

# IC-38 -ENGLISH STUDY MATERIAL

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## **CHAPTER - 1**

### **INTRODUCTION TO INSURANCE**

#### **Chapter Introduction**

This chapter aims to introduce the basics of insurance, trace its evolution and how it works. You will also learn how insurance provides protection against economic losses arising as a result of unforeseen events and serves as an instrument of risk transfer.

#### **Learning Outcomes**




- A. Life insurance - History and evolution
- B. How insurance works
- C. Risk management techniques
- D. Insurance as a tool for managing risk
- E. Role of insurance in society

#### **Summary**

- ✓ Insurance is risk transfer through risk pooling.
- ✓ The origin of commercial insurance business as practiced today is traced to the Lloyd's Coffee House in London
- ✓ An insurance arrangement involves the following entities like:
  - Asset
  - Risk,
  - Peril,
  - Contract
  - Insurer and Insured

When persons having similar assets exposed to similar risks contribute into a common pool of funds it is known as pooling.
- ✓ Apart from insurance, other risk management techniques include
  - Risk avoidance
  - Risk control
  - Risk retention
  - Risk financing and
  - Risk transfer

✓ The thumb rules of insurance are:

-  Don't risk more than you can afford to lose,
-  Consider the likely outcomes of the risk carefully and
-  Don't risk a lot for a little

### **Key Terms**

1. Risk
2. Pooling
3. Asset
4. Burden of risk
5. Risk avoidance
6. Risk control
7. Risk retention
8. Risk financing
9. Risk transfer

### **Model- Question & Answers**

(1) Which among the following is the regulator for the insurance industry in India?

I. Insurance Authority of India

**II. Insurance Regulatory and Development Authority**

III. Life Insurance Corporation of India

IV. General Insurance Corporation of India

(2) Which among the following is a secondary burden of risk?

I. Business interruption cost

II. Goods damaged cost

**III. Setting aside reserves as a provision for meeting potential losses in the future**

IV. Hospitalisation costs as a result of heart attack

(3) Which among the following is a method of risk transfer?

I. Bank FD

**II. Insurance**

III. Equity shares

IV. Real estate

(4) Which among the following scenarios warrants insurance?

**I. The sole bread winner of a family might die untimely**

II. A person may lose his wallet

III. Stock prices may fall drastically

IV. A house may lose value due to natural wear and tear

(5) Which of the below insurance scheme is run by an insurer and not sponsored by the Government?

I. Employees State Insurance Corporation    II. Crop Insurance Scheme

**III. Jan Arogya**

IV. All of the above

(6) Risk transfer through risk pooling is called \_\_\_\_\_.

I. Savings

II. Investments

**III. Insurance**

IV. Risk mitigation

(7) The measures to reduce chances of occurrence of risk are known as \_\_\_\_.

I. Risk retention

**II. Loss prevention**

III. Risk transfer

IV. Risk avoidance

(8) By transferring risk to insurer, it becomes possible \_\_\_\_\_.

I. To become careless about our assets

II. To make money from insurance in the event of a loss III.

To ignore the potential risks facing our assets

**IV. To enjoy peace of mind and plan one's business more effectively**

(9) Origins of modern insurance business can be traced to \_\_\_\_\_.

I. Bottomry

**II. Lloyds**

III. Rhodes

IV. Malhotra Committee

(10) In insurance context 'risk retention' indicates a situation where \_\_\_\_.

I. Possibility of loss or damage is not there

II. Loss producing event has no value

III. Property is covered by insurance

**IV. One decides to bear the risk and its effects**

(11) Which of the following statement is true?

I. Insurance protects the asset

II. Insurance prevents its loss

III. Insurance reduces possibilities of loss

**IV. Insurance pays when there is loss of asse**



## **CHAPTER 2**

### **WHAT LIFE INSURANCE INVOLVES**

#### **Chapter Introduction**

Insurance involves four aspects

- ❖ An asset
- ❖ The risk insured against
- 9 The principle of pooling
- 9 The contract

Let us now examine the features of life insurance. This chapter will take a brief look at the various components of life insurance mentioned above.

#### **Learning Outcomes**

A. Life insurance business -Components, human life value, mutuality

#### **Summary**

Asset is a kind of property that yields value or a return.

The HLV concept considers human life as a kind of property or asset that earns an income. It thus measures the value of human life based on an individual's expected net future earnings. The level premium is a premium fixed such that it does not increase with age but remains constant throughout the contract period.

Mutuality is one of the important ways to reduce risk in financial markets, the other being diversification.

The element of guarantee in a life insurance contract implies that life insurance is subject to stringent regulation and strict supervision.

#### **Key Terms**

1. Asset
2. Human Life Value
3. Level premium
4. Mutuality
5. Diversification

**Model- Question & Answers**

(1) How does diversification reduce risks in financial markets?

I. Collecting funds from multiple sources and investing them in one place **II.**

**Investing funds across various asset classes**

III. Maintaining time difference between investments IV.

Investing in safe assets

(2) Which of the below is not an element of the life insurance business?

I. Asset

II. Risk

III. Principle of mutuality

**IV. Subsidy**

(3) Who devised the concept of HLV?

I. Dr. Martin Luther King

II. Warren Buffet

**III. Prof. Hubener**

IV. George Soros

(4) Which of the below mentioned insurance plans has the least or no amount of savings element?

**I. Term insurance plan**

II. Endowment plan

III. Whole life plan

IV. Money back plan

(5) Which among the following cannot be termed as an asset?

- I. Car
- II. Human Life
- III. Air**
- IV. House

(6) Which of the below cannot be categorized under risks?

- I. Dying too young
- II. Dying too early
- III. Natural wear and tear**
- IV. Living with disability

(7) Which of the below statement is true?

- I. Life insurance policies are contracts of indemnity while general insurance policies are contracts of assurance
- II. Life insurance policies are contracts of assurance while general insurance policies are contracts of indemnity**
- III. In case of general insurance the risk event protected against is certain
- IV. The certainty of risk event in case of general insurance increases with time

(8) Which among the following methods is a traditional method that can help determine the insurance needed by an individual?

- I. Human Economic Value
- II. Life Term Proposition
- III. Human Life Value**
- IV. Future Life Value

(9) Which of the below is the most appropriate explanation for the fact that young people are charged lesser life insurance premium as compared to old people?

I. Young people are mostly dependant

II. Old people can afford to pay more

**III. Mortality is related to age**

IV. Mortality is inversely related to age

(10) Which of the below is not an advantage of cash value insurance contracts?

I. Safe and secure investment

II. Inculcates saving discipline

**III. Lower yields**

IV. Income tax advantages

(11) Which of the below is an advantage of cash value insurance contracts?

I. Returns subject to corroding effect of inflation

II. Low accumulation in earlier years

III. Lower yields

**IV. Secure investment**

## **CHAPTER 3**

# **LEGAL PRINCIPLES OF LIFE INSURANCE**

### **Chapter Introduction**

In this chapter, we discuss the elements that govern the working of a life insurance contract. The chapter also deals with the special features of a life insurance contract.

### **Learning Outcomes**

A. Insurance contracts - Legal aspects and special features

### **Summary**

Insurance involves a contractual agreement in which the insurer agrees to provide financial protection against specified risks for a price or consideration known as the premium.

A contract is an agreement between parties, enforceable at law.

The elements of a valid contract include:

Offer and acceptance  
Consideration,  
Consensus ad-idem, Free consent  
Capacity of the parties and Legality of the object

The special features of insurance contracts include:

Uberrima fides, Insurable interest, Proximate cause

### **Key Terms**

1. Offer and acceptance
2. Lawful consideration
3. Consensus ad idem
4. Uberrima fides
5. Material facts
6. Insurable interest
7. Proximate cause

### Model- Question & Answers

(1) Which among the following is an example of coercion?

I. Ramesh signs a contract without having knowledge of the fine print

**II. Ramesh threatens to kill Mahesh if he does not sign the contract**

III. Ramesh uses his professional standing to get Mahesh to sign a contract

IV. Ramesh provides false information to get Mahesh to sign a contract

(2) Which among the following options cannot be insured by Ramesh?

I. Ramesh's house

II. Ramesh's spouse

**III. Ramesh's friend**

IV. Ramesh's parents

(3) Which element of a valid contract deals with premium?

I. Offer and acceptance

**II. Consideration**

III. Free consent

IV. Capacity of parties to contract

(4) \_\_\_\_\_ relates to inaccurate statements, which are made without any Fraudulent intention.

**I. Misrepresentation**

II. Contribution

III. Offer

IV. Representation

(5) \_\_\_\_\_ involves pressure applied through criminal means.

I. Fraud

II. Undue influence

**III. Coercion**

IV. Mistake

(6) Which among the following is true regarding life insurance contracts?

I. They are verbal contracts not legally enforceable

II. They are verbal which are legally enforceable

**III. They are contracts between two parties (insurer and insured) as per requirements of Indian Contract Act, 1872**

IV. They are similar to wager contracts

(7) Which of the below is not a valid consideration for a contract?

I. Money

II. Property

**III. Bribe**

IV. Jewelry

(8) Which of the below party is not eligible to enter into a life insurance contract?

I. Business owner

**II. Minor**

III. House wife

IV. Government employee

(9) Which of the below action showcases the principle of “Uberrima Fides”?

I. Lying about known medical conditions on an insurance proposal form II.

Not revealing known material facts on an insurance proposal form **III.**

**Disclosing known material facts on an insurance proposal form** IV. Paying premium on time

(10) Which of the below is not correct with regards to insurable interest?

I. Father taking out insurance policy on his son

II. Spouses taking out insurance on one another

**III. Friends taking out insurance on one another**

IV. Employer taking out insurance on employees

(11) When is it essential for insurable interest to be present in case of life insurance?

**I. At the time of taking out insurance**

II. At the time of claim

III. Insurable interest is not required in case of life insurance

IV. Either at time of policy purchase or at the time of claim

(12) Find out the proximate cause for death in the following scenario?

Ajay falls off a horse and breaks his back. He lies there in a pool of water and Contracts pneumonia. He is admitted to the hospital and dies because of Pneumonia.

I. Pneumonia

II. Broken back

**III. Falling off a horse**

IV. Surgery

## **CHAPTER 4**

### **FINANCIAL PLANNING**

#### **Chapter Introduction**

In previous chapters we discussed what life insurance involves and its role in providing financial protection. Security is but one of the concerns of individuals who seek to allocate their income and wealth to meet various needs of the present and the future. Life insurance must thus be understood in the wider context of "Personal Financial Planning". The purpose of this chapter is to introduce the subject of financial planning.

#### **Learning Outcomes**

- A. Financial planning and the individual life cycle
- B. Role of financial planning
- C. Financial planning - Types

#### **Summary**

Financial planning is a process of:

Identifying one's life's goals,

Translating these identified goals into financial goals and

Managing one's finances in ways that will help one to achieve those goals

Based on the individual life cycle three types of financial products are needed. These help in:

Enabling future transactions, 9 Meeting contingencies and 9 Wealth accumulation

The need for financial planning is further increased by the changing societal dynamics like disintegration of the joint family, multiple investment choices that are available today and changing lifestyles etc.

The best time to start financial planning is right after one receives the first salary.

Financial planning advisory services include:

Cash planning,

Investment planning, 9 Insurance planning, 9 Retirement planning, 9 Estate planning and 9 Tax planning

### **Key Terms**

1. Financial planning
2. Life stages
3. Risk profile
4. Cash planning
5. Investment planning
6. Insurance planning
7. Retirement planning
8. Estate planning
9. Tax planning

### **Model- Question & Answers**

(1) Which among the following would you recommend in order to seek protection against unforeseen events?

- |              |   |
|--------------|---|
| I. Insurance | II. Transactional products like bank FD's |
| III. Shares  | IV. Debentures                            |

(2) When is the best time to start financial planning?

- |                     |  |
|---------------------|--|
| I. Post retirement  | II. As soon as one gets his first salary |
| III. After marriage | IV. Only after one gets rich             |

(3) Which among the following is not an objective of tax planning?

- |   |      |
|---|------|
| I. Maximum tax benefit                                    | III. |
| II. Reduced tax burden as a result of prudent investments |      |

#### **Tax evasion**

- |                                  |
|----------------------------------|
| IV. Full advantage of tax breaks |
|----------------------------------|

(4) An individual with an aggressive risk profile is likely to follow wealth \_\_\_\_\_ investment style.

I. Consolidation

II. Gifting

**III. Accumulation**

IV. Spending

(5) Which among the following is a wealth accumulation product?

I. Bank Loans

**II. Shares**

III. Term Insurance Policy

IV. Savings Bank Account

(6) Savings can be considered as a composite of two decisions. Choose them from the list below.

I. Risk retention and reduced consumption

II. Gifting and accumulation

III. Spending and accumulation

**IV. Postponement of consumption and parting with liquidity**

(7) During which stage of life will an individual appreciate past savings the most?

**I. Post retirement**

II. Earner

III. Learner

IV. Just married

(8) What is the relation between investment horizon and returns?

I. Both are not related at all

**II. Greater the investment horizon the larger the returns**

III. Greater the investment horizon the smaller the returns

IV. Greater the investment horizon more tax on the returns

(9) Which among the following can be categorized under transactional products?

**I. Bank deposits**

II. Life insurance

III. Shares

IV. Bonds

(10) Which among the following can be categorized under contingency products?

I. Bank deposits

**II. Life insurance**

III. Shares

IV. Bonds

(11) Which of the below can be categorized under wealth accumulation products?

- I. Bank deposits
- II. Life insurance
- III. General insurance
- IV. Shares

(12) \_\_\_\_\_ is a rise in the general level of prices of goods and services in an economy over a period of time.

- I. Deflation
- II. Inflation
- III. Stagflation
- IV. Hyperinflation

(13) Which of the below is not a strategy to maximize discretionary income?

- I. Debt restructuring
- II. Loan transfer
- III. Investment restructuring
- IV. Insurance purchase

## **CHAPTER 5**

### **LIFE INSURANCE PRODUCTS - I**

#### **Chapter Introduction**

The chapter introduces you to the world of life insurance products. It begins by talking about products in general and then proceeds to discussing the need for life insurance products and the role they play in achieving various life goals. Finally we look at some traditional life insurance products.

#### **Learning Outcomes**

- A. Overview of life insurance products
- B. Traditional life insurance products

#### **Summary**

Life insurance products offer protection against the loss of economic value of an individual's productive abilities, which is available to his dependents or to the self.

A life insurance policy, at its core, provides peace of mind and protection to the near and dear ones of the individual in case something unfortunate happens to him.



(4) The \_\_\_\_\_ the premium paid by you towards your life insurance, the \_\_\_\_\_ will be the compensation paid to the beneficiary in the event of your death.

- I. Higher, Higher
- II. Lower, Higher
- III. Higher, Lower
- IV. Faster, Slower

(5) Which of the below option is correct with regards to a term insurance plan?

- I. Term insurance plans come with life-long renewability option
- II. All term insurance plans come with a built-in disability rider
- III. Term insurance can be bought as a stand-alone policy as well as a rider with another policy**
- IV. There is no provision in a term insurance plans to convert it into a whole life insurance plan

(6) In decreasing-term insurance, the premiums paid \_\_\_\_\_ over time.

- I. Increase
- II. Decrease
- III. Remain constant**
- IV. Are returned

(7) Using the conversion option present in a term policy you can convert the same to \_\_\_\_\_.

- I. Whole life policy**
- II. Mortgage policy
- III. Bank FD
- IV. Decreasing term policy

(8) What is the primary purpose of a life insurance product?

- I. Tax rebates
- II. Safe Investment Avenue
- III. Protection against the loss of economic value of an individual's productive abilities**
- IV. Wealth accumulation

(9) Who among the following is best advised to purchase a term plan?

- I. An individual who needs money at the end of insurance term
- II. An individual who needs insurance and has a high budget
- III. An individual who needs insurance but has a low budget**
- IV. An individual who needs an insurance product that gives high returns

(10) Which of the below statement is incorrect with regards to decreasing term assurance?

- I. Death benefit amount decreases with the term of coverage
- II. Premium amount decreases with the term of coverage**
- III. Premium remains level throughout the term
- IV. Mortgage redemption plans are an example of decreasing term assurance Plans

(11) Which of the below statement is correct with regards to endowment assurance plan?

- I. It has a death benefit component only
- II. It has a survival benefit component only
- III. It has both a death benefit as well as a survival component**
- IV. It is similar to a term plan

(12) Which of the below is an example of an endowment assurance plan?

- I. Mortgage Redemption Plan
- II. Credit Life Insurance Plan
- III. Money Back Plan**
- IV. Whole Life Plan

## **CHAPTER 6**

### **LIFE INSURANCE PRODUCTS - II**

#### **Chapter Introduction**

The chapter introduces you to the world of non-traditional life insurance products. We start by examining the limitations of traditional life insurance products and then have a look at the appeal of non-traditional life insurance products. Finally we look at some of the different types of non-traditional life insurance products available in the market.

#### **Learning Outcomes**

- A. Overview of non-traditional life insurance products
- B. Non-traditional life insurance products

#### **Summary**

A critical point of concern with respect to life insurance policies has been the issue of giving a competitive rate of return which is comparable to that of other assets in the financial marketplace.

Some of the trends that led to the upswing in non-traditional life products include unbundling, investment linkage and transparency.

Universal life insurance is a form of permanent life insurance characterised by its flexible premiums, flexible face amount and death benefit amounts, and the unbundling of its pricing factors.

Variable life insurance is a kind of "Whole Life" policy where death benefit and cash value of the policy fluctuates according to the investment performance of a special investment account into which premiums are credited.

Unit linked plans, also known as ULIP's emerged as one of the most popular and significant products, supplanting traditional plans in many markets.

Unit linked policies provide the means for directly and immediately cashing on the benefits of a life insurer's investment performance.

#### **Key Terms**

- |                             |                            |
|-----------------------------|----------------------------|
| 1. Universal life insurance | 2. Variable life insurance |
| 3. Unit linked insurance    | 4. Net asset value         |

### Model- Question & Answers

1. What does inter-temporal allocation of resources refer to?

I. Postponing allocation of resources until the time is right

#### II. Allocation of resources over time

III. Temporary allocation of resources

IV. Diversification of resource allocation

2. Which among the following is a limitation of traditional life insurance products?

I. Yields on these policies is high

II. Clear and visible method of arriving at surrender value III.

Well defined cash and savings value component

#### IV. Rate of return is not easy to ascertain

3. Where was the Universal Life Policy introduced first?

I. USA

II. Great Britain

III. Germany

IV. France

4. Who among the following is most likely to buy variable life insurance?

I. People seeking fixed return

II. People who are risk averse and do not dabble in equity

#### III. Knowledgeable people comfortable with equity

IV. Young people in general

5. Which of the below statement is true regarding ULIP's?

I. Value of the units is determined by a formula fixed in advance II.

Investment risk is borne by the insurer

#### III. ULIP's are opaque with regards to their term, expenses and savings

components

IV. ULIP's are bundled products

**6.** All of the following are characteristics of variable life insurance EXCEPT:

**I. Flexible premium payments**

II. Cash value is not guaranteed

III. Policy owner selects where savings reserve is invested IV.

Minimum Death benefit is guaranteed

**7.** Which of the below is correct with regards to universal life insurance?

Statement I: It allows policy owner to vary payments

Statement II: Policy owner can earn market based rate of return on cash value

I. I is true

II. II is true

**III. I and II are true**

IV. I and II are false

**8.** All of the following is true regarding ULIP's EXCEPT:

I. Unit holder can choose between different kind of funds

**II. Life insurer provides guarantee for unit values**

III. Units may be purchased by payment of a single premium or via regular premium payments.

IV. ULIP policy structure is transparent with regards to the insurance expenses component

**9.** As per IRDA norms, an insurance company can provide which of the below nontraditional savings life insurance products are permitted in India?

Choice I: Unit Linked Insurance Plans

Choice II: Variable Insurance Plans

I. I only

II. II only

**III. I and II both**

IV. Neither I nor II

**10.**What does unbundling of life insurance products refers to?

- I. Correlation of life insurance products with bonds
- II. Correlation of life insurance products with equities
- III. Amalgamation of protection and savings element

**IV. Separation of the protection and savings element**

**11.**Which among the following is a non-traditional life insurance product?

- I. Term assurance

**II. Universal life insurance**

- III. Endowment insurance
- IV. Whole life insurance

**12.** Which of the below statement is incorrect?

**I. Variable life insurance is a temporary life insurance policy**

- II. Variable life insurance is a permanent life insurance policy
- III. The policy has a cash value account
- IV. The policy provides a minimum death benefit guarantee

## **CHAPTER 7**

### **PENSION AND ANNUITIES**

#### **Chapter Introduction**

This chapter discusses a product that addresses basic life contingencies but is different from other life insurance products that cover mortality risk. It also takes you briefly into another line of insurance which is different from individual insurance, namely group insurance.

#### Learning Outcomes

- A. Types of pension
- B. Classification of annuities
- C. Pensions - The value proposition

#### **Summary**

Pensions may be said to represent the flip side of life insurance. They provide protection against the financial consequences that may arise when the individual lives too long and thus outlives one's financial resources.

There are three types of pension schemes in existence today i.e. public pensions, occupational pensions and personal pensions.

Public pension schemes are publicly managed with mandatory membership and are typically funded on a 'Pay As You Go' (PAYG) basis.

Occupational pensions have been set up by employers for their employees, with contributions from both employers and employees.

A personal pension is typically offered and purchased in the form of an annuity contract between the insurance company or other pension provider and an annuitant.

Annuities can be classified on the basis of how the annuity is purchased, how often the annuity is paid, when the annuity payment is due or length of the payout period and whether the annuity amount is fixed or variable.

The contingencies that can be met using pension include longevity risk, inflation, investment risk and replacement income risk.



4.Amount of annuity payable is inversely related to which of the following:

**1. Principal sum of money**

**2. Investment period**

**3. Rate of return**

**4. Duration of annuity payments**

I. 1 only

II. 2 only

III. 3 only

**IV. 4 only**

5.What is the basic contingency associated with pensions?

I. Mortality

II. Morbidity

**III. Post-retirement income security**

IV. Disability

6.Which of the below best describes an ordinary annuity?

I. Equal cash flows at equal time intervals forever

**II. Equal cash flows at equal time intervals for a specific time period**

III. Lumpy cash flows at equal time intervals forever

IV. Lumpy cash flows at equal time intervals for a specific time period

7.From the choices mentioned below, select the one that cannot be categorised as an annuity.

I. Rs. 2000 received today, Rs. 2000 received next year and Rs. 2000 received in 2 years

**II. Electricity Bill**

III. Car payments

IV. Mortgage payments

8.In an ordinary annuity, payments are made or received \_\_\_\_\_ of each period.

I. At the beginning

**II. At the end**

III. On maturity

IV. 6 months before expiry



## **CHAPTER 8**

### **HEALTH INSURANCE**

#### **Chapter Introduction**

The chapter introduces you to health insurance concepts in general and the various health insurance policies available in the market. The chapter explains domiciliary hospitalisation, family floater policies and group health insurance policies.

#### **Learning Outcomes**

- A. Concepts related to health insurance
- B. Benefits and expenses under health policies
- C. Terminology connected with health insurance
- D. Processes involved in an health insurance claim settlement.

#### **Summary**

Health insurance can simply be defined as a contract between the insurer & the insured wherein the insurer agrees to pay hospitalization expenses to the extent of an agreed sum assured in the event of any medical treatment arising out of an illness or an injury.

A health insurance policy generally covers the basic costs in case of hospitalization due to any accidents/diseases/ illnesses which do not form a part of the permanent exclusions of the policy.

Family floater policy is another version of a health insurance policy. Here, the sum insured floats among the family members.

Cashless facility means a facility extended by the insurer to the insured where the payments, of the costs of treatment undergone by the insured in accordance with the policy terms and conditions, are directly made to the network provider by the insurer to the extent pre-authorization approved.

Group health insurance policy is available to groups/ associations/ institutions/ corporate bodies, provided they have a central administration point and are subject to a minimum number of persons to be covered.

## Key Terms

1. Standalone health insurance companies
2. Domiciliary hospitalization
3. Third party administrators (TPA's)
4. Pre-existing diseases (PED's)
5. Family floater policy
6. Cashless facility

## Model- Question & Answers

1. IRDA stands for \_\_\_\_\_.

I. International Regulatory & Development Authority

II. Indian Regulatory & Development Authority

**III. Insurance Regulatory & Development Authority**

IV. Income Regulatory & Development Authority

2. The term TPA refers to \_\_\_\_\_.

(Answer with regards to health insurance)

I. The Primary Associate

II. To Provide Assistance

**III. Third Party Administrator**

IV. Third Party Assistance

3. Which of the below group would not be eligible for a group health insurance policy?

I. Employees of a company

II. Credit card holders of an organization

III. Professional association members

**IV. Group of unrelated individuals formed for the purpose of availing group health insurance**

4. Who cannot be covered under a family floater policy?

- I. Children
- II. Spouse
- III. Parents-in-law
- IV. Maternal uncle

5. As per IRDA regulations issued in February 2013, what is the grace period allowed beyond the expiry date of the policy, for renewal?

- I. 15 days
- II. 30 days
- III. 45 days
- IV. 60 days

6. Identify the form of insurance that is depicted in the following Scenario: Patient pays the health provider and is subsequently reimbursed by the health insurance company.

- I. Service Benefit
- II. Direct contracting
- III. Indemnity
- IV. Casualty

7. Moral hazard by health insurance companies can result in \_\_\_\_\_.

- I. Community rating
- II. Adverse selection
- III. Abuse of health insurance
- IV. Risk pooling

8. Primary care can be described as \_\_\_\_\_.

- I. Care provided to patient in an acute setting
- II. Care provided in hospitals

III. First point of contact for people seeking healthcare

IV. Care provided by Doctors

9. \_\_\_\_\_ is an insured who undergoes treatment after getting admitted in a hospital.

- I. Inpatient
- II. Outpatient
- III. Day patient
- IV. House patient

10. \_\_\_\_\_ refers to a hospital/health care provider enlisted by an insurer to provide medical services to an insured on payment by a cashless facility.

- I. Day care Centre
- II. Network provider
- III. Third Party Administrator
- IV. Domiciliary

11. Health insurance is designed to handle which of the following risks?

- I. Mortality
- II. Morbidity
- III. Infinity
- IV. Serendipity

## **CHAPTER 9**

### **APPLICATIONS OF LIFE INSURANCE**

#### **Chapter Introduction**

Life insurance does not merely seek to protect individuals from premature death. It has other applications as well. It can be applied to the creation of trusts with resultant insurance benefits; it can be applied for creating a policy covering key personnel of industries and also for redeeming mortgages. We shall briefly describe these various applications of life insurance.

#### **Learning Outcomes**

A. Applications of life insurance

#### **Summary**

Section 6 of the Married Women's Property Act, 1874 provides for security of benefits under a life insurance policy to the wife and child ren.

The policy effected under MWP Act shall be beyond the control of court attachments, creditors and even the life assured.

Keyman insurance is an important form of business insurance. It can be described as an insurance policy taken out by a business to compensate at for financial losses that would arise from the death or extended capacity of an important member of the business.

Mortgage redemption insurance is basically a decreasing term life insurance policy taken by a mortgagor to repay the balance on a mortgage loan if he/she dies before its full repayment.

#### **Key Terms**

1. Married Women's Property Act
2. Key man insurance

### Model- Question & Answers

1. The sum assured under keyman insurance policy is generally linked to which of the following?

- |                       |                                   |
|-----------------------|-----------------------------------|
| I. Keyman income      | <b>II. Business profitability</b> |
| III. Business history | IV. Inflation index               |

2. Mortgage redemption insurance (MRI) can be categorized under \_\_\_\_\_.

- |                                   |   |
|-----------------------------------|---|
| I. Increasing term life assurance | <b>II. Decreasing term life assurance</b> |
| III. Variable life assurance      | IV. Universal life assurance              |

3. Which of the below losses are covered under keyman insurance?

- I. Property theft
- II. Losses related to the extended period when a key person is unable to work**
- III. General liability
- IV. Losses caused due to errors and omission

4. A policy is affected under the MWP Act. If the policyholder does not appoint a special trustee to receive and administer the benefits under the policy, the sum

Secured under the policy becomes payable to the \_\_\_\_\_.

- |                |  |
|----------------|--|
| I. Next of kin | <b>II. Official Trustee of the State</b> |
| III. Insurer   | IV. Insured                              |

5. Mahesh ran a business on borrowed capital. After his sudden demise, all the creditors are doing their best to go after Mahesh's assets. Which of the below assets is beyond the reach of the creditors?

- I. Property under Mahesh's name
- II. Mahesh's bank accounts
- III. Term life insurance policy purchased under Section 6 of MWP Act**
- IV. Mutual funds owned by Mahesh

6. Which of the below option is true with regards to MWP Act cases?

Statement I: Maturity claims cheques are paid to policyholders

Statement II: Maturity claims cheques are paid to trustees

- I. I is true II. **II is true**  
 III. Both I and II are true IV. Neither I nor II is true

7. Which of the below option is true with regards to MWP act cases?

Statement I: Death claims are settled in favor of nominees

Statement II: Death claims are settled in favor of trustees

- I. I is true **II. II is true**  
 III. Both I and II are true IV. Neither I nor II is true

8. Ajay pays insurance premium for his employees. Which of the below insurance premium will not be treated deductible as compensation paid to employee?

Choice I: Health insurance with benefits payable to employee

Choice II: Keyman life insurance with benefits payable to Ajay

- I. I only **II. II only**  
 III. Both I and II IV. Neither I nor II

9. The practice of charging interest to borrowers who pledge their property as collateral but leaving them in possession of the property is called\_\_\_\_\_.

- I. Security **II. Mortgage**  
 III. Usury IV. Hypothecation

10. Which of the below policy can provide protection to home loan borrowers?

- I. Life Insurance II. Disability Insurance  
**III. Mortgage Redemption Insurance** IV. General Insurance

11. What is the objective behind Mortgage Redemption Insurance?

- I. Facilitate cheaper mortgage rates  
**II. Provide financial protection for home loan borrowers** III.  
 Protect value of the mortgaged property  
 IV. Evade eviction in case of default

## **CHAPTER 10**

### **PRICING AND VALUATION IN LIFE INSURANCE**

#### **Chapter Introduction**

The objective of this chapter is to introduce to the learner the basic elements that are involved in the pricing and benefits of life insurance contracts. We shall first discuss the elements that constitute the premium and then discuss the concept of surplus and bonus.

#### **Learning Outcomes**

- A. Insurance pricing - basic elements
- B. Surplus and bonus

#### **Summary**

In ordinary language, the term premium denotes the price that is paid by an insured for purchasing an insurance policy.

The process of setting the premium for life insurance policies involves consideration of mortality, interests, expense management and reserves.

Gross premium is the net premium plus an amount called loading.

A lapse means that the policyholder discontinues payment of premiums. In case of withdrawals, the policyholder surrenders the policy and receives an amount from the policy's acquired cash value.

Surplus arises as a result of the life insurer's actual experience being better than what it had assumed.

Surplus allocation could be towards maintaining solvency requirements, increasing free assets etc.

The most common form of bonus is the reversionary bonus.

#### **Key Terms**

- |                       |            |
|-----------------------|------------|
| 1. Premium            | 2. Rebate  |
| 3. Bonus              | 4. Surplus |
| 5. Reserve            | 6. Loading |
| 7. Reversionary bonus |            |

### Model- Question & Answers

**1.** What does the term “premium” denote in relation to an insurance policy?

I. Profit earned by the insurer

**II. Price paid by an insured for purchasing the policy**

III. Margins of an insurer on a policy

IV. Expenses incurred by an insurer on a policy

**2.** Which of the below is not a factor in determining life insurance premium?

I. Mortality

**II. Rebate**

III. Reserves

IV. Management expenses

**3.** What is a policy withdrawal?

I. Discontinuation of premium payment by policyholder

**II. Surrender of policy in return for acquired surrender value**

III. Policy upgrade

IV. Policy downgrade

**4.** Which of the below is one of the ways of defining surplus?

I. Excessive liabilities

II. Excessive turnover

III. Excess value of liabilities over assets

**IV. Excess value of assets over liabilities**

**5.** Which of the below is not a component of ULIP premiums?

I. Policy allocation charge

II. Investment risk premium

III. Mortality charge

**IV. Social security charge**

**6.** Life insurance companies may offer rebate to the buyer on the premium that is payable on the basis of \_\_\_\_\_.

**I. Sum assured chosen by the buyer**

II. Type of policy chosen by the buyer

III. Term of the plan chosen by the buyer

IV. Mode of payment (cash, cheques, card) chosen by the buyer

**7.** Interest rates are one of the important components used while determining the premium. Which of the below statement is correct with regards to interest rates?

- I. Lower the interest rate assumed, lower the premium
- II. Higher the interest rate assumed, higher the premium

**III. Higher the interest rate assumed, lower the premium**

- IV. The interest rates don't affect premiums

**8.** Which of the below statement is correct?

**I. The typical loading to a net premium would have 3 parts:**

- a) a constant Amount for premiums
- b) a constant amount for each '1000 sum assured' and
- c) a constant amount per policy

II. The typical loading to a net premium would have 3 parts: a) a percentage of premiums b) a constant amount for each '1000 sum assured' and c) constant amount per policy

III. The typical loading to a net premium would have 3 parts: a) a percentage of premiums b) a constant percentage for each '1000 sum assured' and c) a constant amount per policy

IV. The typical loading to a net premium would have 3 parts: a) a percentage of premiums b) a constant amount for each '1000 sum assured' and c) a percentage amount per policy

**9.** With regards to valuation of assets by insurance companies, \_\_\_\_\_ is the value at which the life insurer has purchased or acquired its assets.

- I. Discounted future value
- II. Discounted present value
- III. Market value
- IV. Book value**

**10.** In case of \_\_\_\_\_, a company expresses the bonus as a percentage of basic benefit and already attached bonuses.

I. Reversionary bonus

**II. Compound bonus**

III. Terminal bonus

IV. Persistency bonus

**11.** What does a policy lapse mean?

I. Policyholder completes premium payment for a policy

**II. Policyholder discontinues premium payment for a policy**

III. Policy attains maturity

IV. Policy is withdrawn from the market

**12.** Who bears the investment risk in case of ULIPs?

I. Insurer

**II. Insured**

III. State

IV. IRDA

## **CHAPTER 11**

### **DOCUMENTATION - PROPOSAL STAGE**

#### **Chapter Introduction**

In the life insurance industry we deal with a large number of forms and documents. These are required for the purpose of bringing clarity in the relationship between the insured and the insurer. In this chapter, we shall deal with the various documents that are involved at the proposal stage and their significance. The documents we shall consider include

Prospectus

Proposal form

Agent's report






Medical examiner's report

- Moral hazard report
- Age proof
- Know Your Customer (KYC) documents

#### **Learning Outcomes**

A. Life insurance - Proposal stage documentation

#### **Summary**

-  Prospectus is a formal legal document used by insurance companies that provides details about the product.
-  The application document used for making the proposal is commonly known as the 'proposal form'.
-  Matters of health, habits and occupation, income and family details need to be mentioned by the agent in the agent's report.
-  Details pertaining to physical features like height, weight, blood pressure, cardiac status etc. are recorded and mentioned by the doctor in his/ her report called the medical examiner's report.
-  Moral hazard is the likelihood that a client's behaviour might change as a result of purchasing a life insurance policy and such a change would increase the chance of a loss.

- 👤 Some documents considered as standard age proofs include school or college certificate, birth certificate extracted from municipal records etc.
- 👤 Each insurer is required to have an AML policy and accordingly file a copy with IRDA. The AML program should include internal policies, procedures and controls and appointment of a principal compliance officer.
- 👤 Insurers need to determine the true identity of their customers. KYC documents like address proof, PAN card and photographs etc. need to be collected as a part of the KYC procedure.

### **Key Terms**

1. Prospectus
2. Proposal form
3. Moral hazard
4. Standard and non-standard age proofs
5. Anti-money laundering
6. Know Your Customer (KYC)

### **Model- Question & Answers**

**1.** Which of the below is an example of standard age proof?

- |                      |                                   |
|----------------------|-----------------------------------|
| I. Ration card       | II. Horoscope                     |
| <b>III. Passport</b> | IV. Village Panchayat certificate |

**2.** Which of the below can be attributed to moral hazard?

**I. Increased risky behavior following the purchase of insurance**

II. Increased risky behaviour prior to the purchase of insurance

III. Decreased risky behaviour following the purchase of insurance IV.

Engaging in criminal acts post being insured

**3.** Which of the below features will be checked in a medical examiner's report?

I. Emotional behaviour of the proposer

**II. Height, weight and blood pressure**

III. Social status

IV. Truthfulness

4. A \_\_\_\_\_ is a formal legal document used by insurance companies that provides details about the product.

I. Proposal form

II. Proposal quote

III. Information docket

**IV. Prospectus**

5. The application document used for making the proposal is commonly known as the \_\_\_\_\_.

I. Application form

**II. Proposal form**

III. Registration form

IV. Subscription form

6. From the below given age proof documents, identify the one which is classified as non-standard by insurance companies.

I. School certificate

II. Identity card in case of defense personnel

**III. Ration card**

IV. Certificate of baptism

7. Money laundering is the process of bringing \_\_\_\_\_ money into an economy by hiding its \_\_\_\_\_ origin so that it appears to be legally acquired.

**I. Illegal, illegal**

II. Legal, legal

III. Illegal, legal

IV. Legal, illegal

8. In case the policyholder is not satisfied with the policy, he / she can return the policy within the free-look period i.e. within \_\_\_\_\_ of receiving the policy document.

I. 60 days

II. 45 days

III. 30 days

**IV. 15 days**

9. Which of the below statement is correct with regards to a policy returned by a Policyholder during the free look period?

I. The insurance company will refund 100% of the premium

II. The insurance company will refund 50% of the premium

**III. The insurance company will refund the premium after adjusting for Proportionate risk premium for the period on cover, medical examination Expenses and stamp duty charges**

IV. The insurance company will forfeit the entire premium

10. Which of the below is not a valid address proof?

I. PAN Card

**II. Voter ID Card**

III. Bank passbook

IV. Driving license

**11.** During the \_\_\_\_\_ period, if the policyholder has bought a policy and does not want it, he / she can return it and get a refund.

I. Free evaluation

**II. Free look**

III. Cancellation

IV. Free trial

## **CHAPTER 12**

### **DOCUMENTATION - POLICY STAGE**

#### **Chapter Introduction**

In this chapter we discuss the various documents involved when a proposal becomes a life insurance policy.

#### **Learning Outcomes**

A. Policy stage documentation

#### **Summary**

An insurance contract commences when the life insurance company issues a first premium receipt (FPR) . The FPR is the evidence that the policy contract has begun.

The policy document is the most important document associated with insurance. It is the evidence of the contract between the assured and the insurance company.

The standard policy document typically has three parts which are the policy schedule, standard provisions and the policy's specific provisions.

#### **Key Terms**

1. First Premium Receipt (FPR)
2. Policy document
3. Policy schedule
4. Standard provisions
5. Special Provisions

### Model- Question & Answers

1. Which of the following documents is an evidence of the contract between insurer and insured?

I. Proposal form

**II. Policy document**

III. Prospectus

IV. Claim form

2. If complex language is used to word a certain policy document and it has given rise to an ambiguity, how will it generally be construed?

**I. In favour of insured**

II. In favour of insurer

III. The policy will be declared as void and the insurer will be asked to return the premium with interest to the insured

IV. The policy will be declared as void and the insurer will be asked to return the premium to the insured without any interest

3. Select the option that best describes a policy document.

**I. It is evidence of the insurance contract**

II. It is evidence of the interest expressed by the insured in buying an insurance policy from the company

III. It is evidence of the policy (procedures) followed by an insurance company when dealing with channel partners like banks, brokers and other entities

IV. It is an acknowledgement slip issued by the insurance company on payment of the first premium

4. Which of the below statement is correct?

I. The proposal form acceptance is the evidence that the policy contract has begun II.

The acceptance of premium is evidence that the policy has begun

**III. The First Premium Receipt is the evidence that the policy contract has begun**

IV. The premium quote is evidence that the policy contract has begun

5. For the subsequent premiums received by the insurance company after the first premium, the company will issue \_\_\_\_\_.

I. Revival premium receipt

II. Restoration premium receipt

III. Reinstatement premium receipt

**IV. Renewal premium receipt**

6. What will happen if the insured person loses the original life insurance policy document?

**I. The insurance company will issue a duplicate policy without making any changes to the contract**

II. The insurance contract will come to an end

III. The insurance company will issue a duplicate policy with renewed terms and conditions based on the current health declarations of the life insured

IV. The insurance company will issue a duplicate policy without making any changes to the contract, but only after a Court order.

7. Which of the below statement is correct?

I. The policy document has to be signed by a competent authority but need not be compulsorily stamped according to the Indian Stamp Act.

**II. The policy document has to be signed by a competent authority and should be stamped according to the Indian Stamp Act.**

III. The policy document need not be signed by a competent authority but should be stamped according to the Indian Stamp Act.

IV. The policy document neither needs to be signed by a competent authority nor it needs to be compulsorily stamped according to the Indian Stamp Act.

8. Which of the below forms the first part of a standard insurance policy document?

**I. Policy schedule**

II. Standard provisions

III. Specific policy provisions

IV. Claim procedure

9. In a standard insurance policy document, the standard provisions section will have information on which of the below?

I. Date of commencement, date of maturity and due date of last premium II.

Name of nominee

**III. The rights and privileges and other conditions, which are applicable under the contract**

IV. The signature of the authorize signatory and policy stamp

10. A clause precluding death due to pregnancy for a lady who is expecting at the time of writing the contract" will be included in which section of a standard policy document?

I. Policy schedule

II. General provisions

III. Standard provisions

**IV. Specific policy provisions**

**11.** What does a first premium receipt (FPR) signify? Choose the most appropriate option.

I. Free look period has ended

**II. It is evidence that the policy contract has begun**

III. Policy cannot be cancelled now

IV. Policy has acquired a certain cash value

## **CHAPTER 13**

### **DOCUMENTATION - POLICY CONDITION**

#### **Chapter Introduction**

In this chapter we discuss the provisions incorporated in a policy document. The provisions discussed in the chapter include some important provisions related to grace period, policy lapse and non-forfeiture etc.

#### **Learning Outcomes**

A. Policy conditions and privileges

#### **Summary**

The grace period clause grants the policyholder an additional period of time to pay the premium after it has become due.

Reinstatement is the process by which a life insurance company puts back into force a policy that has either been terminated because of non-payment of premiums or has been continued under one of the non-forfeiture provisions.

A policy loan is different from an ordinary commercial loan in two respects, firstly the policy owner is not legally obligated to repay the loan and the insurer need not perform a credit check on the insured.

Nomination is where the life assured proposes the name of the person(s) to which the sum assured should be paid by the insurance company after their death.

The assignment of a life insurance policy implies the act of transferring the rights, title and interest in the policy (as property) from one person to another. The person who transfers the rights is called assignor and the person to whom property is transferred is called assignee.

Alteration is subject to consent of both the insurer and assured. Normally alterations may not be permitted during the first year of the policy, except for some simple ones.

### Key Terms

- |                   |                    |
|-------------------|--------------------|
| 1. Grace period   | 2. Policy lapse    |
| 3. Policy revival | 4. Surrender value |
| 5. Nomination     | 6. Assignment      |

### Model- Question & Answers

**1.** Which of the below statement is false with regards to nomination?

I. Policy nomination is not cancelled if the policy is assigned to the insurer in return for a loan II.

Nomination can be done at the time of policy purchase or subsequently

III. Nomination can be changed by making an endorsement in the policy

#### **IV. A nominee has full rights on the whole of the claim**

**2.** In order for the policy to acquire a guaranteed surrender value, for how long must the premiums be paid as per law?

I. Premiums must be paid for at least 2 consecutive years

#### **II. Premiums must be paid for at least 3 consecutive years**

III. Premiums must be paid for at least 4 consecutive years

IV. Premiums must be paid for at least 5 consecutive years

**3.** When is a policy deemed to be lapsed?

I. If the premiums are not paid on due date

II. If the premiums are not paid before the due date

#### **III. If the premium has not been paid even during days of grace**

IV. If the policy is surrendered

4. Which of the below statement is correct with regards to grace period of an insurance policy?

- I. The standard length of the grace period is one month.
- II. The standard length of the grace period is 30 days.
- III. The standard length of the grace period is one month or 30 days.

**IV. The standard length of the grace period is one month or 31 days.**

5. What will happen if the policyholder does not pay the premium by the due date and dies during the grace period?

- I. The insurer will consider the policy void due to non-payment of premium by the due date and hence reject the claim

**II. The insurer will pay the claim and waive off the last unpaid premium**

- III. The insurer will pay the claim after deducting the unpaid premium
- IV. The insurer will pay the claim after deducting the unpaid premium along with interest which will be taken as 2% above the bank savings interest rate

6. During the revival of a lapsed policy, which of the below aspect is considered most significant by the insurance company? Choose the most appropriate option.

**I. Evidence of insurability at revival**

- II. Revival of the policy leading to increase in risk for the insurance company
- III. Payment of unpaid premiums with interest
- IV. Insured submitting the revival application within a specified time frame

7. For an insurance policy nomination is allowed under \_\_\_\_\_ of the Insurance Act, 1938.

- I. Section 10
- II. Section 38

**III. Section 39**

- IV. Section 45

8. Which of the below statement is incorrect with regards to a policy against which a loan has been taken from the insurance company?

- I. The policy will have to be assigned in favour of the insurance company

**II. The nomination of such policy will get cancelled due to assignment of the policy in favor of the insurance company**

- III. The nominee's right will affected to the extent of the insurer's interest in the policy
- IV. The policy loan is usually limited to a percentage of the policy's surrender value

**9.** Which of the below statement is incorrect with regards to assignment of an insurance policy?

- I. In case of Absolute Assignment, in the event of death of the assignee, the title of the policy would pass to the estate of the deceased assignee.
- II. The assignment of a life insurance policy implies the act of transferring the rights right, title and interest in the policy (as property) from one person to another.
- III. It is necessary that the policyholder must give notice of assignment to the insurer.

**IV. In case of Absolute Assignment, the policy vests absolutely with the assignee till maturity, except in case of death of the insured during the policy tenure, wherein the policy reverts back to the beneficiaries of the insured.**

**10.** Which of the below alteration will be permitted by an insurance company?

**I. Splitting up of the policy into two or more policies**

- II. Extension of the premium paying term
- III. Change of the policy from with profit policy to without profit policy
- IV. Increase in the sum assured

**11.** Under what circumstances would the policyholder need to appoint an appointee?

I. Insured is minor

**II. Nominee is a minor**

III. Policyholder is not of sound mind

IV. Policyholder is not married

## **CHAPTER 14**

### **UNDERWRITING**

#### **Chapter Introduction**

A life insurance agent's work does not stop once a proposal is secured from a prospective customer. The proposal must also be accepted by the insurance company and result in a policy.

Every life insurance proposal indeed has to pass through a gateway where the life insurer decides whether to accept the proposal and if so, on what terms. In this chapter we shall know more about the process of underwriting and the elements involved in the process.

#### **Learning Outcomes**

- A. Underwriting - Basic concepts
- B. Non-medical underwriting
- C. Medical underwriting

#### **Summary**


To usher equity, the underwriter engages in risk classification where individual lives are categorised and assigned to different risk classes depending on the degree of risks they pose. Underwriting or the selection process may be said to take place at two levels:

- ❖ At field level and
- ❖ At underwriting department level

Judgment method or numerical method of underwriting is widely used for underwriting insurance proposals.

Underwriting decisions made by underwriters include acceptance of standard risk at standard rates or charging extra for sub-standard risks. Sometimes there is acceptance with lien on sum assured or acceptance is based on restrictive clauses. Where the risk is large the proposal is declined or postponed.

A large number of life insurance proposals may typically get selected for insurance without conducting a medical examination to check the insurability of an insured. Such cases are termed as non-medical proposals.

 Some of the rating factors for non-medical underwriting include

- ❖ Age
- ❖ Large sum assured 9 Moral hazard etc.

 Some of the factors considered in medical underwriting include

- ❖ 9 Family history,
- ❖ Heredity and personal history etc.

### **Key Terms**

1. Underwriting
2. Standard life
3. Non-medical underwriting
4. Rating factor
5. Medical underwriting
6. Anti-selection

### **Model- Question & Answers**

**1.** Which of the following denotes the underwriter's role in an insurance company?

- |                               |  |
|-------------------------------|--|
| I. Process claims             | <b>II. Decide acceptability of risks</b> |
| III. Product design architect | IV. Customer relations manager           |

**2.** Which of the following is not an underwriting decision?

- |                                      |                            |
|--------------------------------------|----------------------------|
| I. Risk acceptance at standard rates | II. Declinature of risk    |
| III. Postponement of risk            | <b>IV. Claim rejection</b> |

**3.** Which of the following is not a standard age proof?

- |                       |                                |
|-----------------------|--------------------------------|
| I. Passport           | II. School leaving certificate |
| <b>III. Horoscope</b> | IV. Birth certificate          |

4. Which of the following condition will affect a person's insurability negatively?

- I. Daily jogs  
 II. **Banned substance abuse**  
 III. Lazy nature  
 IV. Procrastination

5. Under what method of underwriting does an underwriter assign positive rating points for all negative or adverse factors (negative points for any positive or favorable factors)?

- I. Judgment  
 II. Arbitrary  
 III. **Numerical rating**  
 IV. Single step

6. Under risk classification, \_\_\_\_\_ consist of those whose anticipated mortality corresponds to the standard lives represented by the mortality table.

- I. **Standard lives**  
 II. Preferred risks  
 III. Sub-standard lives  
 IV. Declined lives

7. Amruta is pregnant. She has applied for a term insurance cover. Which of the below option will be the best option to choose for an underwriter to offer insurance to Amruta? Choose the most likely option.

- I. Acceptance at ordinary rates  
 II. Acceptance with extra premium  
 III. Decline the proposal  
 IV. **Acceptance with a restrictive clause**

8. Which of the below insurance proposal is not likely to qualify under non-medical underwriting?

I. Savita, aged 26 years, working in an IT company as a software engineer

II. **Mahesh, aged 50 years, working in a coal mine**

III. Satish, aged 28 years, working in a bank and has applied for an insurance cover of Rs. 1 crore

IV. Pravin, aged 30 years, working in a departmental store and has applied for an endowment insurance plan for a tenure of 10 years

9. Sheena is suffering from acute diabetes. She has applied for an insurance plan. In this case the underwriter is most likely to use \_\_\_\_\_ for underwriting. Choose the most appropriate option.

I. **Judgment method**  
 II. Numerical method

III. Any of the above method since an illness like diabetes does not play a major role in the underwriting process IV.

Neither of the above method as diabetes cases are rejected outright

**10.** Santosh has applied for a term insurance policy. His anticipated mortality is significantly lower than standard lives and hence could be charged a lower premium. Under risk classification, Santosh will be classified under \_\_\_.

- |                        |                            |
|------------------------|----------------------------|
| I. Standard lives      | <b>II. Preferred risks</b> |
| III. Substandard lives | IV. Declined lives         |

**11.** Which of the following cases is likely to be declined or postponed by a life insurer?

- |  |   |
|--|---|
| I. Healthy 18 year old                   | II. An obese person                     |
| <b>III. A person suffering from AIDS</b> | IV. Housewife with no income of her own |

**12.** Which of the following is an example of moral hazard?

- |   |
|---|
| I. Stunt artist dies while performing a stunt                                 |
| <b>II. A person drinking copious amounts of alcohol because he is insured</b> |
| III. Insured defaulting on premium payments                                   |
| IV. Proposer lying on policy document   |

**13.** Why is heredity history of importance in medical underwriting?

- |   |
|---|
| I. Rich parents have healthy kids                                     |
| <b>II. Certain diseases can be passed on from parents to children</b> |
| III. Poor parents have malnourished kids                              |
| IV. Family environment is a critical factor                           |

## **CHAPTER -15**

### **PAYMENTS UNDER A LIFE INSURANCE POLICY**

#### **Chapter Introduction**

This chapter explains the concept of claim and how claims are ascertained. The chapter then explains the types of claims. In the end you will learn about the forms to be submitted for a death claim and the safeguards (indisputability clause and Protection of Policyholders Interests Regulations) in place to protect beneficiary from claim rejection by the insurer, provided no material information has been suppressed by the insured.

#### **Learning Outcomes**

A. Types of claims and claims procedure

#### **Summary**

A claim is a demand that the insurer should make good the promise specified in the contract. A claim can be survival claim or death claim. While a death claim arises only upon the death of the life assured, survival claims can be caused by one or more events

For payment of a survival claim, the insurer has to ascertain that the event has occurred as per the conditions stipulated in the policy.

The following payments may occur during the policy term:

- ❖ Survival Benefit Payments 9 Surrender of Policy
- ❖ Rider Benefit
- ❖ Maturity Claim
- ❖ Death Claim

Section 45 (Indisputability Clause) of the Insurance Act protects the insured from rejection of claim by the insurer, provided the policy has completed two years and the insured has not suppressed any material information

Under the IRDA (Protection of Policyholders Interests) Regulations, 2002, the IRDA has laid down regulations to safeguard / protect the insured or beneficiary in case of claims.



4. Which of the below death claim will be treated as an early death claim?

**I. If the insured dies within three years of policy duration**

II. If the insured dies within five years of policy duration

III. If the insured dies within seven years of policy duration

IV. If the insured dies within ten years of policy duration

5. Given below are some events that will trigger survival claims. Identify which of the below statement is incorrect?

**I. Claim paid on maturity of a term insurance policy**

II. An instalment payable upon reaching the milestone under a money-back policy

III. Claim paid for critical illnesses covered under the policy as a rider benefit

IV. Surrender value paid on surrender of an endowment policy by the policyholder

6. A payment made under a money-back policy upon reaching a milestone will be classified under which type of claim?

I. Death claim

II. Maturity claim

**III. Periodical survival claim**

IV. Surrender claim

7. Shankar bought a 10 year Unit Linked Insurance Plan. If he dies before the maturity of the policy which of the below will be paid?

I. Lower of sum assured or fund value

**II. Higher of sum assured or fund value**

III. Premiums paid will be returned with 2% higher interest rate as compared to a bank's savings deposit IV.

Surrender value

8. Based on classification of claims (early or non-early), pick the odd one out?

I. Ramya dies after 6 months of buying a term insurance plan

II. Manoj dies after one and half years of buying a term insurance plan

III. David dies after two and half years of buying a term insurance plan

**IV. Pravin dies after five and half years of buying a term insurance plan**

**9.** Given below is a list of documents to be submitted for a normal death claim by all beneficiaries in the event of death of life insured. Pick the odd one out which is additionally required to be submitted only in case of death by accident.

**I. Inquest report**

II. Claim form

III. Certificate of burial or cremation

IV. Hospital's certificate

**10.** As per IRDA (Protection of Policyholders Interests) Regulations, 2002, a claim under a life policy shall be paid or be disputed, within 30 days from the date of receipt of all relevant papers and clarifications required.

I. 7 days

II. 15 days

**III. 30 days**

IV. 45 days

**11.** Which of the below statement best describes the concept of claim? Choose the most appropriate option.

I. A claim is a request that the insurer should make good the promise specified in the contract

**II. A claim is a demand that the insurer should make good the promise specified in the contract**

III. A claim is a demand that the insured should make good the commitment specified in the agreement

IV. A claim is a request that the insured should make good the promise specified in the agreement

## **CHAPTER 16**

### **REGULATORY ASPECTS**

#### **Chapter Introduction**

This chapter aims to provide you with an understanding of the importance of insurance regulations. This chapter also provides you with an understanding of the legal status of an insurance agent. You will also learn the various rules and regulations applicable to agents in general; and to insurance agents in particular.

#### **Learning Outcomes**

- A. Insurance regulations and regulatory framework
- B. Regulations and code of conduct applicable to insurance agents

#### **Summary**

An insurance agent should always bear in mind that she is selling a promise that the insurance company will pay a certain amount of money if a misfortune occurs.

The prime purpose of insurance regulations is to protect the policyholder.

Insurance Act, 1938, and Insurance Regulatory and Development Authority Act, 1999 form the basic framework of insurance regulation.

The Insurance Act 1938 has provisions for monitoring and control of operations of insurance companies.

Insurance Regulatory and Development Authority (IRDA) was established in 2000 as an independent authority to regulate and develop the insurance industry.

IRDA has prescribed regulations for protecting the interests of policyholders stipulating obligations on both insurers as well as intermediaries.

An agent can be an individual agent or a corporate agent.

To become an agent the prospect should possess minimum prescribed educational qualification, should undergo prescribed practical training, pay the prescribed fees and undertake the prescribed examination.

IRDA regulations stipulate that every person holding a licence as an insurance agent shall adhere to the specified code of conduct.

No intermediary is allowed to induce anyone to take a policy.

## Key Terms

1. Individual agent
2. Corporate agent
3. Composite insurance agent
4. Rebate
5. Intermediaries

## Insurance regulations and regulatory framework

The Insurance Regulatory & Development Authority Act, 1999 Insurance Regulatory and Development Authority (IRDA) was established in 2000 as an independent authority to regulate and develop the insurance industry by an Act of Parliament (namely Insurance Regulatory & Development

The preamble of the IRDA Act states:

These regulations prescribe insurers' obligations:

- i. at the point of sale,
- i. towards policy servicing,
- ii. Claims servicing,
- iv. Control on expenses, investment and
- v. financial strength to meet the commitments to policyholders

## Other legislations

In addition, insurance business in India is linked to various other Acts / legislations of the country, some of which are listed below:

- i. The Workmen's Compensation Act, 1923 (amended and renamed as Employees Compensation Act in 2010)
- i. Employees' State Insurance Act, 1948
- ii. Life Insurance Corporation Act, 1956
- iv. Deposit Insurance and Credit Guarantee Corporation Act, 1961
- v. Marine Insurance Act, 1963
- vi. Export Credit Guarantee Corporation Act, 1964
- vii. General Insurance Business (Nationalization) Act, 1972
- vii. General Insurance Business (Nationalization) Amendment Act, 2002
- ix. Motor Vehicles Act, 1988
- x. Public Liability Insurance Act, 199

### Model Question & Answer

1. Applicant shall complete \_\_\_\_\_ hours training to become an insurance agent.

**I. 50** II. 100

III. 30 IV. 25

2. Insurance agent represents the \_\_\_\_\_.

**I. Insurance company** II. Sub-agent

III. Co-agent IV. Broker

3. Licence to work as an insurance agent is issued by \_\_\_\_\_.

I. General Insurance Corporation (GIC) **II. Insurance Regulatory & Development Authority (IRDA)**

III. State Bank of India (SBI) IV. Post office

4. Agent's licence is to be renewed \_\_\_\_\_.

I. Every year II. After 5 years

**III. After 3 years** IV. After 15 years

5. Identify the statement which is not correct. Insurance agent should \_\_\_\_\_.

I. Indicate the scale of commission if asked by the customer **II. Share the commission by way of rebate**

III. Disclose his licence on demand IV. Indicate the premium to be charged

6. \_\_\_\_\_ is the fees payable to the Authority for issue / renewal of licence to Act as an insurance agent or composite insurance agent.

**I. 250** II. 150 III. 520 IV. 100

7. The Authority may issue duplicate licence in case it is \_\_\_\_\_.

I. Lost II. Destroyed III. Mutilated **IV. All of the above**

8. If an agent is found guilty of criminal misappropriation the designated person will \_\_\_\_\_.

**I. Cancel the license** II. Issue a duplicate license

III. Renew the existing license IV. Take some fees from the agent

9. Minimum qualification required for insurance agent is \_\_\_\_\_ pass.

I. Graduate **II. 10th**

III. Post-graduate IV. 7th

**10.** \_\_\_\_\_ may deal with more than one Life Insurance Company or general insurance company or both.

I. Agent

II. Surveyor

**III. Composite agent**

**11.** Which of the below statements is correct?

I. The prime purpose of insurance regulation is to protect the insurance companies

**II. The prime purpose of insurance regulation is to protect the policyholder**

III. The prime purpose of insurance regulation is to protect the insurance intermediaries

IV. The prime purpose of insurance regulation is to protect the Government

IV. None of the above

**12.** Which of the below statement is correct?

I. If agent loses the licence, then no duplicate licence is issued. The agent has to wait till the time of renewal, when another copy is issued

II. If agent loses the licence, then the Authority may issue a duplicate licence free of cost.

III. If agent loses the licence, then the Authority may issue a duplicate licence only after a FIR is lodged and a waiting period of 30 days.

**IV. If the agent loses the license, then the Authority may issue a duplicate license on payment of a fee of rupees fifty.**

## **CHAPTER 17**

### **LIFE INSURANCE AGENCY AS A CAREER**

#### **Chapter Introduction**

In previous chapters we have covered various aspects of life insurance, including regulations. In this chapter we shall discuss about life insurance agency as a career. We shall consider the prospects in an agency career, the role of an agent and the requirements of being a good agent.

#### **Learning Outcomes**

- A. Insurance channels
- B. Life insurance agency profession
- C. Recruitment, training and licensing of agents

#### **Summary**

As per the Insurance Act, an agent is one who is licensed under Section 42 of the Act, authorised to be a salesman for insurance, and is paid commissions for soliciting, procuring and continuance of the business.

Apart from individual agency, other insurance channels include:

- ❖ Corporate agency 9 Brokers
- ❖ Bancassurance 9 Direct marketing

Through an agency career, apart from the scope to earn high incomes, an insurance agent can also attain a tremendous amount of job satisfaction and social respect if one's job is done in an ethical and professional manner.

Qualities that would contribute to success in the career as an insurance agent or advisor include:

- ❖ Fire in the belly
- ❖ Positive self-image
- ❖ Being a self-starter
- ❖ Ability to relate and communicate with people

A good salesman should have two basic qualities: empathy and ego drive

Four major areas of unethical behaviour have been identified in the insurance sector:

- ❖ Misrepresentation 9 Illustrations ❖
- Replacement
- ❖ Advice

The IRDA has prescribed a code of ethics and market conduct for agents

- 👤 IRDA has laid down the regulations for recruitment, training and licensing of insurance agents.
- 👤 Effective September 2012, a standard proposal form has been adopted by all life insurers for all individual policies. This is based on the draft exposure guidelines issued by IRDA in June 2012.

- 👤 The Agency Function consists of two distinctive tasks:
  - ❖ Building a relation with the customer - which inspires trust and confidence
  - ❖ Providing expert financial advice to the customer - which enables the latter to meet his or her needs for insurance in the most appropriate manner

### Key Terms

1. Corporate agency
2. Bancassurance
3. Professionalism
4. Persistency

### Model Question & Answer

**1.** An insurance agent is typically a representative of \_\_\_\_\_.

- |                 |                              |
|-----------------|------------------------------|
| I. Customer     | <b>II. Insurance company</b> |
| III. Government | IV. IRDA                     |

**2.** Direct marketing involves which of the below?

- |                    |                             |
|--------------------|-----------------------------|
| I. Telemarketing   | II. Insurance agents        |
| III. Bancassurance | <b>IV. All of the above</b> |

**3.** "Hurt not others with that which pains yourself". This golden rule of ethics is given in the teaching of which religion?

- |                    |                  |
|--------------------|------------------|
| <b>I. Buddhism</b> | II. Christianity |
| III. Hinduism      | IV. Judaism      |



**11.** Which of the below statements is incorrect?

I. An individual insurance agent is a representative of the insurance company and is governed by the agent-principal relationship.

**II. An individual insurance agent's primary relationship and responsibility is to the insurance buyer and not the insurance company.**

III. Insurance broker, who represents the insured, generally does not have any contractual agreement to exclusively serve any one insurance company

IV. Insurance broker is expected to represent the customer's interest when choosing the right product and company that would best fit the customer's particular needs.

**12.** In 1964, Harvard Business Review published a study on "What makes a good salesman". The authors came up with an interesting insight. They found that a good salesman should have two basic qualities. Which are those two qualities?

I. Affection and zeal to succeed

II. Patience and pro-activeness

**III. Empathy and ego drive**

IV. Hunger for growth and self-confidence

**13.** Proportion of policies remaining in force at the end of the period out of the total policies in force at the beginning of the period is referred to as \_\_\_\_\_.

**I. Persistency**

II. Consistency

III. Uniformity

IV. Reliability

## **CHAPTER - 18**

### **LIFE INSURANCE SELLING PROCESS**

#### **Chapter Introduction**

This chapter aims to provide an understanding of the sales process and its various steps.

#### **Learning Outcomes**

A. Sales process

#### **Summary**

Selling as a profession refers to the act of inducing a commercial transaction through inducing the purchase of a product or service, such act being carried out with the intent of earning remuneration.

Insurance agents are sales persons who seek to induce members of the community to buy insurance contracts written by the insurance company that they represent.

Prospecting is the process of gathering names of people who can be approached for a sales interview.

Target markets for prospecting include:

- ❖ Immediate group
- ❖ Natural market
- ❖ Centers of influence
- ❖ References, introductions and testimonials ❖

Other service providers

A professional, efficient method of selling on a group basis includes conducting seminars and events.





An easy and viable means of reaching out to prospects on a mass scale include emails, newsletters, personal website or blog, social networking websites etc.

"Qualified" prospects are those people:

- ❖ who can pay for insurance,
- ❖ who can pass the company underwriting requirements, 9 who have one or more needs for insurance products, and 9 who can be approached on a favourable basis

During a sales interview with the prospect; the agent should do a need - gap analysis  
In need gap analysis we engage in a process of gathering detailed information about the prospect's insurance requirements, to identify and determine the assets and perils for which there is inadequate coverage.

After completing the sales interview successfully, the agent should design a solution based on the prospect's need and present the solution.

-  The agent may handle client objections using the LAPAC (Listen, Acknowledge, Probe, Answer and Confirm) approach.
-  Closing a sale involves persuading the prospect to buy now. While closing the agent may use the 'implied consent' method or offer alternatives to the prospect.
-  Once the sale is closed, the agent should do a sale follow-through and deliver the policy
-  Service on the part of the agent is an integral element of the sales cycle. Essential to a commitment to service is a structured program for maintaining contact with our clients.

### **Key Terms**

1. Selling as a profession
2. Sales process
3. Prospecting
4. Natural market
5. Centres of influence
6. Reference
7. Testimonial
8. Qualified prospects
9. Need-gap analysis
10. LAPAC (Listen, Acknowledge, Probe, Answer and Confirm)
11. Closing
12. Implied consent



7. Which of the below statement is correct?

**I. Life insurance is sold, not bought**

II. Life insurance is bought, not sold

III. Life insurance is neither bought nor sold; it is a necessity and hence should be bought by every individual. IV.

None of the above

8. Which of the below statement is correct?

I. Selling is an art and not a science

II. Selling is a science and not an art

III. Selling is neither an art or a science

**IV. Selling is both an art and a science**

9. While prospecting for selling insurance, approaching the members of a caste or community association will be classified under which category?

I. Immediate group

**II. Natural market**

III. Centers of influence

IV. References and introductions

10. Identify the incorrect statement with regards to a 'qualified' prospect.

I. A qualified prospect is one who can pay for insurance

II. A qualified prospect is one who can be approached on a favorable basis

**III. A qualified prospect is one who is academically well qualified to buy insurance**

IV. A qualified prospect is one who can pass the company underwriting Requirements

11. Which of the below statement best describes a "testimonial"?

**I. An endorsement from a satisfied customer**

II. Test result for a product in a benchmarking test

III. List of tests that a product must pass

IV. Money required to test a product

## CHAPTER 19

### CUSTOMER SERVICE

#### **Chapter Introduction**

In this chapter you will learn the importance of customer service. You will learn the role of agents in providing service to customers. You will also learn how to communicate and relate with the customer.

#### **Learning Outcomes**

- A. Importance of customer service
- B. Insurance agent's role in providing great customer service
- C. Communication skills

#### **Summary**

The role of customer service and relationships is far more critical in the case of insurance than in other products.

A well-known model on service quality (named "SERVQUAL") would give us some insights. It highlights five major indicators of service quality:

- ❖ Reliability,
- ❖ Responsiveness 9 Assurance,
- ❖ Empathy and 9 Tangibles

The secret to the success of leading sales producers in the life insurance industry is their commitment to serving their customers

Customer lifetime value may be defined as the sum of economic benefits that can be derived from building a sound relationship with a customer over a long period of time.

The insurance agent needs to be a personal financial planner and advisor, an underwriter, a designer of customised solutions and a relationship builder who thrives on building trust and long-term relationships, all rolled into one.

The agent has a crucial role to play at the time of claim settlement. It is her task to ensure that the details of claim are immediately informed to the insurer and any claim investigation that may be necessary are supported to expedite the process.

Soft skills relate to one's ability to interact effectively with other workers and customers, both at work and outside.

The elements that promote trust include: ❖


Attraction

- ❖ Being present
- ❖ 9 Communication

 Communication may take place in several forms: ❖

Oral,

- ❖ Written,
- ❖ Non-verbal and
- ❖ Using body language

 The agent can make a great first impression on the client by: ❖

Being on time always

- ❖ Presenting himself or herself appropriately
- ❖ Always having a warm, confident and winning smile
- ❖ Being open, confident and positive

Being genuinely interested in the other person

 Active listening involves:

- ❖ Paying attention,
- ❖ Demonstrating that you are listening
- ❖ Providing feedback
- ❖ Not being judgmental
- ❖ Responding appropriately

### **Key Terms**

1. Customer service
2. Quality of service
3. SERVQUAL
4. Customer lifetime value
5. Soft skills
6. Communication
7. Body language
8. Active listening
9. Empathetic listening

### Model Question & Answer

1. \_\_\_\_\_ is not a tangible good.

I. House

**II. Insurance**

III. Mobile Phone

IV. A pair of jeans

2. \_\_\_\_\_ is not an indicator of service quality.

**I. Cleverness**

II. Reliability

III. Empathy

IV. Responsiveness

3. In customer relationship the first impression is created:

I. By being confident

II. By being on time

III. By showing interest

**IV. By being on time, showing interest and being confident**

4. Select the correct statement:

I. Ethical behavior is impossible while selling insurance

II. Ethical behavior is not necessary for insurance agents

**III. Ethical behavior helps in developing trust between the agent and the insurer**

IV. Ethical behavior is expected from the top management only

5. Active listening involves:

I. Paying attention to the speaker

II. Giving an occasional nod and smile

III. Providing feedback

**IV. Paying attention to the speaker, giving an occasional nod and smile and providing feedback**

6. \_\_\_\_\_ refers to the ability to perform the promised service dependably and accurately.

**I. Reliability**

II. Responsiveness

III. Assurance

IV. Empathy

7. \_\_\_\_\_ relate to one's ability to interact effectively with other workers and customers, both at work and outside.

I. Hard skills

**II. Soft skills**

III. Negotiating skills

IV. ing skills

**8.** Which of the below elements promote trust?

I. Communication, assertiveness and being present

II. Politeness, affirmation and communication

**III. Attraction, communication and being present**

IV. Affirmation, assertiveness and attraction

**9.** Which of the below tips are useful for making a good first impression?

I. Being on time always

II. Presenting yourself appropriately

III. Being open, confident and positive

**IV. All of the above**

**10.** \_\_\_\_\_ is reflected in the caring attitude and individualized attention provided to customers.

I. Assurance

**II. Empathy**

III. Reliability

IV. Responsiveness

**11.** What is meant by customer lifetime value?

I. Sum of costs incurred while servicing the customer over his lifetime II.

Rank given to customer based on business generated

**III. Sum of economic benefits that can be achieved by building a long term relationship with the customer**

IV. Maximum insurance that can be attributed to the customer

**12.** In a customer's mind, there are two types of feelings and related emotions that arise with each service failure on part of the insurance company. These feelings are

I. Confusion and empathy

II. Dishonesty and revenge

III. Ignorance and sympathy

**IV. Sense of unfairness and hurt ego**

**13.** Which among the following is not an element of active listening?

I. Paying good attention

**II. Being extremely judgmental**

III. Empathetic listening

IV. Responding appropriately

## **CHAPTER 20**

### **GRIEVANCE REDRESSAL MECHANISM**

#### **Summary**

IRDA has launched an Integrated Grievance Management System (IGMS) which acts as a central repository of insurance grievance data and as a tool for monitoring grievance redress in the industry.

Consumer disputes redressal agencies are established in each district and state and at national level.

As far as insurance business is concerned, the majority of consumer disputes fall in categories such as delay in settlement of claims, non-settlement of claims, repudiation of claims, quantum of loss and policy terms, conditions etc.

The Ombudsman, by mutual agreement of the insured and the insurer can act as a mediator and counsellor within the terms of reference.

If the dispute is not settled by intermediation, the Ombudsman will pass award to the insured which he thinks is fair, and is not more than what is necessary to cover the loss of the insured.

#### **Key Terms**

1. Integrated Grievance Management System (IGMS)
2. The Consumer Protection Act, 1986
3. District Forum
4. State Commission
5. National Commission
6. Insurance Ombudsman

## Model Question & Answer

1. Expand the term IGMS.

I. Insurance General Management System

II. Indian General Management System

### III. Integrated Grievance Management System

IV. Intelligent Grievance Management System

2. Which of the below consumer grievance redressal agencies would handle consumer disputes amounting between Rs. 20 lakhs and Rs. 100 lakhs?

I. District Forum

**II. State Commission**

III. National Commission

IV. Zilla Parishad

3. Which among the following cannot form the basis for a valid consumer complaint?

I. Shopkeeper charging a price above the MRP for a product

### II. Shopkeeper not advising the customer on the best product in a category

III. Allergy warning not provided on a drug bottle

IV. Faulty products

4. Which of the below will be the most appropriate option for a customer to lodge an insurance policy related complaint?

I. Police

II. Supreme Court

**III. Insurance Ombudsman**

IV. District Court

5. Which of the below statement is correct with regards to the territorial jurisdiction of the Insurance Ombudsman?

I. Insurance Ombudsman has National jurisdiction

II. Insurance Ombudsman has State jurisdiction

III. Insurance Ombudsman has District jurisdiction

### IV. Insurance Ombudsman operates only within the specified territorial limits

6. How is the complaint to be launched with an insurance ombudsman?

#### I. The complaint is to be made in writing

II. The complaint is to be made orally over the phone

III. The complaint is to be made orally in a face to face manner

IV. The complaint is to be made through newspaper advertisement

**7.** What is the time limit for approaching an Insurance Ombudsman?

- I. Within two years of rejection of the complaint by the insurer
- II. Within three years of rejection of the complaint by the insurer

**III. Within one year of rejection of the complaint by the insurer**

- IV. Within one month of rejection of the complaint by the insurer

**8.** Which among the following is not a pre-requisite for launching a complaint with the Ombudsman?

- I. The complaint must be by an individual on a 'Personal Lines' insurance
- II. The complaint must be lodged within 1 year of the insurer rejecting the complaint

**III. Complainant has to approach a consumer forum prior to the Ombudsman**

- IV. The total relief sought must be within an amount of Rs.20 lakhs.

**9.** Are there any fee / charges that need to be paid for lodging the complaint with the Ombudsman?

- I. A fee of Rs 100 needs to be paid
- II. **No fee or charges need to be paid**
- III. 20% of the relief sought must be paid as fee
- IV. 10% of the relief sought must be paid as fee

**10.** Can a complaint be launched against a private insurer?

- I. Complaints can be launched against public insurers only

**II. Yes, complaint can be launched against private insurers**

- III. Complaint can be launched against private insurers only in the Life Sector
- IV. Complaint can be launched against private insurers only in the Non-Life Sector

**11.** The \_\_\_\_\_ has jurisdiction to entertain complaints, where value of the goods or services and the compensation claimed is up to Rs.20 lakhs.

- I. **District Forum**
- II. State Commission
- III. Zilla Parishad
- IV. National Commission

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