LIFE INSURANCE

INSURANCE → LIFE

INSURANCE → NON LIFE

INSURANCE → REINSURANCE

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

Smoking is HAZARD and LUNG cancer is a PERIL

Perils : Peril refers to specific events which might cause a loss.Perils are risk being insured against. Loss arising out of peril can be Loss of Life or Loss of Property

Hazard: Hazard is a condition that either increases the chance that a peril will happen or may cause its effects to be worse, if it does Hazards can be categorized as Physical Hazard and Moral Hazard.Physical Hazard refers to dimensions and physical characteristics of the risk.

- Moral Hazard refers to habits and activities of the individual that increases the risk

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

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

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

***<u>Insurable interest</u>**- is said to exist when an individual stands to gain or benefit from the continued existence or well-being of another individual(s) or property, and at the same time the individual would suffer a financial loss or inconvenience if there is damage to the other individual(s) or property.*

TYPES OF INSURANCE PLAN

Term insurance | Pure endowment | Endowment plan | Money back | ULIP

MICRO INSURANCE

□ Micro insurance products provide insurance protection to people in lower income group , such as self help group (SHG) members , farmers, rickshaw pullers etc.

□ Min premium Rs.15 (collected on a weekly basis).

□ The Minimum life insurance cover is Rs. 5000 & Maximum cover is Rs. 50,000 .

- **ETF** (Extended traded fund) -One UNIT= 1 grm or ½ grm (You have 50 UNIT ETF = you have 50-100grms GOLD)
- **RIDERS-** Max 30% of premium.
- **EMI**—40% of MONTHLY INCOME will be Your EMI.
- **LIEN:** Underwriter feels that risk associated with a person meight decrease over a time , in such cases ,underwriter accepts this proposal with LIEN.

  1^{st} yr—100% no claim
  2^{nd} ---80%
  3^{rd} ---60%
  4^{th}---40%
  5^{th}---20%
  6^{th}—100% claim paid

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

- **LOADIND:** Adjustment amount taken into account for expenses and profit of the insurer is known as loading.
- **NOMINATION—**
  a) No limit of nominee in PLOLICY
  b) Nomination can be changed any time**.**

LOOK IN period
- 3 year for traditional plan
- 5 years for ULIP

- **ASSIGNMENT (CAN NOT BE CHANGE)**
  a) ABSOLUTE
  b) CONDITIONAL
- **Pension –**
  a) Differed *(MAXIMUM 2/3 of your fund can be withdrawn)*
  b)Immediate
- **MWP** (Married Woman Act) (1874)

  Married Women's Property (MWP) Act 1874 provides that a life insurance policy that has been taken out by a married man on his own life, for the benefit of his wife and children, shall be deemed to be a trust and will be outside the control of the life insured, his creditors, court attachments etc.
  - Nominee –trustee
  - No assignment
- As per IRDA rule –Illustration as on Return on maturity should be shown 6% to 10% .
- Presumption of death—If policy holder is *Missing of 7 years,* he will be considered as death.
- Suicide of person –after 1yr –claim will be paid.

❖ **Agency LICENCE**- sec 45

(a) Valid 3yrs b)Training 50 hrs c)Fee Rs 250
(b) Renewal of licence 25 hrs
(c) Fee Rs250
(d) Before One month of expiry RS 250
(e) Within one month Rs350(100 rs fine)
(f) After the date of expiry Rs 1000

COPA-1986

MICRO INSURANCE-2005

INSURANCE ACT-1938

TRAINING INSTITUTES

<u>Free LOOK IN/COOLING Off</u>
- ✓ **Cancellation of Policy**
- ✓ **15 days of issuing of POL Document**

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

❖ **Pooling of risks :-** Separate pools will be maintained by insurance companies for:

- Life Insurance
- Car insurance
- Home Insurance and
- Travel insurance

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

y maintains different sets of pools for different risks.

AGE PROOF

STANDARD AGE PROOF DOCUMENTS	NON-STANDARD AGE PROOF DOCUMENTS
➢ School or college records ➢ Municipal recorsds made at the time of birth ➢ Passport ➢ Permanent Account Number (PAN) Card ➢ The service registers of the employer ➢ Baptism Certificate ➢ A certified extract from a family Bible, if it contains the date of birth ➢ Iidentity card of defence personnel, issued by the defence department	➢ A horoscope prepared at the time of birth ➢ A ration card ➢ Self decleration, Elder's declaration ➢ A certificate from the village panchayat

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

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

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

POLICY DOCUMENT

- ✓ It is the **evidence** of the contract between the insured and the insurance company. It is not the contract itself: if the policy document is lost by the policyholder, it does not affect the insurance contract. The insurance company will simply issue a duplicate policy without making any changes to the contract. The policy document has to be signed by a competent authority and should be stamped according to the **Indian Stamp Act.**
- ✓ The **heading** of the policy document contains the name and address of the company and its logo.
- ✓ The **preamble** of the policy states that the proposal and declaration signed by the proposer form the basis of the contract.
- ✓ The **operative clause** lays down the mutual obligations of the parties regarding: .
- ✓ The **proviso** of the policy states the general provisions relating to guaranteed surrender value, nomination, assignment and loans on security of the policy etc.
- ✓ The **schedule** gives all the essential particulars of the policy, such as:
    - The date of commencement of policy
    - The date the policy matures
    - The sum insured (when and how much the policy will pay)
    - The premium to be paid and their due dates
    - The nominee (if stated in the proposal from)
- ✓ The **attestation** confirms that the insurers have authenticated the policy document by signature. The attestation can be done by authorised officials of the insurance company.

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

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

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

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

CALCULATING PREMIUMS
The process of calculating the premium is as follows
1. Calculate the risk premium
2. Based on the risk premium, calculate the level premium
3. Deduct the expected interest on investments to calculate the net premium
4. Add the loadings
5. Arrive at the gross premium to be charged .

[Risk premium = Mortality rate X Sum insured]

{Net Premium=Premium - Interest earnings}

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

Simple revisionary bonus : This is paid out at the time of the claim or the maturity of the policy, or at any other time as specified by the insurance company

Compound revisionary bonus: Under this method the insurance company computes the annual bonus on a compound interest basis, i.e. the bonus is added to the sum insured and the next year's bonus is calculated on the enhanced amount.

Terminal bonus: This bonus is given by the insurance company as an incentive to the insured to continue with the company long-term until the end of the policy.

Interim bonus: Policies on which death claims are made or which mature between the two valuation dates also contribute to the surpluses, although this is disclosed only in the valuation made after their closure. As these policies have left the insurance company's books before the valuation date, they will not participate in the process of valuation.

Churning and product switching

- Repeatedly encouraging clients to switch policies or investments from one to another is known as Churning
- It is unethical practice and should be avoided.
- When Product switching is suitable. Where the switch is clearly in the client's best interest

Bank deposits

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

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

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

SAVINGS PRODUCTS
- Life insurance
- Bank deposits
- Mutual funds
- Shares
- Bonds
- Post office

INVESTMENT IN GOLD AND SILVER

- good returns
- portfolio diversification
- hedge (protection) against inflation
- insurance against uncertainties

POST OFFICE SAVINGS
- National savings certificate (NSC).
- Kisan vikas patra (KVP).
- Public provident fund (PPF).
- Post office savings account.
- Recurring deposit account.
- Time deposit account.
- Post office monthly income scheme (POMIS).
- Senior citizens saving scheme (SCSS

Different in RD and FD-
Payment of Interest

Similarity in RD and FD—
Guaranteed Return

SECTION 80C Under section 80C a deduction from taxable income is allowed for investments made in the following products:
- Life insurance premium paid for traditional products.
- Unit-linked insurance plans (ULIPs).
- Pension plans.
- Repayment of the principal component of home loan.
- Employee provident funds (EPFs)
- Equity linked saving schemes (ELSs).
- Tuition fees paid for children.
- Five-year tax saving bank deposits.
- Public provident funds (PPFs).
- National savings certificates (NSCs)
- Stamp duty and registration charges.
- Infrastructure bonds.
- Pension funds.
- Senior citizen savings schemes (SCSs).
- Post office time deposit – five years

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

Other Financial Product

HEALTH INSURANCE

Individual HI

Family floater HI

Group HI

FEATURES AND BENEFITS

Daily Hospitalisation cash benefit

Cashles Facility

Pricing

No claim bonus

Immidiate Care

INSURANCE RIDER

Accidendal death benefit

Term Rider

Critical illness Rider

Waiver Of premium

Benefits

Additional cover

Nominal cost

Customisation

Flexibility

Tax Benefit

PENSION PLAN

Immidiate annuity

Defered Annuity

Features Available

Life Annuity

Guaranteed Annuity

Joint Life (last survivor annuity)

Life Annuity with return of purchase price

Identify Client Need

Prospective Client:

Any individual ,who have any financial need is a prospective client .One who have various need which they themselves may not be aware.

Need → Real Need

Need → Perceived Need

The need to

- Provide sufficient funds for dependents in case of premature death
- Built contingency fund
- Save fund for children education
- Any other requirement may arise time to time

LIFE STAGE OF CLIENT

Childhood---Young Unmarried---Young Married—Young Married with Child-Young Married with Older Child—Pre-Retd--Retd

With Dependent without dependent Double income family Single income family

Factors that affect *LIFE STAGE OF CLIENT*

Age –Marital status and dependent-<u>Employment</u>-People with Short Career –Unemployed-Health Issue-Divorcee or separation

Public sector

Gratuity,pension and Mediclaim

Private sector

Self employed

3 essentials skill that every Insurance Agent must have → Communication skill

→ Question skill → Open ended / Close ended

→ Listening skill

Fact finding and financial planning

Fact Finding: It is first step of Financial planning.It is a process to identify a client's need,quqntify them and priorities them based on the resources available .

Objective of Fact finding

(1) Identify the need (2)Gathering client data (3)Analysing Cash flow (4)Provide anticipated changes

Using a fact finding

MPL-Maximum possible loss
AMC-Asset Management Company
ACR-Agent Confidential Report
KYC-Know Your Client
IRDA-Insurance Regulatory Development authority
IGMS-Integrated Grievance Management System

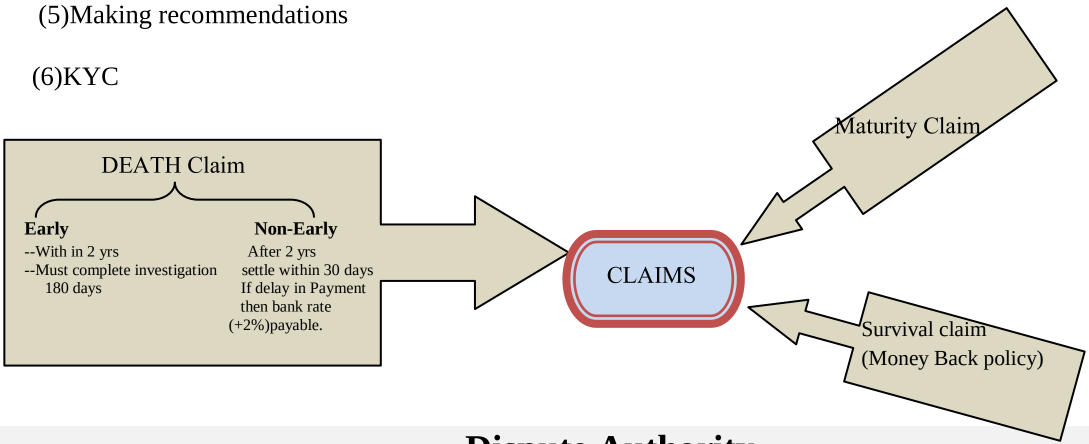
(1)Structured interview
(2)Fact finding forms
- Personal details
- Family details
- Employed details
- Financial details
- Monthly income-expenditure details
- Financial planning objective

(3)Assessment and analysis

(4) Applying product feature and benefits

(5)Making recommendations

(6)KYC



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

OMBUDSMAN	CONSUMER PROTECTION ACT 1986(COPA)	CIVIL COURT
▪ Limit upto 20 lac ▪ Result in 3months or 180 days ▪ Insurer will get reward if decision comes within 15 days ▪ Customer can put complain after 30 days of receiving decision latter.	▪ District level upto 20 lac(Mumbai) ▪ State level -1 cr (Maharastra) ▪ National level-above 1 cr(India)	

- Share price increase---Interest Rate decrease
- FDI in INDIA----26%