus any riders that are applicable, less any outstanding loans.
Declaration
This is the statement or section of the form where the person is required to declare that the statements or answers are given fully and truthfully and that if it were not so, there would be legal consequences.

Deductible
A provision whereby an insured may be required to pay part of a loss, the insurance being excess over the amount of the deductible.
Depreciation
A decrease in the value of property over a period of time due to wear and tear or obsolescence. Depreciation is used to determine the actual cash value of property at time of loss.
Disability
Inability to perform all or part of one's occupational duties because of an accident or illness: see Total Disability and Partial Disability.
Doctrine of Utmost Good Faith
Insurance contract is issued on the basis that the applicant truthfully and fully discloses everything he or she knows about his or her health. This arises from the recognition that the insurance company is in a disadvantageous position, as the insurer does not know anything about the applicant. Similarly, the insurance company should deal with the applicant with honesty and integrity.

E

Effective date
The date upon which the policy is put in force, the inception date
Excess (also refer Deductibles)
Agreed amount up to which no claim is paid under a policy.
Expense ratio
The proportionate relationship of an insurer's expenses to premium expressed as a percentage.
Exclusion
A condition under which the benefit is not paid is referred to as exclusion. This is to avoid any misunderstanding. For example, for accidental policies, there is usually exclusion for suicide or self-inflicted injuries by the policy holder.

F

Fire
A combustion accompanied by a flame or glow, which escapes its normal limits to cause damage.
Fire insurance
Coverage for losses caused by fire and lightning, as well as the resultant damage caused by smoke and water
Free Look
Provision required in most states whereby policy owners have either 10 or 20 days to examine their new policies at no obligation.

G

Grace period
The period of time following the due date of a policy premium during which the payment of the premium will continue the policy and during which the policy is in full force and effect

H

Hazardous occupation
An occupation that has high risk for insurance purposes. Example: a window cleaner on high - rise buildings.
Health insurance
A generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily accident or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.

I

Incurred Loss Ratio
The percentage of losses incurred to premiums earned.
Indemnification
Compensation to the victim of a loss, in whole or in part, by payment, repair, or replacement
Insurer
A licensed legal entity, which underwrites insurance, including a mutual insurance company (but note the exemption of pure reinsurers)
Insurable Interest
A condition in which the person applying for insurance and the person who is to receive the policy benefit will suffer an emotional or financial loss, if any untouched event occurs.
Without insurable interest, an insurance contract is invalid.
Insurance
Social device for minimizing risk of uncertainty regarding loss by spreading the risk over a large enough number of similar exposures to predict the individual chance of loss.
Insured
The person or company that holds an insurance policy i.e., a policy holder.

L

Lapse
Termination of an insurance contract because of non-payment of premiums. If there are non-forfeiture values, the policy lapses but may remain effective reduced paid-up insurance.
Liability
Any legally enforceable obligation
Liability Insurance
Insurance covering the policyholder's legal liability resulting from injuries to other persons or damage to their property. Liability Insurance. Provides protection for the insured against loss arising out of legal liability to third parties
Loss Adjuster
An independent professional appointed by the insurers to settle claims
Loss of Profits
A synonym for business interruption insurance
Loss Ratio
The proportionate relationship of incurred losses to earned premiums expressed as a percentage.

M

Marine insurance
A form of insurance primarily concerned with means of transportation and communication, and with goods in transit
Misrepresentation of material facts
Providing the wrong facts or not giving the entire truth of a matter. This is more serious that non-disclosure. It refers to the applicant stating wrong facts or giving half-truths. They are material because if the underwriter knew of it this information, the decision might be different.
Moral hazard
Underwriting the risk affecting an application based on factors such as the personal reputation and character of the applicant, business ethics or the existence of a criminal record. It concerns the intention or motivation behind the buying of a an insurance policy.

Morbidity
The probability of disability of a life or group of lives.
Mortality
The probability of death of a life or group of lives.

N

Non-disclosure of material facts
An applicant fails to disclose facts that have an impact on the decision of the underwriter (had the underwriter known of this fact, the decision would have been different)
Non - medical cases
Cases where a medical examination is not necessary. Large number of cases are straightforward and do not have any medical problems. For cases within limits on age and the amount on cover, a medical examination is not necessary.
Nominee
Someone nominated to act on your behalf. For example, traders often hold securities in a nominee name as this makes settlement easier.

P

Package Policy
Any insurance policy which covers two or more lines or types of insurance in the same policy.
Paid-up Value
Paid-up Value is the reduced amount of sum assured paid by the Insurer, in case the Insured discontinues payment of premiums. This is applicable only when the Insured has paid the premiums in full for the first three years.
Peril
The event insured against; the cause of possible loss
Personal Injury
In law, a term used to embrace a broad range of torts that includes bodily injury, libel, slander, discrimination and similar offences. Also a standard insurance coverage that protects against a more limited group of torts (false arrest, detention or imprisonment, malicious prosecution, wrongful entry or eviction, and libel, slander, or defamation)
Physical Damage
Damage to or loss of an automobile resulting from a named peril
Physical Hazard
A condition of the subject of insurance which creates or increases the chance of loss, such as structural defects, occupancy, or similar conditions
Physical hazards
Features or facts that can be observed or evaluated. This includes reports from agents, medical consultants or through investigations.
Policy Document
A booklet that details the full product information and terms and conditions of an insurance policy, and the policy schedule(s) which provides the specific benefits/premiums/payment conditions covered. It provides evidence that a contract exists between the insured and insurer.
Policy face amount
This refers to the amount stated in the policy payable in the event of death or maturity.
Policy Term
The period of coverage provided by an insurance policy.
Premium
This is the contribution / payment that a policyholder makes to an insurance company to obtain insurance cover. He or she has a responsibility to ensure that the correct amount states is paid as and when it falls due as stated in the policy document.
Provisions
The terms or conditions of an insurance policy
Public Liability/Third Party Liability
The insured's liability at law (excluding liability to an employee arising out of employer/employee relationship) to pay compensation for death, injury or illness sustained by any person or damage to property caused by explosion or collapse of boiler and pressure plant or use of lilting and handling plant

R

Reimbursement
The payment of the expenses actually incurred as a result of a accident or sickness, but not to exceed any amount specified in the policy
Repudiation of a claim
This process takes place when the claims examiner looks at the policy document and the evidence submitted to him or her and makes a decision to reject it.
Renewal
Continuance of coverage under a policy beyond its original term by the insurer's acceptance of the premium for a new policy term
Renewal Notice
The notice sent to the policyholder to remind him that an insurance is due for renewal by insurers
Repatriation Expenses
(Under Overseas Mediclaim Policy) Expenses incurred to travel back to home country following sickness abroad
Renewal Receipt
The written evidence that a renewal premium has been paid

S

Settlement
A policy benefit of claim payment
Social Insurance
Compulsory insurance, in which the benefits are prescribed by law and in which the primary emphasis is on social adequacy rather than equity
Sum Insured
The limit of liability of the insurers under a policy

T

Theft
The unlawful taking of property of another: the term includes such crimes as burglary, larceny and robbery.
Third party claim
A demand made by a person against a policyholder and any payment that will be made by that company
Total Disability
An illness or injury which prevents an insured person from continuously performing every duty pertaining to his/her occupation or engaging in any other type of work

U

Under-insurance
The situation where the Sum Insured is less than the total value of property at risk.
Utmost good faith
The principle of utmost good faith requires the applicant to disclose all material facts.

V

Voluntary Excess
Voluntary excess is something that the customer themselves chooses to pay in the event of a claim. In return for opting for a higher excess, the insurance provider will usually lower the premium paid. Bear in mind though that the voluntary excess will always be paid in addition to any compulsory excess. So if you have a compulsory excess of Rs. 1000, and then choose a voluntary excess of Rs. 800, you will have to pay a combined sum of Rs. 1800 towards any claim you might make.

W

Workers Compensation
A system of providing for the cost of medical care and weekly payments to injured employees or to dependants of those killed in the course of or arising out of their employment in industry in which Absolute Liability is imposed on the employer, requiring him or her to pay benefits prescribed by law

Chapter-09 : IMPORTANT FINANACIAL TERMS

- **Banking Ombudsman:** Banking Ombudsman is a quasi-judicial authority, which functions under India's Banking Ombudsman Scheme 2006. It was created by Government of India with a purpose to deal with the complaints of customers of the banks related to various services rendered by the banks.
- **Deflation:** It is a decrease in the general price level of goods and services.
- **Inflation:** It can be defined as a sustained increase in the general level of prices for goods and services.
- **Liquidity:** Liquidity describes the degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price.
- **Merchant Banking:** It is a combination of Banking and consultancy services.
- **Monetary Policies:** It refers to the use of instruments by ***Reserve Bank of India (RBI)*** to regulate the availability, cost and use of money and credits.
- **Plastic Money:** It is a term used in reference to the hard plastic cards we use every day in place of actual bank notes.
- **Cash Reserve Ratio (CRR):** Cash reserve Ratio (CRR) is the amount of funds that the banks have to keep with the RBI.
- **Refinance Facilities:** RBI offers refinance facility to help out the exporters by replacing an existing debt obligation with another.
- **Statutory liquidity ratio (SLR):** SLR is the minimum proportion of their Net Demand and Time Liabilities, which every bank maintains in the form of cash, gold and securities, at the close of business every day.
- **Bank rate:** The rate of interest which the RBI charges on the loans and advances to a commercial bank.
- **Liquidity adjustments facility (LAF):** It's a monetary policy tool which allows banks to borrow money through repurchase agreements and adjusting the day to day mismatches in liquidity.
- **Marginal standing facility (MSF):** It's a window for banks to borrow from the RBI in an emergency situation when inter-bank liquidity finishes completely.
- **Market Stabilization scheme (MSS):** Securities that are issued with the objective of providing a stock of securities to the RBI to intervene in the market for managing liquidity.
- **Open Market Operations (OMO):** It's an activity by a RBI to give or take liquidity in its currency to or from a bank or a group of banks.
- **Repo rate:** The rate at which the RBI lends money to commercial banks in the event of any shortfall of funds.
- **Reverse Repo Rate:** The rate at which the RBI borrows money from commercial banks within the country.
- **Term Repo:** A repurchase agreement with a term of more than one day.
- **Authorized Capital:** The authorized capital/ registered capital/nominal capital of a company is the maximum amount of share capital that the company is authorized by its constitutional documents to issue to shareholders.
- **Bonds:** It is an instrument of indebtedness of the bond issuer to the holders.
- **Call Money:** Money loaned by a bank or other institution which is repayable on demand.
- **Commercial Bills:** A bill of exchange issued by a commercial organization to raise money for short-term needs.
- **Commercial Papers:** An unsecured, short-term debt instrument issued by a corporation for the financing of accounts receivable, inventories and meeting short- term liabilities.
- **Certificates of deposits (CD):** A savings certificate entitling the bearer to receive interest.
- **Dated government securities:** These are long-term securities and a fixed or floating coupon/interest rate which is paid on the face value, payable at fixed time periods.
- **Debentures:** A long-term security bearing a fixed rate of interest, issued by a company and secured against assets.
- **Issued Capital:** The share capital that has been issued to shareholders.
- **Mutual Funds:** It is a professionally managed investment fund that pools money from many investors to purchase securities.
- **Net Asset Value (NAV):** A mutual fund's price per share or exchange-traded fund's (ETF) per-share value.
- **Paid up Capital:** The amount of a company's capital that has been funded by shareholders.
- **Treasury bills:** A short-dated UK/US government security, bearing no interest but issued at a discount on its redemption price.

- **Bill of Exchange:** A bill of exchange is a binding agreement by one party to pay a fixed amount of cash to another party as of a predetermined date or on demand.
- **Cheques:** An order to a bank to pay a stated sum from the drawer's account, written on a specially printed form.
- **Ante Dated Cheque:** Cheques which have been written by the maker, and dated at some point in the past.
- **Bounced Cheque:** Check that cannot be processed because the writer has insufficient funds.
- **Crossed Cheque:** These cheques can only be deposited directly into a bank account and cannot be immediately cashed by a bank or any other credit institution.
- **Post Dated Cheque:** Cheque that is written by the drawer (payer) for a date in the future.
- **Stale Cheque:** A cheque which a bank will not accept and exchange for money or payment because it was written more than a certain number of months ago.
- **Cheque Truncation:** It is the conversion of a physical cheque into a substitute electronic form for transmission to the paying bank.
- **Promissory Note:** A financial instrument that contains a written promise by one party to pay another party a definite sum of money either on demand or at a specified future date.
- **Current Account/Demand deposit Account:** An active account catering for frequent deposits and withdrawals by cheque.
- **DeMat Account:** This account is opened by the investor while registering with an investment broker (or sub-broker).
- **Fixed deposit account or time deposit account:** It is a financial instrument provided by banks which provides investors with a higher rate of interest than a regular savings account, until the given maturity date.
- **NOSTRO Account:** A bank account held by a UK bank with a foreign bank, usually in the currency of that country.
- **Recurring Deposit Account:** It is opened by those who want to save regularly for a certain period of time and earn a higher interest rate.
- **Saving Account:** A deposit account held at a bank or other financial institution that provides principal security and a modest interest rate.
- **Current Account Deficit:** A current account deficit is when a country's government, businesses and individuals import more goods, services and capital than they export.
- **Financial Inclusion:** Financial inclusion is the delivery of financial services at affordable costs to massive sections of disadvantaged and low income groups.
- **Fiscal Deficit:** When a government's total expenditures exceed the total revenue.
- **Foreign Direct Investment (FDI):** It is a controlling ownership in a business enterprise in one country by an entity, based in another country.
- **Foreign Institutional Investors (FII):** FIIs are those institutional investors which invest in the assets belonging to a different country other than that where these organizations are based.
- **General Anti-Avoidance Rules (GAAR):** A GAAR is a statutory rule that empowers a revenue authority to deny taxpayers the benefit of an arrangement that they have entered into for an impermissible tax-related purpose.
- **Money Laundering:** Any act to hide the identity of illegally obtained proceeds so that they appear to have originated from genuine sources.
- **Participatory notes or P-Notes:** These are instruments, issued by registered foreign institutional investors (FII) to overseas investors, who wish to invest in the Indian stock markets without registering themselves with the market regulator, the Securities and Exchange Board of India (SEBI).
- **Quantitative easing and tapering:** A monetary policy in which RBI purchases government securities or other securities from the market in order to lower interest rates and increase the money supply.
- ***National Payments Corporation of India (NPCI):*** *NPCI is an umbrella organization for all retail payments system in India.*
- **Clearing Corporation of India Limited (CCIL):** It is a joint stock company with share capital contribution by major banks and financial institutions.
- **Electronic Clearing Service (ECS):** ECS is an electronic mode of funds transfer from one bank account to another and can be used for both
- **Electronic Funds Transfer (EFT):** It is a system of transferring credit and debit purposes.money from one bank account directly to another without any paper money changing hands.

- **National Electronic Funds Transfer (NEFT) System:** It is an Indian system of electronic transfer of money from one bank or bank branch to another.
- **Real Time Gross Settlement (RTGS) System:** These are specialist funds transfer systems where the transfer of money or securities takes place from one bank to another on a "real time" and on "gross" basis.
- **Acquiring Bank:** A bank or financial institution that processes credit or debit card payments on behalf of a merchant.
- **Adjustable-Rate Mortgages (ARMS):** The initial interest rate is normally fixed for a period of time after which it is reset periodically, often every month.
- **Amortization:** It is an accounting term that refers to the process of allocating the cost of an intangible asset over a period of time.
- **Annuity:** A fixed sum of money paid to someone each year, typically for the rest of their life.
- **Arbitrage:** It is basically buying in one market and simultaneously selling in another, profiting from a temporary difference.
- **Automated Teller Machine (ATM):** A machine that automatically provides cash and performs other banking services on insertion of a special card by the account holder.
- **Authorization:** A document giving official permission.
- **Bancassurance:** The selling of life assurance and other insurance products and services by banking institutions.
- **Banker's Lien:** Type of charge that gives a bank automatic claim over a borrower's property or assets that come in bank's possession in the normal course of its business.
- **BASEL Committee:** A committee established by the Central Bank governors of the Group of ten countries in 1974 that seeks to improve the supervisory guidelines that central banks or similar authorities impose on both wholesale and retail banks.
- **Basis Point:** One hundredth of one percentage point, basically used in expressing differences of interest rates.
- **Blue Chips:** They generally sell high-quality, widely accepted products and services.
- **Bull Markets:** A market in which share prices are rising, encouraging buying.
- **CAMELs rating system:** An international bank-rating system where bank supervisory authorities rate institutions according to six factors. The six factors are represented by the acronym "CAMELS".
  C - Capital adequacy
  A - Asset quality
  M - Management quality
  E - Earnings
  L - Liquidity
  S - Sensitivity to Market Risk
- **Capital Adequacy Ratio:** It is the ratio of a bank's capital to its risk.
- **Capital Gain:** A profit from the sale of property or an investment.
- **Credit Rating Agencies of India:** An independent company that evaluates the financial condition of issuers of debt instruments.
- **Collateral:** Property that a borrower offers a lender to secure a loan.
- **CORE Banking Solution (CBS):** It is networking of branches, which enables Customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his account.
- **Coupon Frequency:** The yield paid by a fixed income security.
- **Debtor:** A person, country, or organization that owes money.
- **Derivative Instrument:** Financial instruments whose value is derived from the value of something else.
- **Demand Deposits:** A deposit of money that can be withdrawn without prior notice.
- **Earnings per Share (EPS):** The portion of a company's profit allocated to each outstanding share of common stock.
- **Earnings Yield:** The quotient of earnings per share divided by the share price.
- **Equity:** The value of an asset less the value of all liabilities on that asset.
- **Ex-dividend (XD):** A security which no longer carries the right to the most recently declared dividend.
- **Face Value:** The nominal value of a security stated by the issuer.

- **Forfeiting:** The purchasing of an exporter's receivables at a discount by paying cash.
- **Forgery:** It is the process of making, adapting, or imitating objects, statistics, or documents with the intent to deceive for the sake of altering the public perception.
- **Garnishee Order:** A legal procedure by which a creditor can collect what a debtor owes by reaching the debtor's property when it is in the hands of someone other than the debtor.
- **General Lien:** The right to take another's property if an obligation is not discharged.
- **Hedge:** An investment to reduce the risk of adverse price movements in an asset.
- **Hypothecation:** Refers to securities in a margin account that an investor uses as collateral to borrow funds from a brokerage.
- **Indemnity:** Security against a loss or other financial burden.
- **Initial Public Offering (IPO):** It is a type of public offering in which shares of a company usually are sold to institutional investors [1] that in turn, sell to the general public, on a securities exchange, for the first time.
- **Insolvent:** Insufficient to meet all debts, as an estate or fund.
- **Intrinsic Value:** A value which exists as part of something, such as the value of an option.
- **JHF (Joint Hindu Family) Account:** JHF is account of a firm whose business is carried out by Karta of the Joint family, acting for all the family members.
- **Joint Account:** Bank account in the name of two or more individuals who jointly share its concomitant rights and liabilities. Joint holders of an account are regarded in law as together making up the 'owner.'
- **Junk Bond:** The first sale of stock by a private company to the public.
- **Karta:** Karta means manager of joint family and joint family properties.
- **Kiosk Banking**: It is self-service solutions, allowing customers to service themselves with computer based touchscreen and making different sort of transactions.
- **KYC Norms:** The process of Banks verifying the identity of its clients.
- **Lease Financing:** A legal document outlining the terms under which one party agrees to rent property from another party.
- **Leverage Ratio:** Ratio that measures a company's leverage.
- **Libor:** The interest rate that the banks charge each other for loans.
- **Listing:** Reference of the Initial Public Offering Company's shares on the stock exchange for public trading.
- **Margin Call:** A broker's demand on an investor using margin to deposit additional money or securities so that the margin account is brought up to the minimum maintenance margin.
- **Mandate:** Written authorization by a person, group, or organization (the 'mandator') to another (the 'mandatary') to take a certain course of action.
- **Micro credit/micro finance:** The lending of small amounts of money at low interest to new businesses.
- **Moratorium:** The suspension of repayment of DEBT, or INTEREST, for a specified period of time.
- **Non-Performing Assets (NPA):** It is defined as a credit facility in for which the interest and/or installment of Bond finance principal has remained "past due" for a specified period of time.
- **Negotiation:** An act of transferring or assigning a money instrument from one person to another person in the course of business.
- **Non-Resident Accounts:** These are accounts maintained by Indian nationals and Persons of Indian origin resident abroad, foreign nationals and foreign companies in India.
- **Notary Public:** It is a public officer constituted by law to serve the public in non- contentious matters usually concerned with estates, deeds, powers-of-attorney, and foreign and international business.
- **Open Offer:** It is an exit route, which is given to the existing shareholders by the acquirer of shares through a public announcement.
- **Option:** A financial derivative that represents a contract sold by one party to another party.
- **Par Value:** The nominal value of a bond.
- **Personal Identification Number (PIN):** A number allocated to an individual and used to validate electronic transactions.

- **Pledge:** It's a kind of charge created when the lender (pledgee) takes actual possession of assets.
- **Power of Attorney:** It is a legal document that allows someone else to act on your behalf.
- **Portfolio:** Refers to any collection of financial assets such as cash.
- **Preference Shares:** It is a share which entitles the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividends.
- **Premium:** The amount of money that an individual or business must pay for an insurance policy.
- **Prime Lending Rate (PLR):** The interest rate charged by banks to their largest, most secure, and most creditworthy customers on short-term loans.
- **Privatization:** The transfer of ownership, property or business from the government to the private sector is termed privatization.
- **Provisioning:** Can be defined as loss in the profit and loss account while finalizing accounts of banks.
- **Relative Strength Index (RSI):** It is a technical indicator used in the analysis of financial markets.
- **Rights Issue:** An issue of shares offered at a special price by a company to its existing shareholders in proportion to their holding of old shares.
- **Rate of Return:** The gain/loss on an investment, expressed as a percentage increase over the initial investment cost, over a specified period.
- **Real Interest Rate:** An interest rate that is adjusted for inflation.
- **Self Help Groups (SHGs):** It is a village-based financial intermediary committee usually composed of 10–20 local women or men.
- **Speculation:** The act of trading in an asset, or conducting a financial transaction, expecting a substantial gain, but with a risk of losing most or all of the initial outlay
- **Stock Splits:** A corporate action in which a company/Bank divides its existing shares into multiple shares.
- **Substantial Shareholder:** A person, who acquires an interest in relevant share capital equal to, or exceeding, 10% of the share capital.
- **Teller:** A person employed to deal with customers' transactions in a bank.
- **Time Horizon:** The length of time over which an investment is made or held before it is liquidated.
- **Trust Deed:** A formal document which outlines the terms of a trust agreement.
- **Time Horizon:** The length of time over which an investment is made or held before it is liquidated.
- **Underwriting:** The process by which investment banks raise investment capital from investors on behalf of corporations and governments by issuing securities.
- **Underlying Security:** It is a financial instrument whose price is derived from a different asset.
- **Universal Banking:** A banking system in which banks provide a wide variety of financial services, including both commercial and investment services.
- **Valuation:** The process of determining the current worth of an asset or property.
- **Virtual Banking:** Handling all transactions of banks via the Web, e-mail, mobile check deposit and ATM machines.
- **Warrant:** Official guarantee by a bank.
- **Wholesale Banking:** Banking services between merchant banks and other financial institutions.
- **Window Dressing:** It refers to actions taken prior to issuing financial statements in order to improve the appearance of the financial statements.
- **Yield to Maturity:** It is the internal rate of return of an investment in a bond if the investor holds the bond until maturity and if all payments are made as scheduled.
- **Zero Coupon Bond:** A debt security that doesn't pay interest but is traded at a deep discount, rendering profit at maturity when the bond is redeemed for its full face value.