STERLING INSURANCE ATI SERVICES

IC-38

NEW SYLLABUS

(LIFE)

CONTENTS

Chapter – 1

Introduction to Insurance

Insurance – in simple language it means to transfer risk to someone who is capable of handling it generally to insurer (Insurance Company).

A) **Life insurance history and evolution**:-

- The origin of insurance business started from London's Lloyd coffee house.
- 1st Life insurance company in the world was **Amicable society for Perpetual Assurance.**
- 1st life insurance company to be set up in India was **The Oriental Life Insurance company ltd.**
- 1st Non-life insurance company established in India was **Triton Insurance company ltd.**
- 1st Indian insurance company was **Bombay Mutual Assurance society ltd** found in 1870 in Mumbai.
- **National Insurance company ltd**. is the oldest insurance company founded in 1906.
- In 1912, the **Life Insurance Companies Act** and the **Provident Fund Act** were passed to regulate the insurance business.
- **The Life Insurance Companies Act 1912** made it compulsory that premium-rate tables and periodical valuation of companies be certified by an actuary.
- The **Insurance Act 1938** was the first legislation enacted to regulate the conduct of insurance companies in India.
- Life insurance Business was nationalized on **1st September 1956** by merging **170 insurance companies and 75 Provident Fund societies** and **Life Insurance corporation of India (LIC)** was formed..

- Non – Life insurance business was nationalized in **1972** by amalgamating **106 insurers**, **General Insurance Corporation of India (GIC) & its 4 subsidaries**was formed.

  Malhotra committee and IRDA : Malhotra committee – setup in 1993 to explore and recommend changes for development & it submitted the report in 1994.

  - IRDAI – Insurance regulatory and Development Authority of India was setup by an act IRDA Act 1999 as a statutory regulatory body for both life and nonlife

Life insurance industry today:

a) Life Insurance Corporation (LIC) of India is a public sector company.

b) There are 23 life insurance companies in the private sector

c) The postal department, under the Government of India, also transacts life insurance business via Postal Life Insurance, but is exempt from the purview of the regulator

How Insurance Works:

There must be an asset which has economic value (Car-physical; Goodwill-nonphysical; Eye-personal). These assets may lose value due to uncertain event. This chance of loss/damage is known as risk. The cause of risk is known as peril. Persons having similar risks pool (contribute) money (premium) together.

There are 2 types of Risk Burdens –

Primary burden of risk – losses actually suffered. E.g. Factory getting fire.

. **Secondary burden of risk** – losses that might happen. Eg. physical/mental Stress strain.

Risk management techniques: - The various types of techniques that can be used to manage risk are

Risk avoidance - Controlling risk by avoiding a loss situation

Risk retention - One tries to manage the impact to risk and divides to bear the risk and its effects by oneself.

Risk reduction and Control - This is a more practical and relevant approach than risk avoidance. It means taking steps to lower the chance of occurrence of a loss and / or to reduce severity of its impact if such loss should occur.

Insurance is a risk transfer mechanism.

Insurance as a tool for managing risk:-

- Don't risk a lot for a little. E.g. there is no need to insure a ball pen as its cost is not high.
- Don't risk more than what we can afford to lose. E.g. we cannot afford to not insure our house as its cost is high.
- Don't insure without considering the likely outcome. E.g. can anyone insure a space satellite?

Note: - Insurance refers to protection against an event that might happen whereas Assurance refers to protection against an event that will happen

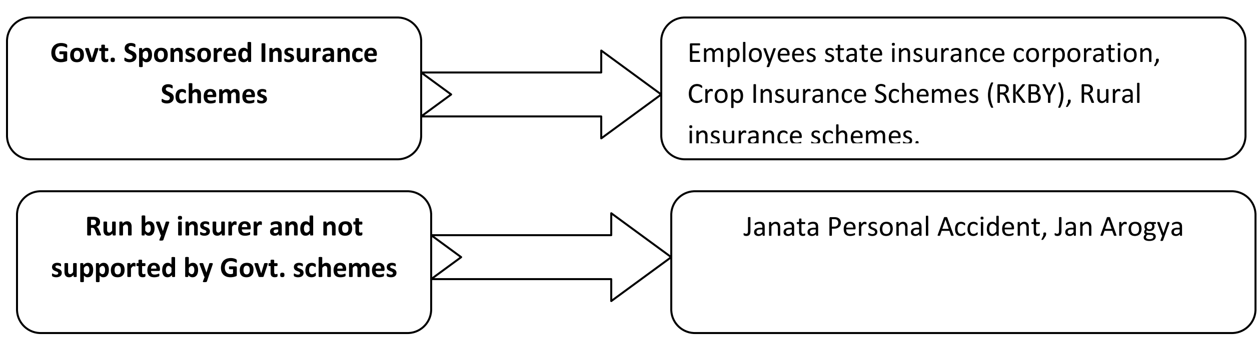
Role of insurance in Society:

a. Insurance benefits society economically and socially.

b. It also provides employment

c. The money raised from premium is invested in to the development of infrastructure needs.

d. Removes the fear, worry and anxiety associated with one's future.



Chapter -1 Questions

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 of India

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. Hospitalization 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 asset

12. Out of 400 houses, each valued at Rs. 20,000, on an average 4 houses get burnt every year resulting in a combined loss of Rs. 80,000. What should be the annual contribution of each house owner to make good this loss?

I. Rs.100/-

II. Rs.200/-

III. Rs.80/-

IV. Rs.400/-

13.Which of the following statements is true?

I. Insurance is a method of sharing the losses of a ‘few’ by ‘many’

II. Insurance is a method of transferring the risk of an individual to another individual

III. Insurance is a method of sharing the losses of a ‘many’ by a few

IV. Insurance is a method of transferring the gains of a few to the many

14.Why do insurers arrange for survey and inspection of the property before acceptance of a risk?

I. To assess the risk for rating purposes

II. To find out how the insured purchased the property

III. To find out whether other insurers have also inspected the property

IV. To find out whether neighbouring property also can be insured

15.Which of the below option best describes the process of insurance?

I. Sharing the losses of many by a few

II. Sharing the losses of few by many

III. One sharing the losses of few

IV. Sharing of losses through subsidy

CHAPTER – 2

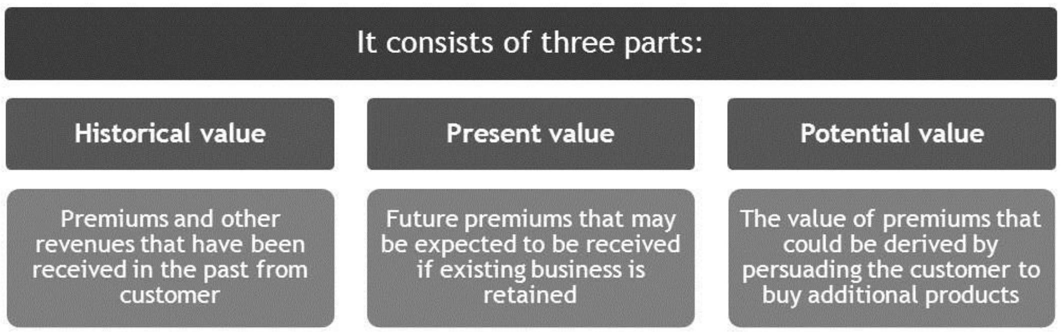
CUSTOMER SERVICE

Customer Service :

- Customers provides the bread and butter of a business and no enterprise can afford to treat them indifferently.
- The role of customer service and relationships is far more critical in the case of insurance than in other products.
- Because **Insurance is a Service. Insurance is a Intangible good.**
- It is necessary for insurance companies and their personnel, which includes their agents, to render high quality service and delight the customer.

Customer Service and Insurance:

- The Secret for success in insurance sales is 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.



Insurance agent's role in providing great customer service

i) **Point of sale** – the 1st point for service is the point of sale. The agent should be able to understand the needs and suggest products whose benefit features are best suitable. The role of an agent is like a personal financial planner and advisor.

ii) **Proposal stage** – the agent has to help customers in filling the proposal form. It is important that the agent explains and clarifies the proposers doubt while filling the form.

iii) **Acceptance stage** – the promptness of agent in handing over FPR to customer develops surety in customers mind. Delivery of policy bond is another major opportunity.

iv) **Premium payment** – agents can be in continuous touch with their customers through reminder calls for premium due's in order to avoid lapsation of policy.

v) **Claim settlement** – agents play crucial role during claim settlement by providing policy holder details required during investigation stage.

1. **Communication skills** - One of the most important set of skills that an agent needs to possess for effective performance is soft skills. Sift skills relate to one's ability to interact effectively with other workers, customers. What goes in to making of a good relationship is TRUST that you generate in your customers mind through – Attraction; Being Present; Communication.

   Communication can take place in several forms – **Oral; Written; Non-Verbal; Body Language**.

   Elements of effective listening – paying attention, providing feedback, responding appropriately, empathetic listening and not being judgemental.

   Non Verbal Communication :

   a. **Making a great first impression**
      - Be on time always
      - Present yourself appropriately
      - A warm, confident and wining smile.
      - Being open, confident and positive
      - Interest in the other person.

   b. **Body Language -** refers to movements, gestures, facial expressions. The Way we talk, walk, sit and stand.

Listening skills :

Active Listening:

Is where we consciously try to hear not only the words but also, more importantly, try to understand the complete message being sent by another.

i. **Paying Attention**

ii. Demonstrating that you are listening - Use of body language plays an important role here.

iii. Provide feedback

iv. Not being Judgmental - Such judgmental approach can result in the listener being unwilling allow the speaker to continue speaking, considering it a waste of time.

v. Responding appropriately

vi. Empathetic listening - Being empathetic literally means putting yourself in the other and feeling his or her experience as he or she would feel it.

CHAPTER – 2 QUESTIONS

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 India ________________ insurance is mandatory.

I. Motor third party liability

II. Fire insurance for houses

III. Travel insurance for domestic travel

IV. Personal accident

4.One of the methods of reducing insurance cost of an insured is ___________

I. Reinsurance

II. Deductible

III. Co-insurance

IV. Rebate

5.A customer having complaint regarding his insurance policy can approach IRDA through

I. IGMS

II. District Consumer Forum

III. Ombudsman

IV. IGMS or District Consumer Forum or Ombudsman

6.Consumer Protection Act deals with:

I. Complaint against insurance companies

II. Complaint against shopkeepers

III. Complaint against brand

IV. Complaint against insurance companies, brand and shopkeepers

7.____________ has jurisdiction to entertain matters where value of goods or services and the compensation claim is up to 20 lakhs

I. High Court

II. District Forum

III. State Commission

IV. National Commission

8.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

9.Select the correct statement:

I. Ethical behaviour is impossible while selling insurance

II. Ethical behaviour is not necessary for insurance agents

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

IV. Ethical behaviour is expected from the top management only

10. 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

CHAPTER -3

GRIEVANCE REDRESSAL MECHANISM

Grievance redressal mechanism – IRDA has various regulations in order to render the consumers grievances/complaints which come under protection of policy holder's interests' regulation 2002.

i) **Integrated grievance management system (IGMS)** – 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 grievances in the industry. Policy holders can register on this system with their policy details. Complaints are then forwarded to the respective insurance company.

ii) **The consumer protection act 1986** – the act was passed "to provide for better protection of the interest of consumers and to make provision for the establishment of consumer's disputes".

. **Service** – any provision made available to potential users such as banking, financing, transport, insurance etc.

. **Consumer** – any person who buys any goods for a consideration or hires or avails of any services for a consideration.

. **Defect** – it means any fault, imperfection, and shortcoming, inadequacy in quality, nature, manner or performance for any service that is taken by the customer.

. **Complaint** – it means any allegation given in writing regarding any unfair trade, defect in goods, deficiency in services hired or availed, excess pricing.

. **Consumer dispute** – it means a dispute where the person against whom the complaint is made, denies and disputes the allegations made on him.

2. Ombusman :

- Total office of ombudsman in India – 12.
- The Ombudsman power is restricted to the value not exceeding Rs.20 Lacs

- Recommendations should be made within 1 month of the receipt of a complaint
- The complainant has to accept the recommendation in writing within 15 days of receipt of such recommendation.
- The insurance companies are required to honor the AWARDS passed by Ombudsman within**15 days.**
- If the dispute is not settled, the Ombudsman will pass an award to the insured within 3months/90days from the date of receipt of the complaint.

The insured should acknowledge within 1 month of receipt of such award.

Complaints can be made to the ombudsman if :

- The complainant had made a previous written representation to the insurance company and the insurance company had :
  - Rejected the complaint.
  - The complainant had not received any reply within one month from insurer.
- The complainant is not satisfied with the reply given by the insurer.
- The complaint is made within one year from the date of rejection by the insurance company.
- The complaint is not pending in any court or consumer forum.

3. **Judicial Channels :**

NATIONAL COMMISSION	State commission	District forum
Established by central Government by notification.	Established by state govt. by notification.	Established by state govt. in each district.
Complaints of Claim value exceeding Rs. 1 Crore and appeals against the order of any state commission.	Complaints of Claim value exceeding Rs.20 Lakhs but does not exceed Rs.100 lakhs and appeals against the order of any district forum within the state.	Complaints of Claim value up to Rs. 20 lakhs

4. **Important Days** :

a. 10 days – Insurer has to communicate the policy holder on any inquery.

b. 15 days – Customer can cancel the contract within 15 days of receiving the policy (Free look period/Cooling off period).

c. 15 days – Insurer has to convey the policy holder about acceptance or rejection of proposal.

d. 15 days – In case of claim insurer can ask for additional documents within 15 days of receiving the claim documents.

e. 15 days – Insurer has to honor the Award passed by the ombudsman within 15 days.

f. 15 days – Grace period in case of monthly mode of premium payment.

g. 31 days or one month – Grace period in case of Quarterly/half yearly/annual mode.

h. 30 days – ombudsman has to pass recommendation.

i. 30 days – Insurer has to settle the claim within 30 days after receiving the claim document.

j. 90 days – Ombudsman has to pass an award within 90 days.

k. 180 days – maximum time in case of disputed claims.

CHAPTER -3 QUESTIONS:

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

CHAPTER - 4

REGULATORY ASPECTS OF INSURANCE AGENTS

A. Regulations of Insurance Agents :

- ✓ Appointment of Insurance Agent regulations came into force with effect from 1st April 2016.
- ✓ A letter of appointment issued by an insurer to any person to act as an insurance agent .
- ✓ "Insurance Agent" means an individual appointed by an insurer for the purpose of soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance.
- ✓ “Composite Insurance Agent” means an individual who is appointed as an insurance agent by two or more insurers subject to the condition that he/she shall

not act as insurance agent for more than one life insurer, one general insurer, one health insurer and one each of the mono-line insurers.

- ✓ "Centralised list of Agents" means a list of agents maintained by the Authority, which contains all details of agents appointed by all insurers
- ✓ "Designated Official" means an officer authorised by the Insurer to make Appointment of an individual as an Insurance Agent
- ✓ An applicant seeking appointment as an insurance agent of an Insurer shall submit an application in Form I-A to the Designated Official of the Insurer
- ✓ The Designated Official shall communicate the reasons for refusal for appointment as agent to the applicant in writing, within 21 days of receipt of the application

3. Appointment of Composite Insurance Agent by the insurer:

- ✓ An applicant seeking appointment as a „Composite Insurance Agent‟ shall make an application to the Designated Official of respective life, general, health insurer or mono-line insurer .
- ✓ Composite Agency Application Form I-B.

4.Insurance Agency Examination :

- ✓ An applicant shall pass in the Insurance Agency Examination conducted by the Examination Body in the subjects of Life, General, or Health Insurance

5. **Disqualification to act as an Insurance Agent**: The conditions for disqualification shall be as stipulated under Section 42 (3) of the Act

CHAPTER 5

LEGAL PRINCIPLES OF AN INSURANCE CONTRACT

Insurance Contract – an insurance policy is a contract between 2 parties – Insurer (Insurance Company) and Insured (Policy holder) as per Indian Contract act 1872.

For any contract to be a valid contract following elements should be there –

1) **Offer and Acceptance** – out of the 2 parties' one should offer and other party should accept. Usually offer is made by proposer (policy holder) and acceptance is made by insurer.

2) **Consideration** – premium paid by policy holder and the promise to indemnify by insurer is known as consideration.

3**) Agreement between parties** – both parties should agree to the same thing.

4) **Free consent** – there should be no pressure on proposer while taking policy. Consent is free when the policy is taken under no-coercion; undue influence; fraud; misrepresentation; mistake.

5) **Capacity of the parties** – proposer should be legally competent. I.e. Sound mind, not disqualified by law, should not be minor.

6) **Legality** – the object of contract must be legal.

Special features of Insurance Contract-

1) **Uberima Fides (or) Utmost good faith** – it means that every party to contract must disclose all material facts relating to the subject matter of insurance whether asked or not.

2) **Material facts/Information** – proposers family history; medical history; financial details; occupational details; illness if any; habits etc. are known as material facts.

Breach of utmost good faith: -

- **Non-disclosure** – not informing certain details.

- **Concealment** – intentionally not giving details.
- **Misrepresentation** – a) *Innocent* – by mistake giving wrong information

b) *Fraudulent* – intentionally giving wrong information.

3) **Insurable Interest** – it is the financial interest the proposer has in his belongings. I.e. Self; spouse; parents; house; car etc. is termed as insurable interest.

In Life Insurance – Insurable interest should be present at the start of policy.

In Non-life Insurance – Insurable interest should be present both at the start and during claim.

In Marine Insurance – Insurable Interest should be present at the time of claim.

4) **Proximate Clause** – it is the main reason behind the various activities taking place and there by resulting into any event.

5) **Free Look-In Period (or) Cooling off period** – if any proposer after entering into a contract i.e. After taking a policy if he wants to cancel or reject the policy then he or she take this decision within 15days from receiving of policy.

6) **Indemnity** - It means that the policyholder, who suffers a loss, is compensated so as to put him or her in the same financial position as he or she was before the occurrence of the loss event**.**

7) **Subrogation:** It is the process an insurance company uses to recover claim amounts paid to a policy holder from a negligent third party.

CHAPTER – 5 – QUESTION PAPERS

1.Which element of a valid contract deals with premium?

I. Offer and acceptance

II. Consideration

III. Free consent

IV. Capacity of parties to contract

2.______________ relates to inaccurate statements, which are made without any fraudulent intention.

I. Misrepresentation

II. Contribution

III. Offer

IV. Representation

3._________________ involves pressure applied through criminal means.

I. Fraud

II. Undue influence

III. Coercion

IV. Mistake

4.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

5.Which of the below is not a valid consideration for a contract?

I. Money

II. Property

III. Bribe

IV. Jewellery

6.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

7.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

8.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

9.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

10.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 – 6

WHAT LIFE INSURANCE INVOLVES

Life Insurance Business Components

1. **Assets** – any physical or non-physical thing which has value

   i.e. Can measured in terms of money is known as Asset. Every human being has a value which can be determined and is termed as Human Life Value (HLV). HLV helps to determine how much insurance one should have for full protection.

E.g. Mr. Mahesh earns Rs.120000 per annum and spends Rs.24000 on himself. Therefore net earnings for family in case of Mr. Mahesh's death is Rs.96000 per annum. Suppose rate of interest is 8% then HLV = 96000/ 0.08 = 12,00,000.

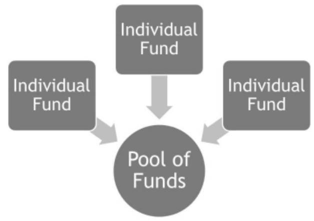
2. **Risk** – there are various types of risk involved for a human being such as dying too early; living too long; living with Disability.

3. **Indemnity** – in the occurrence of an event, the procedure to assess the loss and pay the compensation for this loss is known as Indemnity.

4. **Level Premium** – it is a premium fixed in such a manner that it does not increase with age but remains constant throughout the contact period

5. **Principle of Risk Pooling** – it works on the principle of mutuality. Here premium collected from various people is collected in same pool for same risk and used for same kind of risk-claim. Under no circumstances money collected under one risk pool is used for another pool.

Mutuality is one of the important ways to reduce risk in financial markets, the other being diversification. The two are fundamentally different.



Contract – taking insurance involves getting into a contract. Here the contract is between the Insurer (Insurance company) and Insured (Policy holder).

CHAPTER – 6 QUESTIONS

1.Which of the below is not an element of the life insurance business?

I. Asset

II. Risk

III. Principle of mutuality

IV. Subsidy

2.Who devised the concept of HLV?

I. Dr. Martin Luther King

II. Warren Buffet

III. Prof. Hubener

IV. George Soros

3.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

4.Which among the following cannot be termed as an asset?

I. Car

II. Human Life

III. Air

IV. House

5.Which of the below cannot be categorised under risks?

I. Dying too young

II. Dying too early

III. Natural wear and tear

IV. Living with disability

6.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

7.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

8.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

9.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

10.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 7

FINANCIAL PLANNING

Financial planning is a process to identify his goals; assess net worth; estimating future financial needs; and working towards meeting those needs.

Goals

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

A) Economic Life Cycle :–

- Student Phase – this is pre-job phase. One is getting ready for earning phase.
- Working Phase – this phase starts around 20-25yrs of age and lasts for 35-40yrs.
- Retirement Phase – this phase is where-in one has stopped working.

B) Individual life cycle –

- Learner [till age 25] – this is the learning phase of an individual.
- Earner [25 onwards] – this is the phase when one starts earning.
- Partner [28- 30yrs] – this is the phase when one gets married.

- Parent [30-35yrs] – this is the phase when one move towards parenting.
- Provider [35-55yrs] – this is the phase when parents have to fulfil children's needs.
- Empty Nester [55-65yrs] – this is the phase when children get married.
- Retirement [60 onwards] – this is the phase when one gets retired and there's no regular source of income. Health also gets deteriorating.

C) Individual Needs –

. Enabling future transactions – making provision for future transactions such as education marriage.

. Meeting contingencies – keeping money for unforeseen events like unemployment, hospitalization, death etc.

. Wealth accumulation – this is to be done for increasing your money value.

D) Financial products – for above needs to be fulfilled following products can be used

.Transactional product – bank deposits can be used for cash requirements.

. Contingency product – Insurance can be used to protect against unforeseen events.

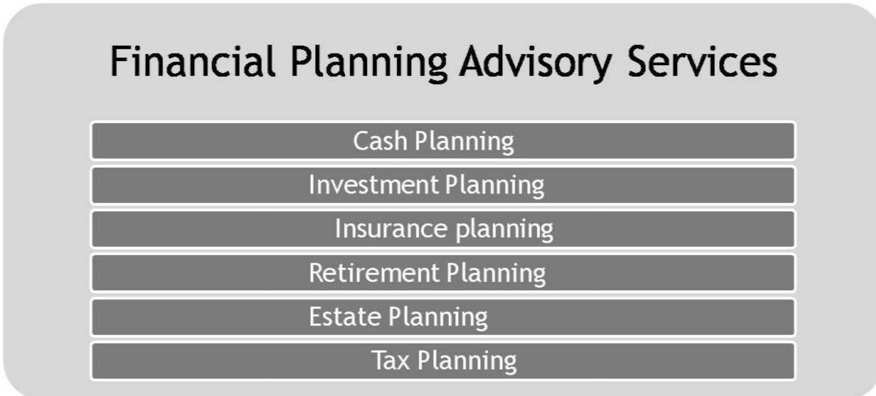
. Wealth accumulation product – shares; bonds can be used to invest for wealth creation.

Role of Financial Planning: – It is a process in which clients current and future needs are considered and evaluated along with his risk profile and income assessment. Financial planning includes – Investing, Risk management, Estate planning, Retirement planning, Tax planning and financing daily and regular requirements.

Note – the right time to start financial planning is when one starts receiving his 1st salary.

Need for Financial Planning: – Disintegration of joint family; multiple investment choices; changing lifestyles; inflation; other contingency needs.

Financial planning – Types :



CHAPTER – 7 – QUESTIONS

1.An individual with an aggressive risk profile is likely to follow wealth _______ investment style.

I. Consolidation

II. Gifting

III. Accumulation

IV. Spending

2.Which among the following is a wealth accumulation product?

I. Bank Loans

II. Shares

III. Term Insurance Policy

IV. Savings Bank Account

3.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

4.During which stage of life will an individual appreciate past savings the most?

I. Post retirement

II. Earner

III. Learner

IV. Just married

5.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

6.Which among the following can be categorised under transactional products?

I. Bank deposits

II. Life insurance

III. Shares

IV. Bonds

7.Which among the following can be categorised under contingency products?

I. Bank deposits

II. Life insurance

III. Shares

IV. Bonds

8.Which of the below can be categorised under wealth accumulation products?

I. Bank deposits

II. Life insurance

III. General insurance

IV. Shares

9.___________ 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

10. 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 -8

LIFE INSURANCE PRODUCTS – I

What is a product?

- From a marketing standpoint, a **product is a bundle of attributes.**
- The difference between a product (as used in a marketing sense) and a commodity is that a product can be differentiated. A commodity cannot.

Products may be

• Tangible • Intangible

Life insurance is a product that is intangible.

A rider is a provision typically added through an endorsement, which then becomes a part of the contract.

Traditional Life Insurance Products

- Term Insurance Plans
- Whole Life Insurance Plans
- Endowment Insurance Plans

Variants of Term Assurance

- Decreasing term assurance
- Increasing term assurance
- Term assurance with return of premiums

Whole Life Insurance

- There is no fixed term of cover but the insurer offers to pay the agreed upon, death benefit when the insured dies, no matter whenever the death might occur.

Term insurance policy

• A term insurance policy comes handy as an income replacement plan.

Endowment Assurance: Combination of 2 plans:

A term assurance plan

• Pays the full sum assured in case of a death of the insured during the term

A pure endowment plan

- Pays this amount if the insured survives at the end of the term

Money back plan

It is typically an endowment plan with the provision for return of a part of the sum assured in periodic installments during the term and balance of sum assured at the end of the term .The unique selling proposition (USP) of term assurance is its low price, enabling one to buy relatively large amounts of life insurance on a limited budget.

Decreasing term assurance

These plans provide a death benefit that decreases in amount with term of coverage e.q. a 10 years decreasing term policy may offer a benefit of Rs. 1, 00,000 for death in first year with amount decreasing by Rs. 10,000 on each policy anniversary, top finally come to zero at the end of the ten years

Mortgage redemption:

Plan is of decreasing term insurance designed to **provide death amount that related to the decreasing amount owned on mortgage loan in such loans, each equated monthly Installment (EMI) payment leads to a reduction of outstanding principal amount.**

IRDA's new guidelines for traditional products.

New traditional products will give a higher death cover.

i. For **single premium policies** it will be 125% or the single premium for those below 45 Years and 110% of single premium for those above 45 years.

ii. For **regular premium policies,** the cover will be 10 times the annualized premium paid for those below 45 and seven times for others.

CHAPTER – 8 – QUESTIONS

1.____________ life insurance pays off a policyholder's mortgage in the event of the person's death.

I. Term

II. Mortgage

III. Whole

IV. Endowment

2.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

3.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

4.In decreasing-term insurance, the premiums paid _____________ over time.

I. Increase

II. Decrease

III. Remain constant

IV. Are returned

5.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

6.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

7.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

8.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

9.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

10.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 – 9

LIFE INSURANCE PRODUCTS – II

Cash value component

• The savings or cash value component in traditional life insurance policies is not well defined

Rate of return

• It is not easy to ascertain what would be rate of return on traditional life insurance policies

Surrender value

• The cash and surrender values (at any point of time), under these contracts depend on certain values (amount of actuarial reserve and the pro-rata asset share of the policy)

Yield

• Finally there is the issue of the yield on these policies

Appeal :

Major sources of appeal of the new genre of products that emerged worldwide are :

- Direct linkage with the investment gains
- Inflation beating returns
- Flexibility
- Surrender value

Non-traditional life insurance products Universal Life Insurance

Universal Life Policy was first introduced in the USA.

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.**

Non-traditional life insurance products

- Variable insurance plans
- Unit linked insurance plans

Break-up of ULIP Premium

- Expenses
- Mortality

• Investment

Investment fund options offered by ULIP Equity Fund :

This fund invests major portion of the money in equity and equity related instruments.

Equity Fund : Invests major portion of the money in equity and equity related instruments**.**

Debt Fund : Invests major portion of the money in Goverment Bonds,corporate Bonds , Fixed deposits etc.

Balanced Fund : Invests in a mix of equity and debt instruments

Money Marker Fund: Invests money mainly in instruments such as treasury bills, certificates of deposit, commercial paper etc.

.

VARIABLE LIFE INSURANCE :

This policy was first introduced in the United States in 1977. Variable life insurance is a kind of "Whole Life" policy where the death benefit and cash value of the policy fluctuates according to the investment performance of a special investment account into which premiums are credited. Theoretically the cash value can go down to zero, in which case the policy would terminate.

• Unit linked insurance

Unit linked plans, also known as ULIP's emerged as one of the most popular and significant products, displacing traditional plans in many markets. **These plans were introduced in UK, in a situation of substantial investments that life insurance companies made in ordinary equity shares and the large capital gains and profits they made as a result.**

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

CHAPTER – 9 QUESTIONS

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 IRDAI norms, an insurance company can provide which of the below non-traditional 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

CHAPTER 10

APPLICATIONS OF LIFE INSURANCE

Married Women's Property Act :

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

Beneficiaries under Section 6 of MWP Act :

- Wife alone
- Wife and one or more children jointly
- One or more children

Features of a policy under the MWP Act :

i. Each policy will remain a separate Trust. Either the wife or child (over 18 years of age) can be a trustee.

ii. The policy shall be beyond the control of court attachment and even the life assured.

iii. The claim money shall be paid to the trustees.

iv. The policy cannot be surrendered and neither nomination nor assignment is allowed. .

iv 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 official trustee of the State in which the office at which the insurance was effected is situated.

Key Man Insurance :

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

✓ Keyrnan is a term insurance policy where the sum assured is linked to the profitability of the company rather than the key person's own income. The premium is paid by the company. This is tax efficient as the entire premium is treated as business expense. In case the key person dies, the benefit is paid to the company. Unlike individual insurance policies, the death benefit in keyman insurance is taxed as income.

a) Who can be a **KEYMAN**?

A key person can be anyone directly associated with the business whose loss can cause financial strain to the business. For example, the person could be a director of the company, a partner, a key sales person, key project manager, or someone with specific skills or knowledge which is especially valuable to the company.

Mortgage Redemption Insurance (MRI) :

It is an insurance policy that provides financial protection for home loan borrowers. It 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.

CHAPTER – 10 – QUESTIONS

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

I. Keyman income

II. Business profitability

III. Business history

IV. Inflation index

2.Mortgage redemption insurance (MRI) can be categorised under ________.

I. Increasing term life assurance

II. Decreasing term life assurance

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 effected 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

II. Official Trustee of the State

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 favour of nominees

Statement II: Death claims are settled in favour 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

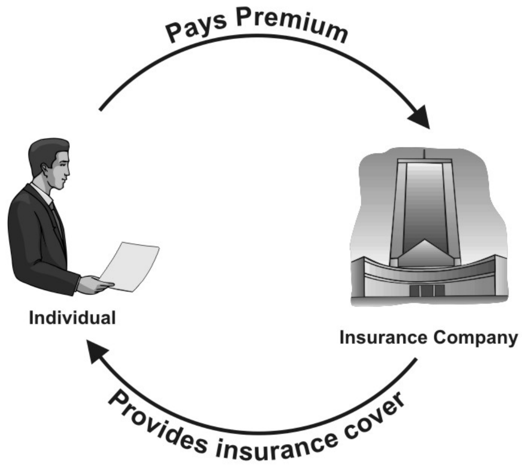
IV. General Insurance

CHAPTER 11

PRICING AND VALUATION IN LIFE INSURANCE

1. **Premium :**

- Price for insurance.



- Pricing refers to the process of calculating the rate of the premium that will be charged on insurance policy.
- It is normally expressed as a rate of premium per thousand of Sum Assured
- The policyholder can pay the premium in a number of ways:
  a. Single Premium Plan
  b. Level Premium Plan
  c. Flexible Premium Plan

2. Types of Premiums :Arriving at the rate is performed by an Actuary
   a. **Office Premium :** This rates printed in the tables of insurance companies.These are typically level premiums which need to be paid every year.
   b. **Risk Premium :** Premium is charged to meet the claim for the year.
      Risk Premium = Mortality rate X Sum assured.
   c.**Level Premium :** Equal premium charge for entire term of the policy.
   d. **Net Premium :** The interest earned is also considered for the premium calculation.

e.

Net Premium = premium – interest earnings.

F . **Gross Premium :**Net Premium + Loading for expenses + Loading for contingencies + Bonus Loading

g. Higher the mortality rate, higher the premiums would be.

h. Higher the interest rate assumed, lower the premium

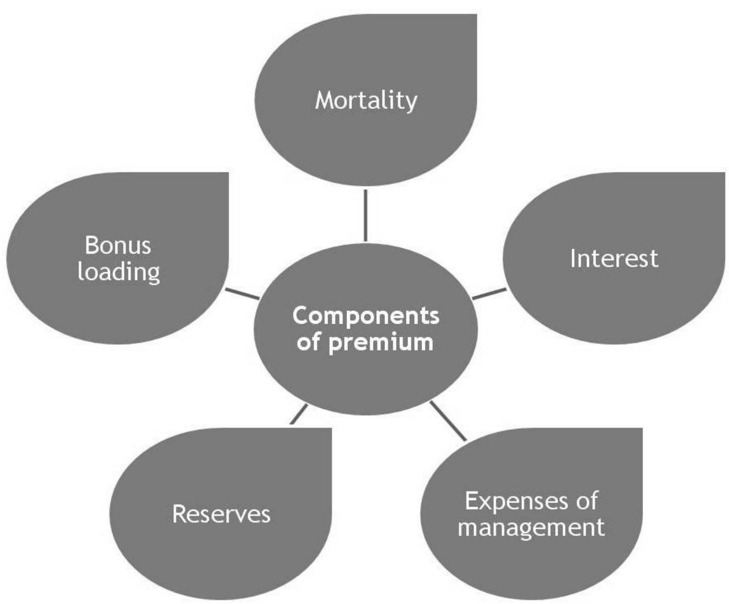
3. **Rebates :**

- Life insurance companies may offer certain types of rebates on the premium that is payable. Two such rebates are
  - For sum assured
  - For mode of premium.

3. Extra charges : (Loadings) :

i. Addition to net premium. Example: Administration charges, medical expenses, processing fees, profit margin bonus etc.

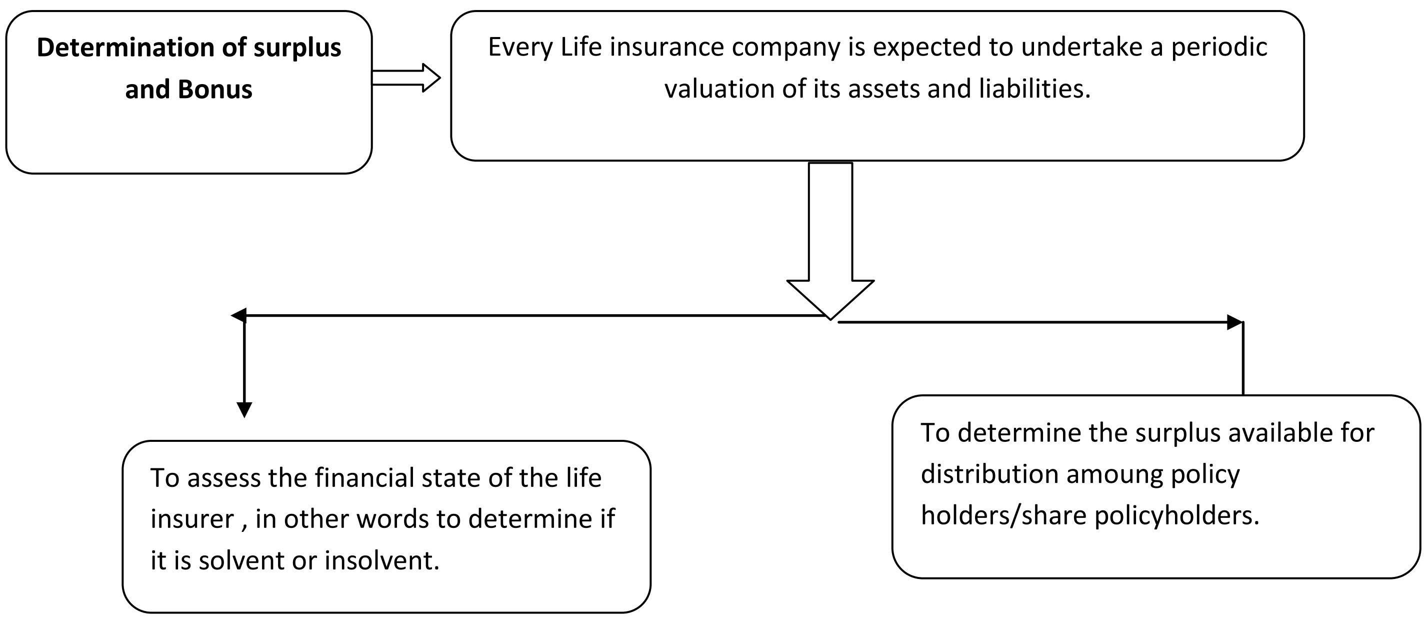
4. Components of premium :



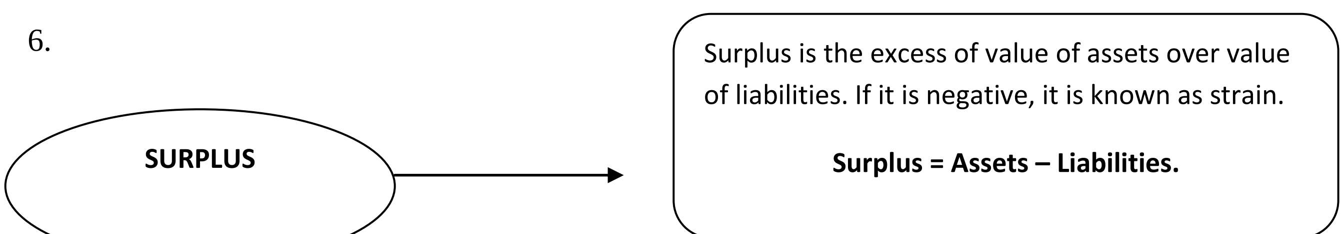
5. Guiding principles of Determining amount of loading :

a. **Adequacy :**The total loading from all policies must be sufficient to cover the company's total operating expenses. It should also provide a margin of safety and finally it should contribute to the profits or surplus of the company.
b. **Equity :**Expenses and safety margins etc. should be equitably apportioned among various kinds of policies, depending on type of plan, age and term etc.
c. **Competitiveness :**The resulting gross premiums should enable the company to improve its competitive position.

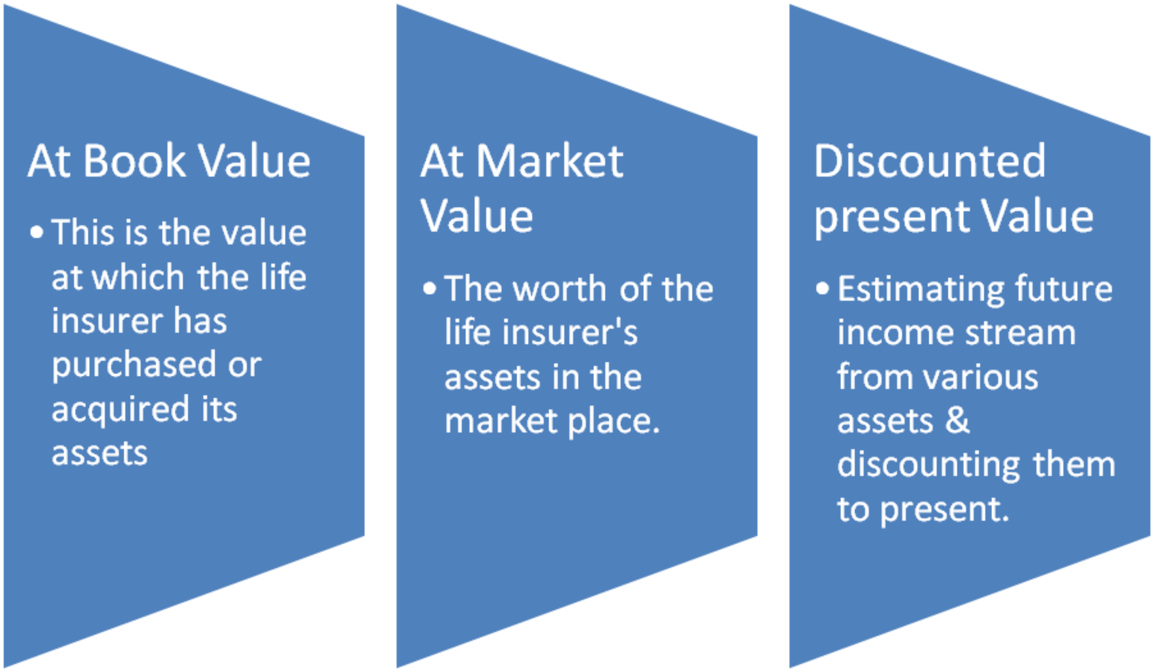
6.



6.



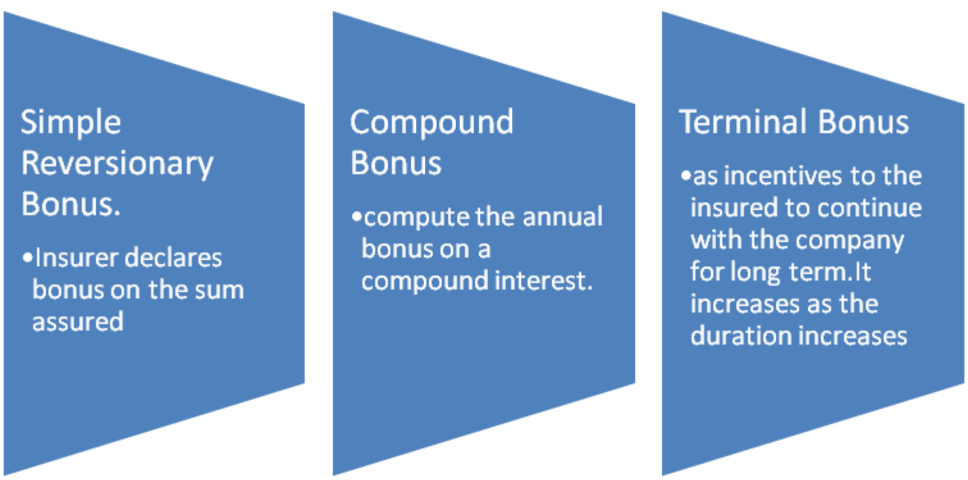
7. Assets are valued in one of the following three ways :



8. **Bonus** :

Bonus is paid as an addition to the basic benefit payable under a contract.

Types of reversionary bonus :



CHAPTER – 11 QUESTIONS:

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, cheque, 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. Business strain is the difficulty faced by the companies in securing new business

II. Business strain arises at the end of the policy term.

III. Business strain arises because of excess premium

IV. Business strain arises because of excess expenses at the new business stage .

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

CHAPTER – 12

DOCUMENTATION – PROPOSAL STAGE

A) Proposal stage documentation:-

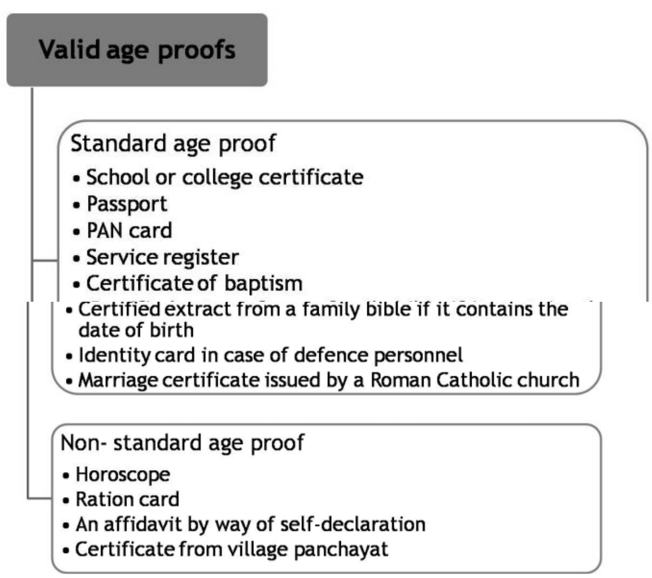
i) **Prospectus** - it is a formal legal document used by insurer that provides details about the product. It states the terms and conditions scope of benefits- guaranteed- non-guaranteed; entitlements; exception

ii) **Proposal form** - it is a form to be filled by the proposer for giving all material required by insurer in order to decide catheter the risk of the proposer to be acetated or rejected.

iii) **Agent report** - agent is primary under writer. All material facts and particulars about the proposer such as health, habits, occupation, income, family etc.

iv) **Medical examiners report** - the medical examiner's report is required typically when the proposal cannot be considered under normal condition i.e. Sum proposed is high or age is high or there are certain characteristics which call for examination and report by medical examiner**.**

v) **Moral hazard report** - it is the likelihood that a client's behaviour might change as report of purchasing a life insurance policy and such a change would increase the chance of loss.



vii) **Anti-money laundering (AML)** - the prevention of money laundering is the process of bringing illegal money into economy by hiding its origin. The act to curtail was paned in 2002 and person found guilty is perishable for 3-7 years imprisonment and fine unto 5 lakhs.

viii) Know Your Customer (KYC) - It is the process used to verify the identity of their clients. The objective is to prevent financial institutions from being used by criminal elements for money laundering activities.

KYC procedure:

i. Photographs
ii. Age proof
iii. Proof of address – driving license, passport, telephone bill, electricity bill, bank passbook etc.
iv. Proof of identity – driving license, passport, voter ID card, PAN card, etc.
v)Income proof documents in case of high-value transactions

ix) **Free-look period (or) Cooling off period** - suppose a person has purchased a new life insurance policy and received the policy document and if the policy holder is not satisfied with the terms and conditions of the policy then he can take his decision to continue stop such policy within 15days from receipt of policy document / bond.

Thus **free-look period of 15 days** is available as privilege to policy holder in order to take decision to be continued or not.

CHAPTER – 12 – QUESTION PAPERS

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

I. Ration card

II. Horoscope

III. Passport

IV. Village Panchayat certificate

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

I. Increased risky behaviour 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 defence 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 licence

CHAPTER - 13

DOCUMENTATION – POLICY CONDITION - I

1. **First Premium Receipt (FPR) :**
    - An Insurance contract commences when the life insurance company issues a FPR. The FPR is the evidence that the policy contract has begun.

FPR contains the following informations :

i. Name and address of the life assured
ii. Policy number
iii. Premium amount paid
iv. Method and frequency of premium payment
v. Next due date of premium payment
vi. Date of commencement of the risk
vii. Date of final maturity of the policy
viii. Date of payment of the last premium
ix. Sum assured.

The company may require a moral hazard report from an official of the insurance company.

2. **Policy Document** :
    - It is the evidence of the contract between he assured and the insurance company.
    - If the insured person loses the original life insurance policy document, the insurance company will issue a duplicate policy without making any changes to the contract.
    - It has to be signed by competent authority and stamped according to Indian Stamp Act

Policy Document components :

a. **Policy schedule:** – It contains Policy owner's name & address, DoB, Age, Plan & Term, Whether the policy is Par / Non Par, Mode of Premium, Policy no, DOC, DOM, SA , Premium paid, nominee, details of riders etc.,

b. **Standard provisions: –** These are normally present in all LI contracts.These provisions define the rights and privileges and other conditions viz; days of grace, non-forfeiture in case of lapse

c. **Specific policy provisions : -** These may be printed on the face of the document or inserted separately in the form of an attachment.

Eg:A clause precluding death due to pregnancy for a lady who is expecting at the time of writing the contract

CHAPTER 13 – QUESTION PAPERS

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 authorised 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

CHAPTER 14

DOCUMENTATION - POLICY CONDITION - II

1. **Grace Period** :
   - The "Grace Period" clause grants the policyholder an additional period of time to pay the premium after it has become due.
   - **The standard length of the grace period is one month or 31 days** computed from next day after due date.
   - The premium however remains due and if the policyholder dies during this period, the insurer may deduct the premium from the death benefit. If premiums remain unpaid even after the grace period is over, the policy would then be considered lapsed and the company is not under obligation to pay the death benefit but for the amount under Non Forfeiture provisions.
2. **Lapse** :
   - If the policy premium has not been paid even during days of grace , the policy is deemed to be lapsed.
3. **Reinstatement / Revival** :
   - 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

Conditions of Policy Revival :

- Payment of outstanding premium with interest
- Fee for reinstatement
- Proof of continued good health& income
- No increase in Risk cover
- Within time frame – in India within 5 years from the date of lapse.
- Payment of outstanding loan.
- Fresh medical examination may be required if SA is large.

Revival is more often advantageous because buying a new policy would call for a higher premium based on age on the date of revival

4. **Policy Revival Measures :**
    a. **Ordinary Revival :**Involves payment of arrears of premium with interest. When the policy has acquired surrender value.
    b. **Special Revival :**If the policy has run for less than 3 years and has not acquired minimum surrender value, Special Revival is done .New policy has been written when the DOC is within two years of the original date of commencement of the lapsed policy.
    c. **Loan cum revival :**The simultaneous granting of a loan and revival of the policy.
    d. **Instalment Revival :**When the policy holder is not in a position to pay arrears of premium in a lumpsum and neither can the policy be revived under special revival scheme.

Non Forfeiture Provision:

If premiums have been paid for at least 3 consecutive years, the accrued Surrender Value will be paid.

Surrender Value: It is a percentage of paid up value. Surrender value as a percentage of premiums paid is called Guaranteed Surrender Value.

Policy Loan:

1. When a policy acquires a cash value, policyholder can borrow money (loan) while keeping the insurance alive.

2. It is usually limited to a percentage of Surrender Value (say 90%).

3. The policy has to be assigned in favor of insurer.

4. Insurers charge interest on policy loans.

5. **Nomination :**
   - **a.** It is the process of life insured proposing the name of the person(s) to whom the sum insured should be paid by the insurance company after his/her death.
   - **b.** A nominee does not have any right to whole (or part) of the claim.
   - **c.** For an insurance policy nomination is allowed under Section 39 of the insurance Act 1938.

Provisions of Section 39 :

- ✓ Nomination can be made when the policy is bought or thereafter
- ✓ Nomination is not applicable to sec 6 of MWP Act.
- ✓ Policy moneys payment is made to surviving nominees
- ✓ Assignment cancels nomination
- ✓ Addition , change or cancellation of nomination is allowed.
- ✓ Nomination shall be by endorsement.
- ✓ Where the nominee is a minor, an Appointee needs to be appointed by policy holder.
- ✓ The appointee loses the status when the nominee reaches majority age.
- ✓ No specific share of nominee can be made.

6. **Assignment :**

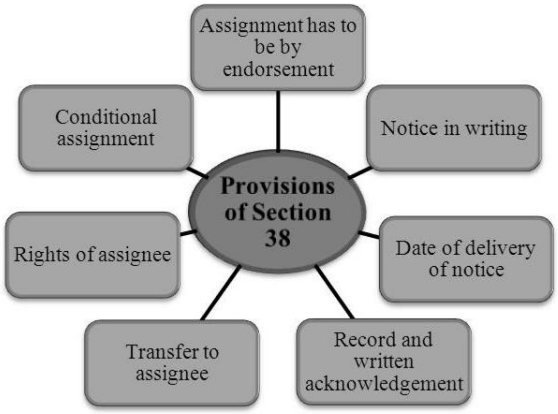
- ✓ Transfer the rights of the property (Policy).

Assignment

Conditional Assignment :provides that the policy shall revert back to the life assured on his or her surviving the date of maturity or on death of assignee.

Absolute Assignment: Provides that rights, title and interest of the assignor in the policy are transferred to the assignee without reversion.

7. Provisions of Section 38 (Assignment):



8. On assignment, nomination is cancelled, except when assignment is made to insurance company for a policy loan
9.

Basis of Difference	Nomination	Assignment
What is Nomination or Assignment	Nomination is the process of appointment of a person to receive the death claim	Assignment is the process of transferring the title of the insurance policy to another person or institution.
When can the nomination or assignment be done?	Nomination can be done either at the time of proposal or after the commencement of the policy.	Assignment can be done only after commencement of the policy.
Who can make the nomination or assignment	Nomination can be made only by the lifeassured on the policy of his own life.	Assignment can be done by owner of the policy either by the life assured if he is the policyholder or the

		assignee
Where is it applicable?	It is applicable only where the Insurance Act, 1938 is applicable	It is applicable all over the world, according to the law of the respective country relating to transfer of property.
Does the policyholder retain control over the policy?	The policyholder retains title and control over the policy and the nominee has no right to sue under the policy	The policyholder loses the right, title and interest under the policy until a re-assignment is executed and the assignee has a right to sue under the policy.
Is a witness required?	Witness is not required.	Witness is mandatory.
Do they get any rights?	Nominee has no rights over the policy	Assignee gets full rights over the policy, and can even sue under the policy.
Can it be revoked?	Nomination can be revoked or cancelled at any time during the policy term.	The assignment once done cannot be cancelled, but can be reassigned.
In case of minor:	In case the nominee is a minor, appointee has to be appointed	In case the assignee is a minor, a guardian has to be appointed.
What happens in case of the nominee's or assignee's death?	In case of nominee's death, the rights of the policy revert to the policyholder or to his legal heirs.	In case of conditional assignee's death, the rights on the policy revert back to the life assured, based on the

		terms of assignment. In case of the absolute assignee's death, his legal heirs are entitled to the policy
What happens in case of death of the nominee or assignee after the death of the lifeassured and before the payment of the death claim	In case the nominee dies before the settlement of death claim, the death claim will be payable to the legal heirs of the life assured.	In case the assignee dies before the settlement, the policy money is payable to the legal heirs of the assignee and not the life-assured who is the assignor
Can creditors attach the policy	Creditors can attach the insurance policy which has a nomination in it.	Creditors cannot attach the policy unless the assignment is shown to have been made to defraud the creditors.

10. Duplicate Policy :

- ✓ If the insured person loses the original life insurance policy document, the insurance company will issue a duplicate policy without making any changes to the contract.
- ✓ The claim may be settled on furnishing an indemnity bond with or without surety

9 .Alterations :

- ✓ Policy holder may seek to effect alteration in policy terms and conditions.
- ✓ It is subject to the consent of both insurer and insured.
- ✓ Normally alterations may not be permitted during 1st year of policy Except for some simple ones like change of mode of payment of premium, change in name, address, request for grant of DAB or PDB etc

Main Types of alterations that are permitted are :

i. Change in certain classes of insurance or term [where risk is notincreased]
ii. Reduction in the sum assured
iii. Change in the mode of payment of premium
iv. Change in the date of commencement of the policy
v. Splitting up of the policy into two or more policies
vi. Removal of an extra premium or restrictive clause
vii. Change from without profits to with profits plan
viii. Correction in name
ix. Settlement option for payment of claim and grant of double accident benefit.

CHAPTER – 14 – QUESTION PAPERS

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 favour 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

CHAPTER 15

UNDERWRITING

A) Underwriting:- basic concepts

The process of insurers to decide whether the proposal to be accepted or rejected depending from the proposal information and insurers requirements and procedure is known as underwriting.

i) **Underwriting purpose** -

a) To prevent anti selection or selection or selection against the insurer.

b) To classify risks and ensure equity among risks. Equity among risks here refers to those applicants who are exposed to similar degree of risk and are to be grouped together and charged same premium.

ii) R**isk classification** -

a) **Standard lives** – those applicants / proposers whose mortality rate is considered to be as per standard requirements.

b) **Preferred lives** – those applicants / proposers whose mortality rate is significantly low and hence can be charged lower premium.

c) **Sub –standard lives** – those applicants / proposers whose mortality rate is higher than standard lives but insurable. They are charged extra premium.

d) **Declined lives** – those applicants / proposers whose mortality rate is very significantly high and cannot be insured at affordable cost.

iii) **Selection process** - underwriting or selection process takes place at 2 levels

a) **Field level (or) primary level** – it includes information gathering of proposer through agents. Hence agents are also termed as primary underwriters. He monitors if any information given by proposer is true or not as he is the person who is in direct contact with proposer. He sends his confidential report containing proposer’s occupation, income, financial standing and reputation.

b) **Department level** – at office level a specialist person who is expert in judging the collected data and considering this relevant data decides whether to accept or not the proposal. Such experts are known as underwriters.

iv) **Underwriting decisions** - the various options available to underwriter besides accepting or rejecting the proposal are as follows.

a) **Acceptance at ordinary rate (OR)** – it is the most common decision where in the proposal is accepted at same premium as it would apply for standard lives.

b) **Acceptance at extra rate (ER)** – it involves charging extra premium for sub-standard lives.

c) **Acceptance with lien** – it is kind of hold on sum assured amount. It implies if a policy is accepted under lien and if the proposer dies within lien period then the nominee is entitled to receive decreased sum assured. Lien is applicable normally for $1/3^{rd}$ period of the total period.

d) **Acceptance with restrictive clause** – for certain kind of hazards or restrictive clause is applied; if tomorrow claim arises due to such clause then full sum assured is not payable.

e) **Decline or postpone** – if the proposer does not fit in any of the above conditions i.e. They are very adverse and there is little chance of improvement then such cases are declined or decision on them is postponed for certain time period.

Rating factors in underwriting:-

i) **Female insurance** – insurability of women depends upon various factors such as income source (own, heir); pregnancy problems; moral hazards- domestic violence.

ii) **Minors** – insurability of minors look for capacity of parents; need for insurance; has properly developed physique; proper family history; parents adequately insured.

iii) **Large sum assured** – insurability for large sum assured policies raise a doubt of concern. Generally S.A is to be 10-12 times of annual income.

iv) **Age** – insurability for advanced age group is to be considered with utter care. As chances of moral hazard is very high. Some special reports may be called.

v) **Moral hazard** – it is termed as characteristics of an individual's financial situation, lifestyle, habits, reputation, mental health that indicate his / her intentions.

vi) **Occupational hazard** – insurability for people with occupational hazard may arise due to accident – driver / circus artists / stuntmen's; health – chemical factory workers / nuclear plant / deep sea divers; moral – criminal mind / night club workers.

vii) **Lifestyle and habits** – drinking and smoking.

v) **Non-medical underwriting: -** a large number of proposals get accepted without conducting medical examination. Such cases are termed as non-medical proposals. Depending upon the information given in proposal form such cases are underwritten under non-medical case. Conditions for non-medical underwriting-

- Certain categories of female, like working women may be eligible.
- Upper limit of sum assured for e.g. Cases above 5lac may need to undergo medical.
- Entry level of age. Proposers above 40-45 age may compulsory need medical.
- Term of the policy. Insurer might restrict term up to 20 yrs. or maturity age till 60.
- Class of lives. Depending upon work area insurer might call for medical.

vi) **Medical underwriting**: - the medical factors that would influence an underwriter's decision. They may often call for a medical examiner's report. Factors involved are-

i) Family history – 3 factors are taken into consideration in order to understand family history of the proposer

- Heredity – certain diseases can be transmitted from one generation to another.
- Average longevity of family – if parents have died early due to cancer, heart trouble.
- Family environment – the environment in which the family lives.

ii) **Personal history** – it refers to past impairment of various systems of human body which the proposer might have suffered.

iii) **Personal characteristics** –

- Build – for a given age & height there is a standard weight, if the standard weight is too high or too low then such proposals need to be checked.
- Blood pressure – another indicator to know personal characteristic. Average pulse rate should be 72 and varying between 50-90.
- . Urine-specific gravity – one's urine indicates the salts in the body. Its mal-functioning can be indicated through its test.

CHAPTER – 15 – QUESTION PAPERS

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

I. Process claims

II. Decide acceptability of risks

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

IV. Claim rejection

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

I. Passport

II. School leaving certificate

III. Horoscope

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 favourable 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

II. Preferred risks

III. Substandard lives

IV. Declined lives

CHAPTER 16

PAYMENTS UNDER A LIFE INSURANCE POLICY

Claims :

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

A) Types of claims and claims procedure :-

1) **Survival claim** - claims payable even when the life inured is alive.

2) **Death claim** – claims payable on the death of the life assured.

A Claim event is said to have occurred when

i) For **survival claim** the event has to be occurred as per stipulated conditions.

ii) **Maturity claim & money back claims** are given based on determined dates.

iii) **Surrender value are claims** to be given based on decision taken by insured.

iv) **Critical illness claims** are processed based on medical and other records provided.

Payments to be done during the policy term:-

i) **Survival benefits payment** – payments made at regular intervals by insurer at specified time during the policy term.

ii) **Surrender of policy** – the voluntary decision taken by the policy holder to stop the policy contract. The amount payable to insured is surrender value.

iii) **Rider benefit** – a payment done by insurer on occurrence of specified event according to terms and conditions. The policy continues even after the rider benefit payment is done.

iv) **Maturity claim** – a payment done by insurer at the end of the policy term, if the insured survives the entire term of the policy. The insurance contract comes to an end after maturity claim is paid.

v) **Death claim** – if the insured expires during the term of the policy, accidentally or otherwise, then the insurer pays the sum assured, bonus, etc. to nominee; assignee or legal heir. Such payments are known as death claim. Contract comes to an end. Death claim can be

. **Early death claim** – claim that arises within 3yrs from start of policy.

. **Non-early death claim** – claim that arises after 3yrs from start of policy.

Forms to be submitted by nominee; assignee or legal heir on death are claim form; certificate of burial or cremation; treating physicians certificate; hospitals certificate; employers certificate; certified court copies of police reports in case of accidental death; death certificate issued by municipal authority.

B) Repudiation of death claim – if it is detected by insurer that the proposer had made any incorrect statements or had suppressed material facts relevant to policy, the contract becomes void. All benefits under the policy are forfeited.

C) Indisputability clause – a policy which has been in force for 2yrs cannot be disputed on the ground of incorrect or false information. The insurer will have to prove in order to repudiate a policy after 2yr period.

D) Presumption of death – the Indian evidence act 1872 deals with presumption of death; under this act if an individual has not been heard off or seen for 7yrs then they are presumed to be dead. It is necessary that premiums should be paid till the court decrees presumption of death.

E) Claim procedure for life insurance policy -

- ✓ It is included in the IRDA (protection of policy holder’s interests) regulation 2002.
- ✓ Insurer will call upon the primary documents which are normally required.

- ✓ Any query or requirement of **additional documents** are to be asked within **15days**.
- ✓ A **claim is to be paid** or be disputed giving all relevant reasons within **30days**.
- ✓ In case of any **dispute over the claim**, it shall initiate and complete within **6months** from the time lodging the claim.
- ✓ Claim is ready for payment but cannot be done due to **lack of proper identification**, the life insurer shall **hold such amount** and shall earn interest as per schedule banks saving accounts rate (effective from **30days** following the submission of all papers and information).
- ✓ on **delay of payment** of claim on its completion would earn an **interest of 2%** above the prevalent rate of interest.

F) Role of agent -

An agent shall render all possible service to the nominee, legal heir or the beneficiary in filling up the claim form accurately and assist in submission of these at insurer's office. Apart from discharging obligations, goodwill is generated from such a situation where by there exists ample opportunity for the agent to procure business or referrals in future.

CHAPTER – 16 – QUESTIONS

1.Given below is a list of policies. Identify under which type of policy, the claim payment is made in the form of periodic payments?

I. Money-back policy

II. Unit linked insurance policy

III. Return of premium policy

IV. Term insurance policy

2.Mahesh has bought a life insurance policy with a critical illness rider. He has made absolute assignment of the policy in favour of Karan. Mahesh suffers a heart attack and there is a claim of Rs. 50,000 under the critical illness rider. To whom will the payment be made in this case?

I. Mahesh

II. Karan

III. The payment will be shared equally by Mahesh and Karan

IV. Neither of the two because Mahesh has suffered the heart attack but the policy is assigned in favour of Karan.

3.Praveen died in a car accident. The beneficiary submits documents for death claim. Which of the below document is an additional document required to be submitted in case of accidental death as compared to natural death.

I. Certificate of burial or cremation

II. Treating physician's certificate

III. Employer's certificate

IV. Inquest Report

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 IRDAI (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

CHAPTER 17 - 21

HEALTH INSURANCE CONCEPTS

Health :

- Health is a state of complete physical, mental and social wellbeing and not merely the absence of disease.
- Health is the Word Derived from the "**Hoelth**". Which means the soundness of the body.

Determinants of health:

a. **Life Style factors :** Lifestyle factors are those which are mostly in the control of theindividual concerned. Eg : Smoking, abusing drugs.
b. **Environmental factors:** Certain diseases caused due to environmental factors .Eg. Safe Drinking water, sanitation and nutrition. Etc..
c. **Genetic factors:** Diseases may be passed on from parents to children through genes.

Types of healthcare:

a. **Primary Health Care :**
   - ✓ Primary health care refers to the services offered by the doctors, nurses and other small clinics which are contacted first by the patient for any sickness, that is to say that primary healthcare provider is the first point of contact for all patients within a health system.
   - ✓ Primary Health care centres are set up both by Government and private players.
   - ✓ Government primaryhealth care centres are established depending upon the population size and are present right up to the village level in some form or the other.

b. **Secondary healthcare:**
   - ✓ Secondary health care refers to the healthcare services provided by medical specialists and other health professionals who generally do not have first contact withpatient.

- ✓ Most of the times, the patients are referred to the secondary care by primary health care providers / primary physician.

C.<u>Tertiary healthcare :</u>

- ✓ Tertiary Health care is specialized consultative healthcare, usually for inpatients and on referralfrom primary/secondary care providers.
- ✓ e.g. Oncology (cancer treatment), Organ Transplant facilities, High risk pregnancy specialists etc.

Factors affecting the health systems in India:

- Demographic or Population related trends
- Social trends
- Life expectancy

<u>Evolution of Health Insurance in India</u>

a) Employees' State Insurance Scheme :

- **Introduced by ESI Act,1948.**
- All workersearning wages up to Rs. 15,000 are covered under the contributory scheme wherein employee and employer contribute 1.75% and 4.75% of pay roll respectively; state governments contribute 12.5% of the medical expenses.
- The benefits covered include:

  a)Free comprehensive healthcare at ESIS facilities

  b)Maternity benefit

  c)Disability benefit

  d)Cash compensation for loss of wages due to sickness and survivorship

  e)Funeral expenses in case of death of worker

b) Central Government Health Scheme :

- Introduced in the year 1954.
- This scheme is for central governmentemployees including pensioners and their family membersworking in civilian job.
- The contribution from employees is quite nominal though progressively linked to salary scale –Rs.15 per month to Rs.150 per month

- It covers all systems of medicine, emergency services in allopathic system, free drugs, pathology and radiology, domiciliary visits to seriously ill patients, specialist consultations etc

C) Commercial health insurance :

- In 1986, Mediclaim Policy was introduced to provide coverage for the hospitalisation expenses up to a certain annual limit of indemnity with certain exclusions such as maternity,pre-existing diseases etc.
- Private players are introduced into the market in year 2001.
- Today, more than 300 health insurance products are available in the Indian market.

G.Health Insurance Market :

A. **INFRASTRUCTURE**:

1. **Public Health Centre : (PHC)**
   a. It operates in National level, State level , District level and Village Level.
   b. Anganwadi Workers : (1 of Every 1000 population)
      - For Nutrition supplementation programme and Integrated Child Development Service Scheme.
   c. The Trained BirthAttendants(TBA) and the Village Health guides(an earlier scheme of health departments in states).
   a. ASHA(Accredited Social Health Activist) volunteers, selected by the community underthe NRHM (National Rural Health Mission) programme.

Sub-centres :

- Established : 5000 population (Rural), 3000 population (Hilly, Tribal and backward areas).
- One female worker and one male worker.

Primary Health Centres :

- Referral units for about six sub-centres
- 30,000 Population (rural), 20000 population (Hilly, Tribal,backward)
- Provides Outpatient services
- 4-6 beds
- 14 para medical workers

- One medical officer.

Community Health Centres :

- Referral units for 4 Primary health centres.
- For 1 Lakh population
- 30beds
- One operation theatre, X ray machine, Labour room and labouratory.
- Four specialists : One surgeon, Physician, Gynacologist, a paediatrician.

Rural hospitals have also been set up andthese includes the sub-district hospitals called as the sub-divisional / Talukhospitals / specialty hospitals (estimated to be about 2000 in the country)

Speciality and teaching hospitals are fewer and these include the medical colleges (about 300 in number presently) and other tertiary referral centres. These are mostly in district towns and urban areas but some of them provide very specialized and advanced medical services.

2. **Private sector providers** :

- India has a very large private health sector providing all three types of healthcare services -primary, secondary as well as tertiary.
- In India nearly77% of the allopathic (MBBS and above) doctors are practicing in the private sector.
- Private health expenditure accounts for more than 75% of all health spending in India.
- The private sector accounts for 82% of all outpatient visits and 52% of hospitalization at the all India level.

3. **Pharmaceutical industry** :
   - India has a large pharmaceutical industry, which has grown from a Rs10 crore industry in 1950 to a Rs 55,000 crore business today (including exports). It employs about 5 million people, with manufacturing taking place in over 6000 units.
   - National Pharmaceuticals Pricing Authority (NPPA) – Regulator for the Pharmaceutical Industry

B. **INSURANCE PROVIDERS**:

Insurance Companies especially in the general insurance sector provide the bulk of the health insurance services.

C. **INTERMEDIARIES**:

1.Insurance Brokers :

- who may be individuals or corporates and work independently of insurance companies.
- Brokers represents the customers.
- Work for one or more insurance companies.

2. Insurance Agents

- are usually individuals but some can be corporate agents too.
- Agents represent the insurance company.(one Life, One General or One Health Insurance company.)

3.ThirdParty Administrators :

- TPAs are funded by the insurance companies for their respective claims and are remunerated by them by way of fees which are a percentage of the premium.

4. Insurance Web Aggregators :

- Through their web site and/or telemarketing, they can solicit insurance business through distance marketing without coming face to face with the prospect and generate leads of interested prospects to insurers with whom they have an agreement. They also display products of such insurance companies for comparison.

5. Insurance Marketing Firms:

- They can perform the following activities by employing individuals licensed to market, distribute and service such products.

D. OTHERS IMPORTANT ORGANIZATIONS :

- Insurance Regulatory and Development Authority of India (IRDAI)
- General Insurance and Life Insurance Councils
- Insurance Information Bureau of India.

A.Classification of health insurance products:

- **"Health insurance business" or "health cover**" means the effecting of insurance contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, including assured benefits and long-term care, travel insurance and personal accident cover.

Health insurance products can be broadly classified into 3 categories:

a) Indemnity covers

These products constitute the bulk of the health insurance market and pay for actual medical expenses incurred due to hospitalization.

b) Fixed benefit covers

lso called as 'hospital cash', these products pay for a fixed sum per day for the period of hospitalization. Some productsalso have a fixed graded surgery benefit incorporated in the product.

c) Critical illness covers :

This is a fixed benefit plan for pay outon occurrence of a pre-defined critical illness like heart attack, stroke, cancer etc.

Classification based on Customer Segment :

a)Individual coveroffered to retail customers and their family members

b)Group coveroffered to corporate clients, covering employees and groups, covering their members

c)Mass policiesfor government schemes like RSBY covering very poor sections of the population

B.IRDA Guidelines on Standardization in health insurance

The guidelines now provide for standardization of:

1.definitions of commonly used insurance terms

2.definitions of critical illnesses

3.list of excluded items of expenses in hospitalization indemnity policies

4.claim forms and pre-authorization forms

5.billing formats

6.discharge summary of hospitals

7.standard contracts between TPAs, insurers and hospitals

8.standard File and Use format for getting IRDAI for new policies

C.Hospitalization indemnity product :

- Basic Health insurance Policy – Mediclaim policy.
- Mediclaim continues to be the largest selling health insurance in the country.
- Hospitalization indemnity products protect individuals from the expenditure they may need to incur in the event of hospitalisation.

Main features of Mediclaimpolicy :

1. Inpatient hospitalization expenses :

   All expenses may not be payable and most products define the expenses covered which normally include:

   i.Room, boarding and nursing expenses as provided by the hospital / nursing home. This includes nursingcare, RMO charges, IV fluids / blood transfusion / injection administration charges and similar expenses

   ii.Intensive Care Unit (ICU) expenses

   iii.Surgeon, anesthetist, medical practitioner, consultants, specialists fees

   iv.Anesthetic, blood, oxygen, operation theatre charges, surgical appliances,

   v.Medicines and drugs,

   vi.Dialysis, chemotherapy, radiotherapy

   vii.Cost of prosthetic devices implanted during surgical procedure like pacemaker, orthopedic implants, infra cardiac valve replacements, vascular stents .

   vii. Relevant labouratory and medical test.

   ix.Hospitalization expenses (excluding cost of organ) incurred on donor in respect of organ transplant to the insured

   - Daycare procedures (within 24 hrs of hospitalisation) – Eye surgery, Chemothreaphy, dialysis.

2. Pre and post hospitalization expenses :

   i. Pre hospitalization expenses :

      Pre hospitalization expenses could be in the form of tests, medicines, doctors'fees etc. Such expensesrelevant and pertaining to the hospitalization are covered under the health policies.

ii. Post hospitalization expenses :

After stay in the hospital, in most cases there would be expenses related to recovery and follow-up.

a)DOMICILIARY HOSPITALIZATION

- This benefit is not commonly used by policyholders, an individual health policy also has a provision to take care of expenses incurred for medical treatment taken at home without being admitted to a hospital.
- This cover usually carries an excess clause of three to five daysmeaning that treatment costs for the first three to five days have to be borne by the insured.
- The cover also excludes domiciliary treatments for certain chronic or common oilmentssuch as Asthma, Bronchitis, Chronic Nephritis and Nephritic Syndrome, Diarrhoea and all type of Dysenteries including Gastroenteritis, Diabetes Mellitus Epilepsy, Hypertension, Influenza, Cough and Cold, fevers.

c) COMMONEXCLUSIONS :

1. Pre-existing diseases:
   - “Any condition, ailment or injury or related condition(s) for which you had signs or symptoms, and/or were diagnosed, and/or received medical advice/treatment within 48 months prior to the first policy issued by the insurer.”
   - Exclusions for Pre-existing disease – 48 months from the day of Inception of the policy.
   - Waiting periods : Depending on the product, waiting periods of one / two / four years apply for diseases such as Cataract, Benign Prostatic Hypertrophy, Hysterectomy for Menorrhagia or Fibromyoma, Hernia, Hydrocele, Congenital internal disease, Fistula in anus, piles, Sinusitis and related disorders, Gall Bladder Stone removal, Gout and Rheumatism, Calculus Diseases, gout and rheumatism, age related osteoarthritis, osteoporosis.

C.COVERAGE OPTIONS AVAILABLE :

- Individual Coverage
- Family Floater

D. Top-up covers or high deductible insurance plans :

- The maximum amount of cover under a health policy remained at Rs 5,00,000 for a very long time.
- Anyone wanting a higher cover was forced to buy two policies paying double the premium. This led to the development of the Top-Up policies by insurers, which offers cover for high sums insured over and above a specified amount (called threshold).

E. Senior citizen policy :

- Coverage :People over 60 years of age.
- Sum Assured :Rs.50,000 to Rs.5,00,000.
- Entry age is mostly after 60 years and renewable lifelong.

F. Fixed benefit covers -Hospital cash, critical illness :

1. HOSPITAL DAILY CASH POLICY :
   - Per day amount limit – Rs.1500 – 5000 per day.
   - Number of payment days linked to the disease for which treatment is being taken.
   - The hospital daily cash policy is available as a standalone policy as offered by some insurers.
2. CRITICAL ILLNESS POLICY

- Critical illness policy is a benefit policy with a provision to pay a lump sum amount on diagnosis of certain named critical illness.
- It is sold:
  - As a standalone policy or
  - As an add-on cover to a few health policies or
  - As an add-on cover in some life insurance policies
- The critical illnesses covered vary across insurers and products, but the common ones include:

- Cancers of specified severity
- Acute myocardial infarction
- Coronary artery surgery
- Heart valve replacement
- Coma of specified severity
- Renal failure
- Stroke resulting in permanent symptoms
- Major organ / bone marrow transplant
- Multiple sclerosis
- Motor Neuron disease
- Permanent paralysis of limbs
- Permanent disability due to major accidents

- Age Group : 21 years to 65 years.
- Waiting period : 90 days from the inception of the policy.
- Survival Clause : 30 days after diagnosis of the illness.
- Rigorous medical examination will be done for age of more than 45 years.

G. Long term care insurance :

Long termcare means all forms of continuing personal or nursing care for people who are unable to look after themselves without a degree of support and whose health is not going to get better in future.

There are two types of plans for long term care:

a)Pre-funded plans which are purchased by healthy insured to take care of their future medical expenses and

b)Immediate need plans which are purchased by a lump sum premium when the insured is requiring long term care.

BhavishyaArogyapolicy :

- Introduced in the year 1990.
- Age : 25 years to 55 years.
- This scheme provides assignment.

- This policy does not have the exclusions of pre- existing diseases.

Micro insurance and health insurance for poorer sections:

1. Jan ArogyaBima Policy :

   Following are the features of Jan ArogyaBima Policy:

   a.This policy is designed to provide cheap medical insurance to poorer sections of the society.

   b.The coverage is along the lines of the individual Mediclaim policy. Cumulative bonus and medical check-up benefits are not included.

   c. The policy is available to individuals and family members.

   d.The age limit is five to 70 years.

   e.Children between the age of three months and five years can be covered provided one or both parents are covered concurrently.

   f.The sum insured per insured person is restricted to Rs.5,000 and the premium payable as per the following table.

2. Universal Health Insurance Scheme (UHIS) :
   - This policy is available to groups of 100 or more families. In recenttimes evenindividual UHIS Policies were made available to the public.
   - Benefits under this policy are Medical Reimbursement, Personal accident cover, Disability cover,

3. RashtriyaSwasthyaBimaYojana(RSBY):

   a.Total sum insured of Rs. 30,000 per BPL family on a family floater basis.

   b.Pre-existing diseases to be covered.

   c.Coverage of health services related to hospitalization and services of surgical nature which can be provided on a day-care basis.

   d.Cashless coverage of all eligible health services.

   e.Provision of smart card.

   f.Provision of pre and post hospitalization expenses.

   g.Transport allowance of Rs.100/-per visit.

   h.The Central and State Government pays the premium to the insurer.

   i.Insurers are selected by the State Government on the basis of a competitive bidding.

j.Choice to the beneficiary between public and private hospitals.

k.Premium to be borne by the Central and State governments in the proportion of 3:1. Central Government to contribute a maximum amount of Rs. 565/-per family.

l.Contribution by the State Governments: 25 percentof the annual premium and any additional premium beyond Rs 750.

m.Beneficiary to pay Rs. 30/- per annum as registration fee/ renewal fee.

n.Administrative cost to be borne by the State Government.

o.Costof smart card additional amount of Rs. 60/-perbeneficiary would be available for this purpose.

Claim settlement to be done through TPA's mentioned in the schedule or by the insurance company.

4. PradhanMantriSurakshaBimaYojana (PMSBY).
   - overingpersonalaccident death and disability cover insurance.
   - Age : 18 yrs to 70 years
   - Sum assured : Rs.2,00,000
   - Premium : Rs.12 per annum.
   - The cover shall be for the one year period from 1st June to 31st May.

5. PradhanMantri Jan DhanYojana (RMJDY)

   1.Interest on deposit.

   2.Accidental insurance cover of Rs.1.00 lac

   3.No minimum balance required.

   4.Life insurance cover of Rs.30,000/-

   5.Easy Transfer of money across India

   6.Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.

   7.After satisfactory operation of the account for 6 months, an overdraft facility will be permitted

8.Access to Pension, insurance products.

9.Accidental Insurance Cover

10.RuPay Debit Card which must be used at least once in 45 days.

11.Overdraft facility upto Rs.5000/-is available in only one account per household, preferably lady of the household

6. Personal Accident and disability cover

Types of disability which are normally covered under the policy are:

i.Permanent total disability (PTD):means becoming totally disabled for lifetime

ii. Permanent partial disability (PPD): means becoming partially disabled for lifetime viz. loss of fingers, toes, phalanges etc.

Temporary total disability (TTD): means becoming totally disabled for a temporary period of time. This section of cover is intended to cover the loss of income during the disability period.

Underwriting?

- Is a process of risk selection and risk pricing.
- Underwriting is the process of assessing the risk appropriately and deciding the terms on which the insurance cover is to be granted.
- The job of the underwriter is to classify the risk and decide the terms of acceptance at a proper price. It is important tonote that acceptance of risk is like giving a promise of future claim settlement to the insured.
- Factors which affect chance of illness :Age, Gender, Habits, Occupation, Family history, Past illness or surgery, current health status.
- Underwriting purpose :

  i.To prevent anti-selection that is selection against the insurer

  ii.To classify risks and ensure equity among risks
- The term selection of risksrefers to the process of evaluating each proposal for health insurance in terms of the degree of risk it represents and then deciding whether or not to grant insurance and on what terms.

- **Anti-selection(or adverse selection**) is the tendency of people, who suspect or know that their chance of experiencing a loss is high, to seek out insurance eagerly and to gain in the process
- Risk classification :

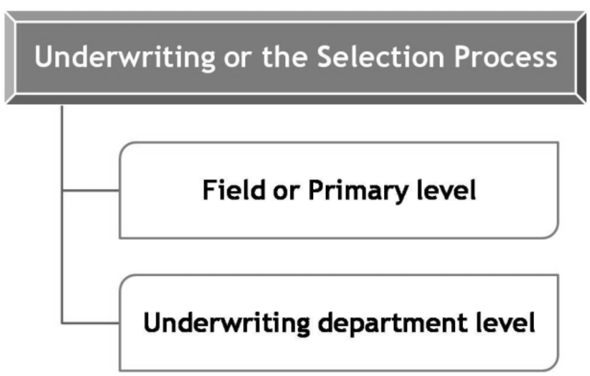
  i.Standard risks:These consist of those people whose anticipated morbidity (chance of falling ill) is average.

  ii. Preferred risks :These are the ones whose anticipated morbidity is significantly lower than average and hence could be charged a lower premium.

  iii. Substandard risks :These are the ones whose anticipated morbidity is higher than the average, but are still considered to be insurable. They may be accepted for insurance with higher (or extra) premiums or subjected to certain restrictions.

  iv. Declined risks :These are the ones whose impairments and anticipated extra morbidity are so great that they could not be provided insurance coverage at an affordable cost.

<u>Underwriting or the Selection Process :</u>



What is Moral Hazard :

While factors like age, gender, habits etc. refer to the physical hazard of a health risk, there is something else that needs to be closely watched. This is the moral hazard of the client which can prove very costly to the insurance company.

Basic principles of insurance and tools for underwriting

1. The core principles of Underwriting are :
    a. Utmost good faith (Uberrima fides) and the insurable interest
2. Tools for underwriting:
    a. Proposal Form :

    This document is the base of the contract where all the critical information pertaining to the health and personal details of the proposer (i.e. age, occupation, build, habits, health status, income, premium payment details etc.) are collected.

    b)Age proof:

    Standard ageproof: Some of these include school certificate, passport, domicile certificate, PAN card etc

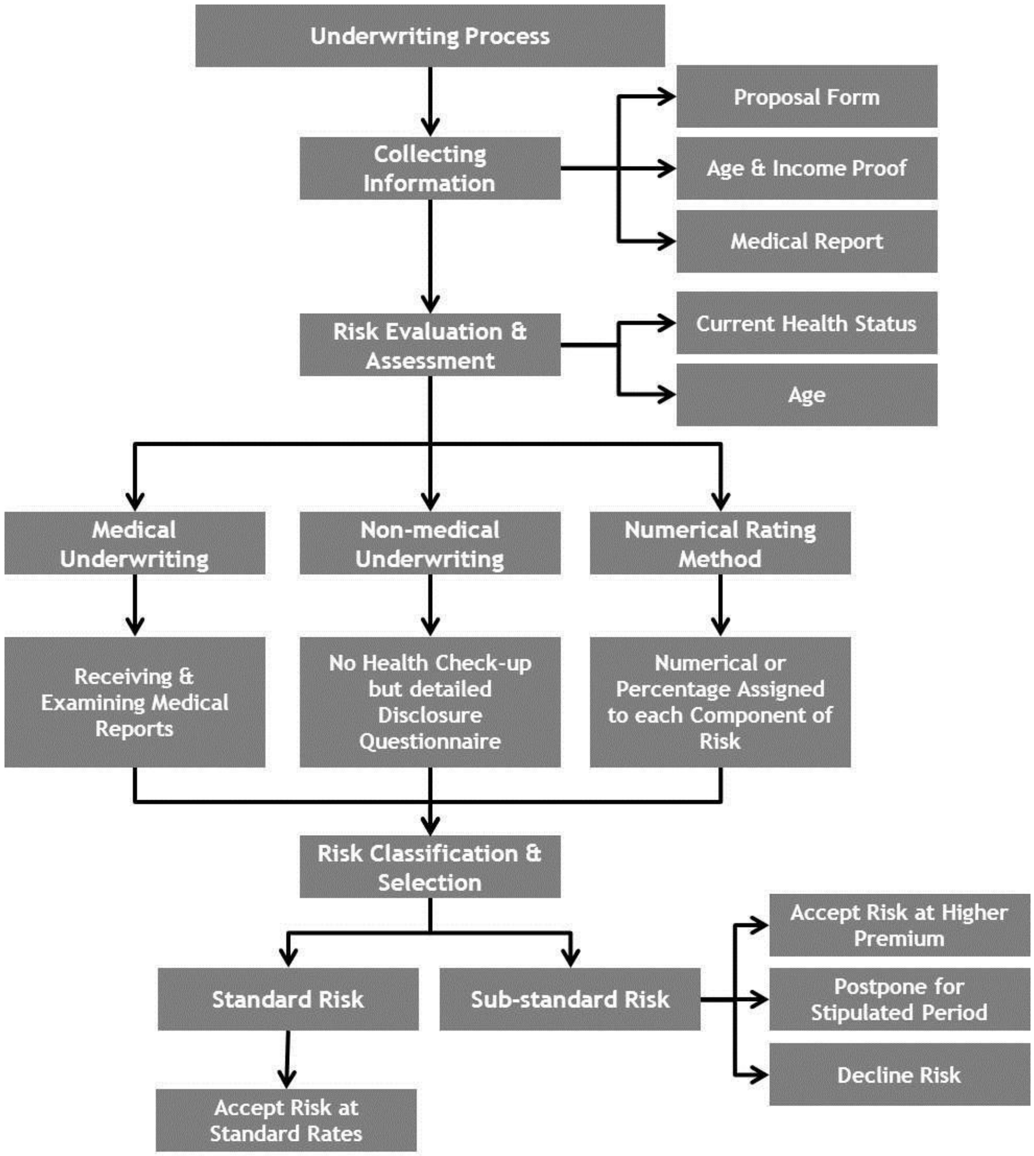
    Non-standard age proof: Some of these include ration card, voter ID, elder's declaration, gram panchayat certificate etc.

    C. Financial documents : Knowing the financial status of the proposer is particularly relevant for benefit products and to reduce the moral hazard.

d) **Medical reports :**Requirement of medical reports is based on the norms of the insurer, and usually depends upon the age of the insured and sometimes on the amount of cover opted.

e) **Reports of sales personnel** : Sales personnel can also be seen as grassroots level underwriters for the company and the information given by them in their report could form an important consideration.

Underwriting process



A.Claims management in insurance

- Insurance is a 'promise' and the policy is a 'witness'to that promise.
- Insurance is the claims paying ability of the insurance company.

Stakeholders in claim process

Customer	The person who buys insurance is the first stakeholder and 'receiver of the claim'.

Owners	Owners of the insurance company have a big stake as the 'payers of the claims'. Even if the claims are met from the policy holders' funds, in most cases, it is they who are liable to keep the promise.
Underwriters	Underwriters within an insurance company and across all insurers have the responsibility to understand the claims and design the products, decide policy terms, conditions and pricing etc.,
Regulator	The regulator (Insurance Regulatory and Development Authority of India) is a key stakeholder in its objective to: ✓ Maintain order in the insurance environment ✓ Protect Policy holders Interest ✓ Ensure long term financial health of insurers.
Third Party Administrators	Service intermediaries known as Third Party Administrators, who process health insurance claims.
Insurance agents / brokers	Insurance agents / brokers not only sell policies but are also expected to service the customers in the event of a claim.
Providers / Hospitals	They ensure that the customer gets a smooth claim experience, especially when the hospital is on the panel of the TPA the Insurer to provide cashless hospitalization.

Role of claims management in insurance company

- ✓ The health insurance loss ratio of various insurers ranges from 65% to above 120%, with major part of the market operating at above 100% loss ratio".
- ✓ This means that there is a great need to adopt sound underwriting practices and efficient management of claims to bring better results to the company and the policyholders

B. Management of health insurance claims

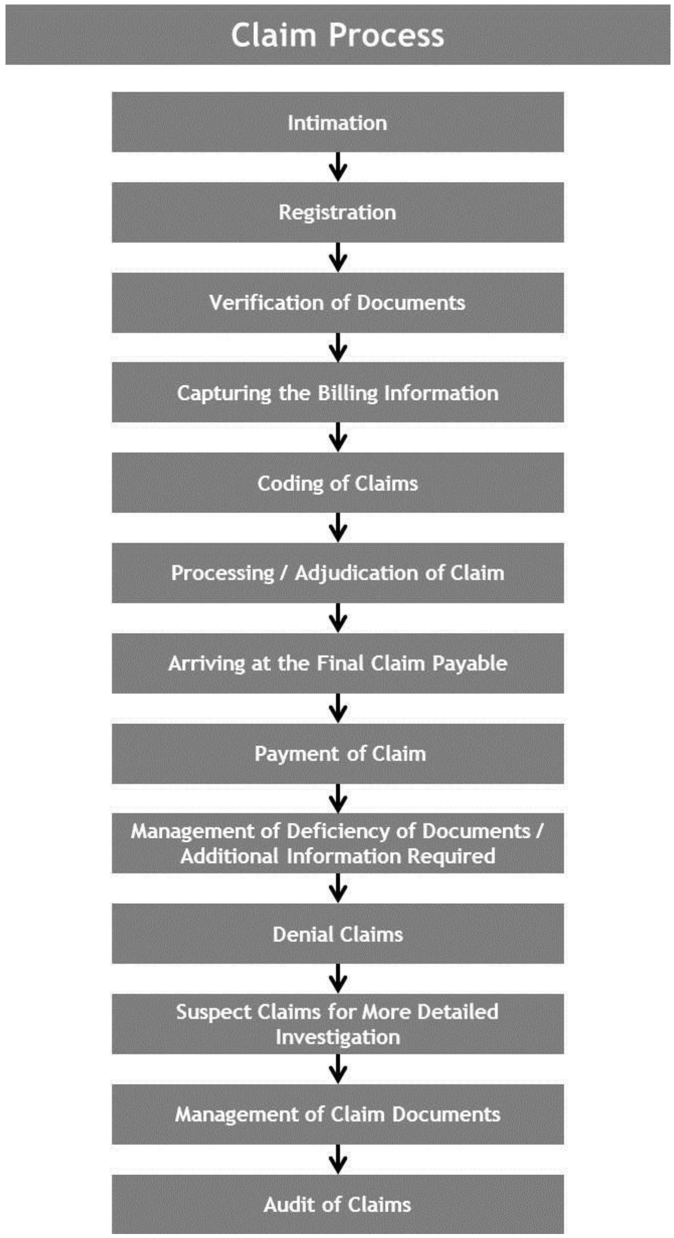
1. Challenges in Health insurance :
   - ✓ Common perception – "Health insurance is not for Healthy People"

- ✓ Lack of awareness about the Health insurance Products.
- ✓ Health care delivery systems focus only on top 20 Cities in india.
- ✓ Lack of reliable data
- ✓ Price sensitivity to buying.

Efficient claims management ensures that right claim is paid to right person at the right time.

2. **Claim process in health insurance :**
    - A claim may be serviced either by the insurance company itself or through the services of a Third Party Administrator (TPA) authorized by the insurance company.

    - **Claim process broadly comprises of following steps**



a) Intimation

- Claim intimation is the first instance of contact between the customer and the claims team.
- The customer could inform the company that he is planning to avail a hospitalization or the intimation would be made after the hospitalization has taken place, especially in case of emergency admission to a hospital.

b) Registration

Registration of a claim is the process of entering the claim in the system and creating a reference number using which the claim can be traced any time. This number is called Claim number, Claim reference number or Claim control number. The claim number could be numeric or alpha-numeric based on the system and processes used by the processing organization.

c) Verification of documents

Once a claim is registered, the next step is to check for the receipt of all the required documents for processing. It must be appreciated that for a claim to be processed following are the most important requirements:

1. The documentary evidence of the illness
2. Treatment provided
3. In-patient duration
4. Investigation Reports
5. Payment made to the hospital
6. Further advice for treatment
7. Payment proofs for implants etc.

d) Capturing the billing information

- Billing is an important part of the claim processing cycle.

- ✓ Room, board and nursing expenses including registration and service charges.
-   Charges for ICU and any intensive care operations.
-   Operation theatre charges, anaesthesia, blood, oxygen, operation theatre charges, surgical appliances, medicines and drugs, diagnostic materials and X-ray, dialysis, chemotherapy, radiotherapy, cost of pacemaker, artificial limbs and any medical expenses incurred which is integral part of the operation.
-   Surgeon, anaesthetist, medical practitioner, consultant's, specialists fees.
-   Ambulance charges.
-   Investigation charges covering blood test, X-ray, scans, etc.
-   Medicines and drugs.

Package rates

Many hospitals have agreed package rates for treatment of certain diseases. This is based on the ability of the hospital to standardize the treatment procedure and use of resources. In recent times, for treatment at Preferred Provider Network and also in case of RSBY, package cost of many procedures has been pre-fixed.

Example

a) Cardiac packages: Angiogram, Angioplasty, CABG or Open heart surgery, etc.

b) Gynaecological packages: Normal delivery, Caesarean delivery, hysterectomy, etc.

c) Orthopaedic packages

d) Ophthalmological packages

e) Coding of claims

- ✓ The most important code set used is the World Health Organization (WHO) developed **International Classification of Diseases (ICD) codes.**
- ✓ While ICD is used to capture the disease in a standardized format, procedure codes such as **Current Procedure Terminology (CPT) codes** capture the procedures performed to treat the illness

f) Processing of claim

The heart of claims processing in any insurance policy, is in answering two key questions:

  Is the claim payable under the policy?

  If yes, what is the net payable amount?

<u>**Admissibility of a claim**</u>

i. The member hospitalized must be covered under the insurance policy

ii. Admission of the patient within the period of insurance

iii. Hospital definition

iv. Domiciliary hospitalization

v. Duration of hospitalization

vi. OPD

vii. Treatment procedure/line of treatment

viii. Pre-existing illnesses

- Pre-existing illnesses refer to “Any condition, ailment or injury or related condition(s) for which insured person had signs or symptoms and/or was diagnosed and/or received medical advice/treatment within 48 months prior to his/her health policy with the company whether explicitly known to him or not.”

ix. Initial waiting period

- A typical health insurance policy covers illnesses only after an initial 30 days (except accident related hospitalization).
- There are lists of illnesses such as
    - Catract, Hernia, Hydrocele, Fistula, Sinusitis, Piles, Knee/Hip Joint Replacement – One year/Two year/ more than a year depends upon insurance company.

x. Exclusions

The policy lists out a set of exclusions which in general can be classified as:

  Benefits such as maternity (though this is covered in some policies).

  Outpatient and Dental treatments.

  Illnesses which are not intended to be covered such as HIV, Hormone therapy, obesity treatment, fertility treatment, cosmetic surgeries, etc.

  Diseases caused by alcohol/drug abuse.

  Medical treatment outside India.

  High hazard activities, suicide attempt, radioactive contamination.

✓ Admission for tests/investigation purpose only.

g) Arriving at the final claim payable

i. Sum insured available for the member under the policy
ii. Balance sum insured available under the policy for the member after taking into account any claim made already:
iii. Sub-Limits - percentage of Sum assured.
iv. Check for any limits specific to illness
v. Check whether entitled or not to cumulative bonus
vi. Other expenses covered with limitation
vii. Co-payment

Non-payable items in a health claim

The expenses incurred in treating an illness can be classified into:

  Expenses for cure and

  Expenses for care.

The order of arriving at the final claim payable is as follows:

Step I	List all the bills and receipts under the various heads of room rent, consultant fee, etc.
Step II	Deduct the non-payable items from the amount claimed under each head
Step III	Apply any limits applicable for each head of expense
Step IV	Arrive at the total payable amount and check if it is within sum insured overall
Step V	Deduct any co-pay if applicable to arrive at the net claim payable

h) Payment of claim

- ✓ Once the payable claim amount is arrived at, payment is done to the customer or the hospital as the case may be. The approved claim amount is advised to the Finance / Accounts function and the payment may be made either by cheque or by transferring the claim money to the customer's bank account.

Management of deficiency of documents / additional information required

Processing of a claim requires the scrutiny of a list of key documents. These are:

- Discharge summary withadmission notes,
- Supporting investigation reports,
- Final consolidated bill with break up into various parts,
- Prescriptions and pharmacy bills,
- Payment receipts,
- Claim form and

  Customer identification.

j) Denial claims

The experience in health claims show that 10% to 15% of the claims submitted do not fall within the terms of the policy. This could be because of a variety of reasons some of which are:
i. Date of admission is not within the period of insurance.

ii. The Member for whom the claim is made is not covered.

iii. Due to Pre-existing illness (where the policy excludes such condition).

iv. Undue delay in submission without valid reason.

v. No active treatment; admission is only for investigation purpose.

vi. Illness treated is excluded under the policy.

vii. The cause of illness is abuse of alcohol or drugs

viii. Hospitalization is less than 24 hours

Apart from the representation to the insurer, the customer has the option, to approach the following in case of denial of claim:

  Insurance Ombudsman or

  The consumer forums or

  IRDAI or

  Law courts.

k) Suspect claims for more detailed investigation

Few examples of frauds committed in health insurance are:

i. Impersonation, the person insured is different from person treated.

ii. Fabrication of documents to make a claim where there is no hospitalization.

iii. Inflation of expenses, either with the help of the hospital or by addition of external bills fraudulently created.

iv. Outpatient treatment converted to in-patient / hospitalization to cover cost of diagnosis, which could be high in some conditions.

Claims are chosen for investigation based on two methods:

  Routine claims and

  Triggered claims

n. Cashless settlement process by TPA

"Third Party Administrators or TPA means any person who is licensed under the IRDAI (Third Party Administrators - Health Services) Regulations, 2001 by the Authority, and is engaged, for a fee or remuneration by an insurance company, for the purposes of providing health services.

Step 1	A customer covered under health insurance suffers from an illness or sustains an injury and so is advised admission into a hospital. He/she (or someone on his/her behalf) approaches the hospital's insurance desk with the insurance details such as: i. TPA name, ii. His membership number, iii. Insurer name, etc.
Step 2	The hospital compiles the necessary information such as: i. Illness diagnosis ii. Treatment, iii. Name of treating doctor, iv. Number of days of proposed hospitalization and v. The estimated cost This is presented in a format, called the **cashless authorization form.**
Step 3	The TPA studies the information provided in the *cashless authorization form*. It checks the information with the policy terms and the agreed tariff with the hospital, if any, and arrives at the decision on whether the cashless authorization could be provided and if so, for how much amount it should be authorized. The TPA could ask for more information to arrive at the decision. Once the decision is made, it is communicated to the hospital without delay. Both forms have now been standardized under IRDAI Health Insurance Standardization Guidelines; refer to Annexure at the end).

Step 4	The patient is treated by the hospital, keeping the amount authorized by the TPA as credit in the patient's account. The member may be called on to make a deposit payment to cover the non-treatment expenses and any co-pay required under the policy.
Step 5	When the patient is ready for discharge, the hospital checks the amount of credit in the account of the patient approved by the TPA against the actual treatment charges covered by insurance. If the credit is less, the hospital requests for additional approval of credit for the cashless treatment. TPA analyses the same and approves the additional amount.
Step 6	Patient pays the non-admissible charges and gets discharged. He will be asked to sign the claim form and the bill, to complete the documentation.
Step 7	Hospital consolidates all the documents and presents to the TPA the following documents for processing of the bill: i. Claim form ii. Discharge summary / admission notes iii. Patient / proposer identification card issued by the TPA and photo ID proof. iv. Final consolidated bill v. Detailed bill vi. Investigation reports vii. Prescription and pharmacy bills viii. Approval letters sent by the TPA

Step 8	TPA will process the claim and recommend for payment to the hospital after verifying details such as the following: i. The Patient treated is the same person for whom approval was provided. ii. Treated the patient for the same condition that it requested the approval for. iii. Expenses for treatment of excluded illness, if any, is not part of the bill. iv. All limits that were communicated to the hospital have been adhered to. v. Tariff rates agreed with the hospital have been adhered to, calculate the net payable amount.

Customer must make sure that he/she has his/her insurance details with him/her. This includes his:

- TPA card,

- Policy copy,

- Terms and conditions of cover etc

The services that an insurer expects out of the TPA are as follows:

A. **Provider networking services**

 The TPA is expected to build a relationship with a network of hospitals across the country, with the objective of providing cashless claim payments for health claims to the insured persons.

B. Call centre services

- ✓ The TPA is usually expected to maintain a call centre with toll-free numbers reachable at all times including nights, weekends and holidays i.e. 24*7*365.
- ✓ The call centre should be accessible through a national toll free number and the customer service staff should be able to communicate in the major languages normally spoken by the customers.

"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.

H. TPA Remuneration

a) A percentage of the premium (excluding service tax) charged to the customer,

b) A fixed amount for each member serviced by the TPA for a defined time period, or

c) A fixed amount for each transaction of the service provided by the TPA – e.g. cost per member card issued, per claim etc.

F. Claims management – personal accident

Personal accident is a benefit policy and covers accidental death, accidental disability (permanent / partial), Temporary total disability and may also have add-on coverage of accidental medical expenses, funeral expenses, educational expenses etc. depending on particular product.

Claims manager should mark caution and check following areas on receipt of the notification of the claim:

a) Person in respect of whom the claim is made is covered under the policy

b) Policy is valid as on date of loss and premium is received

c) Loss is within the policy period

d) Loss has arisen out of “Accident” and not sickness

e) Check for any fraud triggers and assign investigation if need be

f) Register the claim and create reserve for the same

g) Maintain the turnaround time (claim servicing time) and keep the customer informed of the development of the claim.

Claim documentation - Personnel Accident :

Death claim	a) Duly completed Personal Accident claim form signed by the claimant’s nominee/family member b) Original or Attested copy of First Information Report. (Attested copy of FIR / Panchnama / Inquest Panchnama) c) Original or Attested copy of Death certificate. d) Attested copy of Post Mortem Report if conducted. e) Attested copy of AML documents (Anti-money laundering) - for name verification (passport / PAN card / Voter's ID / Driving license) for address verification (Telephone bill / Bank account statement / Electricity bill / Ration card). f) Legal heir certificate containing affidavit and indemnity

	bond both duly signed by all legal heirs and notarized
Permanent Total Disability (PTD) and Permanent Partial Disability(PPD) Claim	a) Duly completed Personal Accident claim form signed by the claimant. b) Attested copy of First Information Report if applicable. c) Permanent disability certificate from a civil surgeon or any equivalent competent doctors certifying the disability of the insured.
Temporary Total Disability(TTD) Claim	a) Medical certificate from treating doctor mentioning the type of disability and disability period. Leave certificate from employer giving details of exact leave period, duly signed and sealed by the employer. b) Fitness certificate from the treating doctor certifying

G. Claims management- Overseas travel insurance

The covers under the policy can be broadly divided into following sections.

a) Medical and sickness section

b) Repatriation and evacuation

c) Personal accident cover

d) Personal liability

e) Other non-medical covers:

i. Trip Cancellation

ii. Trip Delay

iii. Trip interruption

iv. Missed Connection

v. Delay of Checked Baggage

vi. Loss of Checked Baggage

vii. Loss of Passport

viii. Emergency Cash Advance

ix. Hijack Allowance

x. Bail Bond insurance

Xi . Hijack Cover

Xii. Sponsor Protection

Xiii. Compassionate Visit.

Xiv. Study Interruption

Xv. Home burglary.

CHAPTER – 17 – 21 QUESTIONS

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

I. Mortality

II. Morbidity

III. Infinity

IV. Serendipity

2. IRDAI stands for ___________.

I. International Regulatory & Development Authority of India

II. Indian Regulatory & Development Authority

III. Insurance Regulatory & Development Authority

IV. Income Regulatory & Development Authority

3.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

4. 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

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

I. Children

II. Spouse

III. Parents-in-law

IV. Maternal uncle

6. As per IRDAI 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

7. Identify the form of insurance that is depicted in the following scenario.

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

8. Moral hazard by health insurance companies can result in _________.

I. Community rating

II. Adverse selection

III. Abuse of health insurance

IV. Risk pooling

9. 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

10.________________ is an insured who undergoes treatment after getting admitted in a Hospital.

I. Inpatient

II. Outpatient

III. Day patient

IV. House patient

11. _________ 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

12. Though the duration of cover for pre-hospitalization expenses would vary from insurer to insurer and is defined in the policy, the most common cover is for ________ pre-hospitalization.

I. Fifteen days

II. Thirty days

III. Forty Five days

IV. Sixty days

13. As per IRDA guidelines, a ________ grace period is allowed for renewal of individual health policies.

I. Fifteen days

II. Thirty days

III. Forty Five days

IV. Sixty days

14. Which of the below statement is correct with regards to a hospitalization expenses policy?

I. Only hospitalization expenses are covered

II. Hospitalization as well as pre and post hospitalization expenses are covered

III. Hospitalization as well as pre and post hospitalization expenses are covered and a Lump sum amount is paid to the family members in the event of insured's death

IV. Hospitalization expenses are covered from the first year and pre and post Hospitalization expenses are covered from the second year if the first year is claim free.

15. Identify which of the below statement is correct?

I. Health insurance deals with morbidity

II. Health insurance deals with mortality

III. Health insurance deals with morbidity as well as mortality

IV. Health insurance neither deals with morbidity or mortality

16. Which of the below statement is correct with regards to cashless service provided in health Insurance?

I. It is an environment friendly go-green initiative started by insurance companies to Promote electronic payments so that circulation of physical cash notes can be reduced and trees can be saved.

II. Service is provided free of cost to the insured and no cash is to be paid as the payment is made by the Government to the insurance company under a special scheme

III. All payments made by insured have to be made only through internet banking or cards as cash is not accepted by the insurance company

IV. The insured does not pay and the insurance company settles the bill directly with the hospital

17. Identify the correct full form of PPN with regards to hospitals in health insurance.

I. Public Preferred Network

II. Preferred Provider Network

III. Public Private Network

IV. Provider Preferential Network

18. Identify which of the below statement is incorrect?

I. An employer can take a group policy for his employees

II. A bank can take a group policy for its customers

III. A shopkeeper can take a group policy for its customers

IV. A group policy taken by the employer for his employees can be extended to include the family members of the employees

19. Underwriting is the process of ___________.

I. Marketing insurance products

II. Collecting premiums from customers

III. Risk selection and risk pricing

IV. Selling various insurance products

20. The principle of utmost good faith in underwriting is required to be followed by ___________.

I. The insurer

II. The insured

III. Both the insurer and the insured

IV. The medical examiners

21. Insurable interest refers to ____________.

I. Financial interest of the person in the asset to be insured

II. The asset which is already insured

III. Each insurer's share of loss when more than one company covers the same loss

IV. The amount of the loss that can be recovered from the insurer

22. Which of the following statements about medical underwriting is incorrect?

I. It involves high cost in collecting and assessing medical reports.

II. Current health status and age are the key factors in medical underwriting for health insurance.

III. Proposers have to undergo medical and pathological investigations to assess their health risk profile.

IV. Percentage assessment is made on each component of the risk.

23.1) In a group health insurance, any of the individual constituting the group could anti-select against the insurer.

2) Group health insurance provides coverage only to employer-employee groups.

I. Statement 1 is true and statement 2 is false

II. Statement 2 is true and statement 1 is false

III. Statement 1 and statement 2 are true

IV. Statement 1 and statement 2 are false

24. Which of the following factor does not affect the morbidity of an individual?

I. Gender

II. Spouse job

III. Habits

IV. Residence location

25.According to the principle of indemnity, the insured is paid for __________.

I. The actual losses to the extent of the sum insured

II. The sum insured irrespective of the amount actually spent

III. A fixed amount agreed between both the parties

IV. The actual losses irrespective of the sum assured

26.The first and the primary source of information about an applicant, for the underwriter is his ________________.

I. Age proof documents

II. Financial documents

III. Previous medical records

IV. Proposal form

27.The underwriting process is completed when ____________________.

I. All the critical information related to the health and personal details of the proposer are collected through the proposal form

II. All the medical examinations and tests of the proposer are completed

III. The received information is carefully assessed and classified into appropriate risk categories

IV. The policy is issued to the proposer after risk selection and pricing.

28.Which of the following statements about the numerical rating method is incorrect?

I. Numerical rating method provides greater speed in the handling of a large business with the help of trained personnel.

II. Analysis of difficult or doubtful cases is not possible on the basis of numerical points without medical referees or experts.

III. This method can be used by persons without any specific knowledge of medical science.

IV. It ensures consistency between the decisions of different underwriters.

29. Who among the following is not a stakeholder in insurance claim process?

I. Insurance company shareholders

II. Human Resource Department

III. Regulator

IV. TPA

30. Which of the following document is maintained at the hospital detailing all treatment done to an in-patient?

I. Investigation report

II. Settlement sheet

III. Case paper

IV. Hospital registration certificate

31. The amount of provision made for all claims in the books of the insurer based on the status of the claims is known as _________.

I. Pooling

II. Provisioning

III. Reserving

IV. Investing

32. Which of the following documents are not required to be submitted for Permanent Total Disability claim?

I. Duly completed Personal Accident claim form signed by the claimant.

II. Attested copy of First Information Report if applicable.

III. Permanent disability certificate from a civil surgeon or any equivalent competent doctors certifying the disability of the insured.

IV. Fitness certificate from the treating doctor certifying that the insured is fit to perform his normal duties.

33. Who among the following is considered as primary stakeholder in insurance claim process?

I. Customers

II. Owners

III. Underwriters

IV. Insurance agents/brokers

34.Girish Saxena's insurance claim was denied by insurance company. In case of a denial, what is the option available to Girish Saxena, apart from the representation to the insurer?

I. To approach Government

II. To approach legal authorities

III. To approach insurance agent

IV. Nothing could be done in case of case denial

35.During investigation, of a health insurance claim presented by Rajiv Mehto, insurance company finds that instead of Rajiv Mehto, his brother Rajesh Mehto had been admitted to hospital for treatment. The policy of Rajiv Mehto is not a family floater plan. This is an example of ___________fraud.

I. Impersonation

II. Fabrication of documents

III. Exaggeration of expenses

IV. Outpatient treatment converted to in-patient / hospitalization

36.Under which of the following condition, is domiciliary hospitalization is covered in a health Insurance policy?

I. The condition of the patient is such that he/she can be removed to the Hospital/Nursing Home, but prefer not to

II. The patient cannot be removed to Hospital/Nursing Home for lack of accommodation There in

III. The treatment can be carried out only in hospital/Nursing home

IV. Duration of hospitalization is exceeding 24 hours

37. Which of the following codes capture the procedures performed to treat the illness?

I. ICD

II. DCI

III. CPT

IV. PCT

ANSWERS – CHAPTER WISE QUESTIONS

CHAPTER -1

Q.No	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
ANS	B	C	B	A	C	C	B	D	B	D	D	B	A	A	B

CHAPTER -2

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	B	A	A	B	A	D	B	D	C	D

CHAPTER – 3

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	C	B	B	C	D	A	C	C	B	B

CHAPTER – 5

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	B	A	C	C	C	B	C	C	A	C

CHAPTER – 6

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	D	C	A	C	C	B	C	C	C	D

CHAPTER – 7

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	C	B	D	A	B	A	B	D	B	D

CHAPTER – 8

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	B	A	C	C	A	C	C	B	C	C

CHAPTER – 9

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	B	D	A	C	C	A	C	B	C	D

CHAPTER –10

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	B	B	B	B	C	B	B	B	B	C

CHAPTER –11

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	B	B	B	D	D	A	C	D	D	B

CHAPTER –12

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	C	A	B	D	B	C	A	D	C	B

CHAPTER –13

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	B	A	A	C	D	A	B	A	C	D

CHAPTER –14

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	D	B	C	D	B	A	C	B	D	A

CHAPTER –15

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	B	D	C	B	C	A	D	B	A	B

CHAPTER –16

Q.No	1	2	3	4	5	6	7	8	9	10
ANS	A	B	D	A	A	C	B	D	A	C

CHAPTER –17 - 21

Q.No	1	2	3	4	5	6	7	8	9	10	11	12	13
ANS	B	C	C	D	B	B	C	B	C	A	B	B	A

Q.No	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37
D	C	C	A	D	D	B	A	D	C	B	B	C	B	D	A	B	A	B	C

MODEL TEST 1

Time : 1 hour
Marks : 1 mark each

1. The emergence of which of the following necessitates insurance as a form of security?
   (A) Joint family system
   (B) Nuclear family system
   (C) Both the above (D) None of the above
2. Which was the first Act to regulate life insurance industry in India?
   (A) Insurance Act, 1938
   (B) Life Insurance Companies Act, 1912
   (C) IRDA Act, 1999 (D) LIC Act, 1956
3. Government of India transacts life insurance business in India through which of the following:
   (A) LIC of India (B) GIC of India
   (C) Postal Life Insurance (D) All the above.
4. Which of the following entity is exempt from the purview of the IRDA?
   (A) LIC of India (B) GIC of India
   (C) Postal Life Insurance (D) None.
5. The losses of a few are shared amongst many through the mechanism of –
   (A) Nuclear family (B) Insurance
   (C) Government (D) All the above
6. …….. consists of collecting premiums from numerous individuals to compensate the few who may suffer losses.
   (A) Pooling (B) Contract
   (C) Guarantee (D) IRDA
7. Which of the following is correct?
   Statement A – Insurance reduces burdens
   Statement B – Insurance is a system of mutual support.
   Statement C – Insurance the only method to manage risks.
   (A) A is correct (B) B is correct
   (C) A, B & C correct (D) A & B correct.
8. Which of the following can easily be compensated thro' insurance?
   A. Primary burden of risk
   B. Secondary burden of risk
   C. Both D. None
9. Secondary burden of risk consists of …….. and …… one has to bear if exposed to loss situation.
   (A) Trials, tribulations (B) Costs, Strains
   (C) Situations, Safeguards
   (D) Circumstances, Conflicts
10. Which are the methods to manage risks?
    (A) Risk Avoidance (B) Risk Retention
    (C) Risk Reduction (D) All the above
11. …… and …….. refer to measures to reduce chance of occurrence and measures to reduce degree of losses.
    (A) Loss Prevention, Loss damage
    (B) Loss Control, Loss management
    (C) Loss advantage, Loss prevention
    (D) Loss Prevention, Loss Reduction
12. Risk reduction and control involves steps like –
    (A) Education and training
    (B) Making environmental changes
    (C) Spreading out items to various locations
    (D) All the above
13. Risk Financing includes -
    (A) Risk Retention (B) Risk Transfer
    (C) A & B correct (D) Both A & B wrong
14. Risk Retention means –
    (A) Insuring with an insurance company
    (B) Insuring with another individual
    (C) Insuring with the owner of the company
    (D) Self-insurance
15. Risk Transfer means –
    (A) Insuring with an insurance company
    (B) Insuring with another individual
    (C) Insuring with the owner of the company
    (D) Risk retention
16. Insurance refers to protection against an event that …… happen whereas Assurance refers to protection against an event that …. happen.
    (A) may, may not (B) might, will
    (C) must, need not (D) will, will not
17. Cost of the risk is product of which of the following 2 factors:
    (A) Insurance and Assurance
    (B) Happenings and result
    (C) Cause and effect
    (D) Probability and impact
18. Cost of the risk would ….. with the probability and amount of loss
    (A) Increase (B) Decrease
    (C) Vary (D) None of the above
19. Considering insuring an ordinary ball pen is an example of –
    (A) Don't risk more than you can afford to lose
    (B) Don't risk a lot for a little
    (C) Both are correct (D) Both are wrong
20. Considering insuring an oil refinery is example of
    (A) Don't risk more than you can afford to lose
    (B) Don't risk a lot for a little
    (C) Both are correct (D) Both are wrong
21. Which of the following is correct?
    Statement A. The system of insurance benefits individual, family and the society
    Statement B. Insurance companies could invest in speculative ventures.
    (A) A is correct (B) B is correct
    (C) Both A and B correct (D) A & B wrong

22. Which of the following is untrue?

A. Insurance promotes efficient use of existing resources

B. Insurance contributes to healthy economy and national productivity

C. Insurance policy can be used as a collateral security

(A) A is true (B) B is true

(C) A and B true (D) None

23. Providing social security is the obligation of ….

(A) State (B) Insurance companies

(C) Private companies (D) Individuals

24. Which is not an example of social security schemes of the Government?

(A) Rajeev Gandhi Equity Scheme

(B) Janata Personal Accident

(C) Jan Arogya Scheme

(D) Employees State Insurance Corporation

25. Human Life Value concept measures the value of a human life on the basis of his –

(A) Gross earnings (B) Net earnings

(C) Total earnings (D) Expenses

26. Human Life Value can be arrived at by dividing . by…

(A) Gross earnings, Rate of interest

(B) Net earnings, Gross earnings

(C) Gross earnings, Net earnings

(D) Net earnings, Rate of interest

27. As per HLV concept, the amount of insurance one can buy could be …. times of one's annual income.

(A) 5 to 10 times (B) 10 to 15 times

(C) 25 to 50 times (D) 50 to 100 times

28. HLV concept helps to determine the ……… limit beyond which life insurance could be speculative.

(A) Upper (B) Lower

(C) Middle (D) All the above

29. Life Insurance covers the risk of -

(A) Dying too early (B) Living too longer

(C) Both are correct (D) Both are wrong

30. ….. means that insurer would assess and compensate only the exact amount of loss.

(A) Certainty (B) Uncertainty

(C) Probability (D) Indemnity

31. Which is not a contract of indemnity?

(A) Personal Accident (B) Fire

(C) Marine (D) Motor

32. In which type of contract, the happening of event is certain but its timing is not known?

(A) Life Insurance (B) General Insurance

(C) Both (D) None

33. How life insurance is possible?

(A) Timing of death is certain

(B) Timing of death is uncertain

(C) Death is certain but its timing is uncertain

(D) None of the above

34. With increase in premium with age, healthy people tended to withdraw leaving unhealthy people. This lead to development of –

(A) Gross premiums (B) Single premiums

(C) Advance premiums (D) Level premiums

35. Which of the following is correct?

A. Life insurance is a long term contract

B. General insurance is a short term contract

(A) A is correct (B) B is correct

(C) Both A and B correct (D) None

36. Life insurance policy, in general, is a mixture of –

(A) Protection and security

(B) Insurance and Assurance

(C) Protection and Savings

(D) Protection and Tax relief

37. principle means flow of resources from many to one.

(A) Mutuality or Pooling

(B) Mutuality or co-operation

(C) Pooling or funding

(D) Resourcing or pooling

38. Which of the following is incorrect?

A. Mutuality means funds from various individuals are combined

B. Diversification means spreading out funds to various destinations.

(A) A is correct (B) B is correct

(C) Both (D) None

39. An Insurance contract has to fulfill the requirements of

(A) Insurance Act 1938

(B) IRDA Act, 1999 (C) LIC Act, 1956

(D) Indian Contract Act, 1872

40. Which is not an element of a valid contract?

(A) Offer and Acceptance

(B) Capacity to pay premiums

(C) Consideration

(D) Capacity of the parties

41. The person who makes the offer is called the ……… and the person who accepts the offer in an insurance contract is called the ………

(A) Offerer, Acceptor

(B) Insurer, Insured (C) Proposer, Insured

(D) Proposer, Insurer

42. If any condition is put by the Insurer then it is –

(A) Acceptance (B) Offer

(C) Counter offer (D) Conditional acceptance

43. Which is evidence of contract?

(A) Proposal (B) First Premium Receipt

(C) Deposit amount (D) Policy bond

44. Which is the 'consideration' from the insured in an insurance contract?

(A) Premium (B) Proposal

(C) Understanding (D) Acceptance

45. Which is the ‘consideration’ from the insurer in an insurance contract?

(A) Premium (B) Promise to indemnify
(C) Policy bond (D) Proposal

46. Consent is not said to be free when it is caused by

(A) Coercion (B) Fraud
(C) Misrepresentation (D) All the above

47. Which is not a capacity to enter into contract?

(A) Minor (B) Major
(C) Sound mind (D) Not disqualified under law

48. ……. means every party to an insurance contract must disclose all material information.

(A) Insurable Interest (B) Indemnity
(C) Proximity (D) Uberrima Fides

49. In commercial contracts, the principle to be observed is –

(A) Caveat Emptor (B) Indemnity
(C) Proximity (D) Uberrima Fides

50. Material facts are those that would help the insurer to decide :

(A) The acceptability of risk
(B) The rate of premium to be charged
(C) Both A and B correct
(D) None are correct

MODEL TEST 2

Time : 1 hour
Marks : 1 mark each

1. Which of the following constitute Breach of Utmost Good faith?
(A) Non-Disclosure (B) Misrepresentation
(C) Both (D) NOTA

2. Which of the following could be classified as Non-disclosure?
(A) Inadvertent omission of information
(B) Intentional suppression of information
(C) A & B are correct (D) A & B are wrong

3. Which of the following could be termed Misrepresentation?
(A) Innocent misrepresentation
(B) Fraudulent misrepresentation
(C) A & B are correct (D) A & B are wrong

4. When an insurance contract can be declared void?
(A) Innocent misrepresentation
(B) Fraudulent misrepresentation
(C) A & B are correct (D) A & B are wrong

5. Insurance is not Gambling because of presence of –
(A) Principle of Utmost good faith
(B) Insurable Interest (C) Indemnity Principle
(D) Principle of indemnity

6. According to common law, when insurable interest should be present in a life insurance contract?
(A) At the time of taking policy (B) At the time of claim
(C) Both A and B (D) NOTA

7. According to common law, when insurable interest should be present in a General insurance contract?
(A) At the time of taking policy (B) At the time of claim
(C) Both A and B (D) NOTA

8. Proximate Cause refer to the …… cause which set in motion a chain of events producing loss.
(A) Active (B) Efficient
(C) A & B are wrong (D) Both A & B correct

9. Why insurance contract is an Adhesion Contract?
(A) Insurance Co. has all the bargaining power
(B) Client has also great bargaining power
(C) Both A & B correct (D) Both A & B wrong

10. Which facility is given to the policyholder to neutralize the bargaining power in adhesion contracts?
(A) Surrender (B) Loan
(C) Assignment (D) Free look period

11. Which of the following is not a long term goal of an individual?
(A) Education/marriage of child
(B) Retirement provision
(C) Buying a TV set (D) All the above

12. Savings is a composite of which of the following decisions:
(A) Postponement of consumption
(B) Parting with liquidity
(C) Both the above (D) None of the above Which

13. of the following could be termed the need of an individual?
(A) Specific transaction needs
(B) General transaction needs
(C) Meeting contingencies (D) All the above.

14. Which of the following could be termed Transactional products?
(A) Insurance (B) Shares
(C) Real Estate (D) Bank deposits

Which of the following is not a Wealth accumulation product?
(A) Shares (B) Insurance
(C) Bonds (D) Real Estate

16. Which of the following is a Contingency product?
(A) Bank deposits (B) Real Estate
(C) Postal savings (D) Insurance

17. Contingency products typically address which type of need?
(A) Cash requirements (B) Against uncertainties
(C) Wealth creation (D) All above

18. Bank deposit addresses which type of need?
(A) Uncertainties (B) Wealth creation
(C) Savings (D) Contingencies

19. At young age, one tends to be –
(A) Progressive (B) Aggressive
(C) Secured (D) Conservative

20. When one nears his retirement years, the Risk profile of an individual could be -
(A) Progressive (B) Aggressive
(C) Secured (D) Conservative

21. Which is not an appropriate reason for a proper financial planning?
(A) Break up of joint family system
(B) Changing lifestyles (C) Underwriting
(D) Change in behavioral patterns

22. When is the right age to start financial planning?
(A) Young ages (B) Middle ages
(C) Advanced ages (D) First salary

23. Which of the following is incorrect?
(i) - The longer the period of investment, the more they will multiply.
(ii)– The lesser the period of investment, the greater they will multiply.
(A) Statement (i) (B) Statement (ii)
(C) Both (i) and (ii) (D) Neither (i) nor (ii)

24. Which of the following is incorrect?
(A) Financial planning is for wealthy individuals only. (B) A disciplined approach and dedicated savings are necessary (C) An unplanned impulsive approach could spell financial distress
(D) Investment should suit one's risk appetite.

25. With reference to Inflation, which of the following statement is not correct?
(A) Inflation leads to rise in prices
(B) Inflation means more purchasing power
(C) Inflation means erosion of money value
(D) Inflation plays havoc.

26. Of late, changing lifestyles of people lead to more …
(A) Savings (B) Investments
(C) insurance (D) borrowings

27. Which is not a part of Cash planning exercise?
(A) Managing income and expenditure flow
(B) Creating surplus for capital investment
(C) Predicting future expenses
(D) Buying less insurance

28. Restructuring of debts refers to –
(A) Swapping less interest loans with more interest loans
(B) Clearing more interest loans and pay them with less interest loans
(C) Closing all outstanding loans
(D) Going for more and more borrowings

29. Which does not form part of insurance planning?
(A) Life Insurance (B) Housing loans
(C) Protection of assets (D) Health Ins.

30. Selecting an appropriate investment vehicle would not depend on –
(A) Liquidity (B) Tax benefit
(C) Time horizon (D) Insurability

31. Which is not a phase in retirement planning?
(A) Accumulation (B) Inflation
(C) Conservation (D) Distribution

32. Estate planning would take care of devolution of one's estate soon after his
(A) Illness` (B) Birth
(C) Marriage (D) Death

33. Which of the following process does not cover Estate planning?
(A) Surrender (B) Nomination
(C) Assignment (D) Writing a will

34. Which of the following statement is not correct?
(A) One should avail potential tax saving opportunities
(B) Purpose of tax saving is to minimize taxes and not to evade tax
(C) Tax planning helps to gain maximum advantage of tax laws.
(D) Agents are not much helpful in advising on tax planning.

35. Which of the following statements is incorrect?
(A) A product can be differentiated, but a commodity cannot.
(B) Products are need satisfiers
(C) Product is an end by itself
(D) The appropriateness of a product would depend on its features.

36. Which of the following statement in respect of Riders is incorrect?
(A) Rider means the basic death cover of a life insurance policy.
(B) Riders can be added thro an endorsement
(C) Riders refers to supplementary benefits in life insurance policies.
(D) Riders help customize individual's preferences.

37. Term insurance is mainly suitable for which of the following needs?
(A) Tax planning (B) Savings
(C) Disease (D) Income replacement

38. Which of the following is not a traditional type of product offered by ins.cos?
(A) Whole life plan (B) Endowment plan
(C) Moneyback plan (D) ULIP

39. Which of the following Statement is incorrect?
(A) Term Insurance can be taken as a standalone policy;
(B) Term insurance cannot be taken as a rider
(C) Term insurance policies are sold by life insurance companies
(D) Term insurance policies provide cover for a fixed period.

40. Which of the following policies are suitable for a person who cannot temporarily afford to pay high premiums now?
(A) Convertible Endowment
(B) Convertible money back
(C) Convertible ULIP (D) Convertible whole life

41. Which among the following is not a variant of term assurance?
(A) Mortgage redemption insurance
(B) Return of premiums
(C) Increasing term assurance
(D) Endowment assurance

42. Endowment assurance does not possess which of the following property?
(A) Savings benefit (B) Death benefit
(C) Survival Benefit (D) Bonus benefit

43. Which plan is suitable for accumulation of specific sum of monies?
(A) Whole life (B) Endowment
(C) Money back (D) Term insurance

44. A policy with cover for an indefinite term is called –
(A) Whole life (B) Endowment
(C) Money back (D) Term insurance

45. The main advantage of term insurance lies in –
(A) Protection (B) Thrift
(C) Savings (D) Price

46. Endowment insurance is a combination of which of the following 2 features:-

(A) A decreasing term insurance with decreasing investment element

(B) An increasing term insurance with decreasing investment element

(C) A increasing term insurance with increasing investment element

(D) A decreasing term insurance with increasing investment element

47. Which of the following statement is correct in respect of Endowment policy?

(A) Shorter the policy term, lesser the investment element

(B) Shorter the policy term, larger the investment element

(C) Longer the policy term, larger the investment element

(D) Term and investment element do not bear any relationship

48. Identify the correct statement from the following:-

(A) Par policies do not participate in the profits of the insurance companies.

(B) Under Traditional plans, investments are made without any regulatory supervision.

(C) Non-participating policies could be offered in linked or non-linked platform.

(D) Non-par policies are with profit policies.

49. Which of the following is untrue as per IRDA's regulations on non-par policies?

(A) The benefits shall be stated at the outset

(B) The benefits shall be linked to some index

(C) The additional benefit under these policies shall be laid out at the outset

(D) The return shall be stated at the beginning of the contract itself.

50. Which of the new guidelines for traditional products is not true?

(A) For participating policies, bonus is linked to performance of the fund

(B) Bonus once announced becomes a guarantee

(C) Such a bonus is called Terminal Bonus

(D) For Non-par policies, returns are disclosed at the beginning of the policy.

MODEL TEST 3

1. Inter temporal allocation of resources means allocation of resources across …….
   (A) Needs (B) sectors (C) Space (D) Time
2. Traditional cash value plans are also known as –
   (A) Unbundled plans (B) Bundled plans
   (C) ULIP (D) Annuity
3. Which of the following plans have several limitations :
   (A) Traditional cash value plans
   (B) Non-traditional plans
   (C) Both A and B (D) Neither A nor B
4. In respect of Traditional cash value plans, which is incorrect:-
   (A) Bonuses do not reflect the investment performance of the insurer.
   (B) The method for arriving at surrender value is not easily visible.
   (C) Cash value component is well defined.
   (D) None of the above.
5. In which type of products, protection and saving elements were separated?
   (A) Traditional cash value plans
   (B) Non-traditional plans
   (C) Both A and B (D) Neither A nor B
6. Non-traditional products involved shift from traditional products in terms of –
   (A) Investment linkage (B) Transparency
   (C) Flexibility (D) All the above
7. Non-traditional products are also known as –
   (A) Unbundled plans (B) Bundled plans
   (C) ULIP (D) Annuity
8. The major appeal for non-traditional products was in terms of –
   (A) Inflation beating returns
   (B) Direct linkage with investment gains
   (C) Flexibility & Higher surrender value
   (D) All the above.
9. Which was the major motive for people going for non-traditional products?
   (A) Flexibility (B) Wealth accumulation
   (C) Transparency (D) All the above
10. As per IRDA, all Universal Life products are known as
    (A) ULIP plans (B) Variable insurance products
    (C) Both (D) None
11. Universal life insurance is characterized by –
    (A) Flexible premiums (B) Flexible face amount
    (C) Death benefit (D) All above.
12. In Universal life products, larger the size of the premium,… the coverage provided and …. the policy cash value.
    (A) Smaller, larger (B) Larger, smaller
    (C) Smaller, Smaller (D) larger, larger
13. Under Universal life products, there was facility of completely flexible premiums after how many years?
    (A) One (B) Two (C) Three (D) Four
14. Universal life policies are kept in force even if premiums are not paid, provided its cash value was sufficient to pay for the following items:-
    (A) Policy preparation & stamp charges
    (B) Agent commission & policy charges
    (C) Mortality charges and expenses
    (D) All of the above.
15. Universal Life plans provide for which of the following facility?
    (A) Payment of additional premiums over and above the target amount (B) Skipping of premiums
    (C) Both A and B (D) None of the above
16. Universal life insurance policy provides for partial withdrawals. This partial withdrawal was made from the policy's …..
    (A) Loan value (B) Surrender Value
    (C) Paid up value (D) Cash value
17. In respect of Universal life insurance, which of the following statement is correct:-
    (A) The partial withdrawal once taken need not be repaid.
    (B) Policy was kept in force even if premiums are not paid provided there were adequate investment returns.
    (C) Both A & B correct (D) Both A & B wrong
18. As per IRDA, which of the following non-traditional products are permitted to be sold?
    (A) Variable insurance plans
    (B) Unit Linked insurance plans
    (C) Both A & B (D) None
19. Variable Life Insurance is a kind of ………. Insurance.
    (A) Whole life (B) Money back
    (C) Endowment (D) Term
20. In Variable life insurance, the death benefit and cash value of the policy …. according to the investment performance of a special investment account into which premiums are credited.
    (A) Went up (B) Went down
    (C) Remain Fixed (D) Fluctuate
21. Under Variable life insurance, if the cash value became zero, the policy would ….
    (A) Continue (B) Converted into term ins
    (C) Surrender (D) Terminate
22. In traditional cash value policies, the policy reserve form part of a …..
    (A) Special investment account
    (B) General investment account
    (C) Both (D) None

23. In Variable insurance policies, the policy reserve form part of a ….
(A) Special investment account
(B) General investment account
(C) Both (D) None

24. In Variable insurance plan, the policy reserves are placed in ….. fund which do not form part of its general investment account.
(A) Same (B) Separate
(C) Secured (D) Growth

25. In which type of policy, death benefits and cash value varied with investment experience?
(A) Traditional cash value plan (B) ULIP
(C) Universal Life Ins (D) Variable life ins

26. In respect of Traditional plans, which of the following statement is correct?
(A) Policyholder's bonus depend on periodic valuation of Assets & Liabilities
(B) Bonus did not directly reflect the value of assets of the insurer
(C) Both correct (D) Both are wrong

27. In Unit Linked policies, the benefits are determined by the …. of units credited to the policyholder's account on the date on which payment is due.
(A) Growth (B) Value
(C) Reduction (D) Loss

28. Units in a Unit Linked policy are purchased through payment of a –
(A) Single premium (B) Regular premium
(C) Either A or B (D) None

29. Name the deductions made from policyholder of a Unit Linked policy.
(A) Commission (B) Net Asset Value
(C) Fund (D) Charges

30. The value of the units of a Unit Linked policy is termed as :
(A) Gross Asset Value (B) Net Asset Value
(C) Bonus (D) Guaranteed addition

31. Which special feature of Unit Linked policy allowed change from one fund to another?
(A) Transfer (B) Switching
(C) Assignment (D) Loan

32. From the following, choose the fund which provides for predominant investment in Equities.
(A) Equity Fund (B) Debt Fund
(C) Balanced fund (D) Money market fund

33. What could be the basis for choice of fund in a Unit Linked policy?
(A) Investment need (B) Risk profile
(C) Both A and B (D) NOTA

34. In Traditional life insurance policies, the investment risk is borne by the ……… while in Unit Linked plans, the investment risk is borne by the ……..
(A) Policyholder, Unitholder
(B) Ins. Company, Unit-holder
(C) Insurance company in both the cases
(D) Policyholder in both the cases

35. With regard to Unit Linked policy, who bears the expense and mortality risk?
(A) Ins. Co. (B) Policyholder
(C) Agent (D) IRDA

36. In Unit Linked policies, the risk cover is a multiple of …
(A) Fund Value (B) Accumulations
(C) Net Asset Value (D) Premiums

37. In Unit Linked plan, the Fund Value is a product of which of the following:
(A) Gross Asset Value & Net Asset Value
(B) Net Asset Value & Premium
(C) Net Asset Value & Charges
(D) Net Asset Value & No. of Units

38. Why Pensions are said to represent the flip side of life insurance?
(A) Life insurance provides protection against premature death whereas pension covers the contingency of living too long;
(B) In life insurance premium payments result in creation of sum assured. In case of pensions, the corpus gets liquidated by regular income payments.
(C) Both the above are correct
(D) Both are wrong

39. Public Pensions are provided by the –
(A) Insurance companies (B) Employers
(C) Individuals (D) State

40. Public Pensions are funded in the following manner:
(A) Earn as you Go (B) Take as you go
(C) Spend as you go (D) Pay as you go

41. Which of the following is incorrect?
(A) Many developed countries provide pension to alleviate poverty.
(B) These pensions are sufficient to maintain a modest life style.
(C) A & B are correct (D) A & B are wrong.

42. Who provides Occupational pensions?
(A) Insurance companies (B) Employers
(C) Individuals (D) State

43. Which is a type of Occupational pension?
(A) Defined Benefit type
(B) Defined contribution type
(C) Both correct (D) Both wrong

44. Under Defined Benefit type, the benefit payable is independent of –
(A) Contributions (B) Investment earnings
(C) Both correct (D) None correct

45. Quantum of pension under Defined Benefit type would depend on –
(A) Accrual rate (B) Salary

(C) Pensionable service (D) All the above

46. Type of Occupational pension scheme -
(A) Uninsured pension scheme
(B) Insured Pension scheme
(C) Both right (D) Both wrong

47. A pension scheme in which the employer manages fund through a trust and pays pension thro purchase of an annuity from a life insurance company is called
(A) Uninsured pension scheme
(B) Insured Pension scheme
(C) Both right (D) Both wrong

48. A pension scheme in which the funds are managed by the insurance company is called –
(A) Uninsured pension scheme
(B) Insured Pension scheme
(C) Both right (D) Both wrong

30. Which type of Occupational pension has fallen into trouble in recent times:
A. Defined Benefit type
B. Defined contribution type
(C) Both correct (D) Both wrong

50. Employers throughout the world has migrated from …… …. to ……….. in recent times.
(A) Defined contribution to Defined Benefit
(B) Defined Benefit to Defined Contribution
(C) Both are correct (D) Both are wrong

MODEL TEST 4

Time : 1 hour Marks : 1 mark each

1. Annuity belongs to –
(A) one where annuity amount is fixed (guaranteed)
(B) one where the annuity amount is variable (linked to investment performance)
(C) Both A and B are correct
(D) None of the above.

2. Which one of the following statements is correct?
(A) Annuity would stop strictly with the death of the annuitant
(B) Annuity could be paid to the surviving spouse in case of joint life annuity.
(C) Both A and B are correct
(D) None of the above.

3. In a joint life annuity, what would happen to annuity payment if the spouse is to predecease the annuitant?
(A) Annuity would continue
(B) Annuity would cease
(C) A & B correct (D) NOTA

4. What are the types of Annuities?
(A) Immediate Annuity (B) Deferred Annuity
(C) Both are correct (D) NOTA

5. Under Immediate annuity, the premium has to be paid
(A) in regular instalments (B) in lumpsum
(C) Both correct (D) Both wrong

6. Under Deferred annuity, the premium has to be paid –
(A) in regular instalments (B) in lumpsum
(C) Both correct (D) Both wrong

7. Under Deferred annuity, the time period between its purchase and start of annuity payments is called–
(A) Waiting period
(B) Postponement period
(C) Waiver period (D) Deferment period

8. What are the 2 distinct phases of a Deferred Annuity?
(A) Waiting & Starting phases
(B) Loading & Unloading phases
(C) Accumulation & Payout phases
(D) Commutation & Continuation phases

9. Which type of Annuity will have 2 distinct phases?
(A) Immediate Annuity (B) Deferred Annuity
(C) Spouse Annuity (D) Joint life annuity

10. Which one of the following statement is correct?
(A) Every Annuity is pension
(B) Every Pension is an Annuity
(C) Both correct (D) Both wrong

11. Which is a dilemma of an old age person?
(A) How much old age pension is to be provided
(B) Where to invest the fund
(C) Both correct (D) Both wrong

12. Which is not a pension related contingency?
(A) Health (B) Longevity
(C) Inflation (D) Investment risk

13. Which is the reason for increase in health insurance in India?
(A) Health consciousness
(B) Increased longevity
(C) Increase in income (D) All

14. What is a Standalone health insurance company?
(A) An health insurance company which has only one office throughout the country.
(B) A Life insurance company selling general insurance products like health insurance also.
(C) A General Insurance company which sells only health products. (D) All the above.

15. Which is not a recent phenomenon in health insurance industry segment?
(A) Hospital chains are allowed by IRDA to enter health insurance business.
(B) Tremendous growth of health ins. business is tapped by Standalone companies.
(C) Standalone companies are specifically barred from covering rural masses.
(D) None of the above.

16. Which item of expense is not covered under a typical health insurance cover?
(A) Theatre charges
(B) Blood donation charges
(C) Bed charges (D) Test reports

17. Which is correct?
(A) Health insurance companies do not normally provide Outpatient treatment expenses.
(B) Some Health insurance companies do provide Outpatient treatment expenses.
(C) Both correct (D) None of the above correct

18. As part of Outpatient cover, which are the items that could not be covered?
(A) Dental treatment (B) Optical services
(C) Health checkups (D) Surgery

19. Day care centre in health insurance parlance would mean –
(A) Patients are admitted during day time only
(B) There is no provision for round the clock treatment
(C) Centre where procedures requiring less than 24 hrs hospitalization are done.
(D) None of the above.

20. Which among the following is not a Day Care procedure?
(A) Byepass surgery (B) Cataract
(C) Lithotripsy (D) Piles

21. TPA stands for –
(A) Third Party Assignee

(B) Third Payment Administrator
(C) Third Payee Assignor
(D) Third Party Administrator

22. TPA is licenced by the –
(A) Insurance company (B) Surveyor
(C) Central Govt. (D) IRDA

23. Who is a health care provider?
(A) Insurer (B) Insured
(C) IRDA (D) Hospital

24. Which is a network hospital?
(A) An hospital enlisted by insurer to provide medical services
(B) An hospital enlisted by TPA to provide medical services
(C) Both correct (D) None of the above correct

25. What do you understand by the term 'Portability' in so far as it relates to health ins?
(A) Right given to an individual to move from one to another policy of the same co.
(B) Right to transfer the policy from one insurer to another insurer or from one to another plan
(C) Both correct (D) None of the above correct

26. Illness/injury for which treatment was required during a pre-determined time is called –
(A) Pre-existing illness
(B) Post-operative illness
(C) Post-paid illnesses
(D) Pre-correctional illnesses

27. In which manner Pre-existing illnesses could be covered?
(A) After illness is cured
(B) Before illness is contracted
(C) After illness is diagnosed
(D) After a Waiting period

28. Health plus Life Combo products would mean combination of –
(A) Health Insurance from a Non-life company + Life cover from a Life Insurance company
(B) Health Insurance from a Standalone health co. + Life cover from a Life Insurance company
(C) Both correct (D) None of the above correct

29. Which one of the following statements is correct?
(A) Health cover policies cover all illnesses without any exclusion whatsoever.
(B) There could be a few exclusions like AIDS, STDs, etc.
(C) Both correct (D) None of the above correct

30. Typical health ins. policies may exclude from cover routine expenses related to –
(A) Plastic surgery (B) Dental treatment
(C) Aesthetic treatment (D) All the above.

31. Exclusions in a health insurance policy means –
(A) Diseases covered under health cover
(B) Diseases specifically not covered
(C) Both correct (D) None of the above correct

32. If a person does not prefer any claim in an health insurance –
(A) Cover would cease and policy cancelled
(B) Cover would be subject to certain exclusions
(C) Cover would decrease
(D) No claim Bonus allowed for claim-free years

33. Domiciliary Hospitalisation means –
(A) Treatment taken as an Outpatient in an hospital
(B) Treatment taken as an Inpatient in an hospital
(C) Treatment taken both as an Outpatient and as an Inpatient
(D) Treatment taken at home as the patient could not be moved to hospital

34. For admission of domiciliary hospitalization claim, the minimum period of medical treatment should be –
(A) 24 hours (B) 48 hours
(C) 3 days (D) 4 days

35. With regard to domiciliary hospitalization which is incorrect?
(A) The limit for the same is fixed as a %age of total sum insured
(B) All chronic diseases are covered without any exclusion
(C) Both correct (D) None of the above correct

36. What is the special feature of a Family Floater policy?
(A) The total sum insured floats amongst the family members
(B) Husband/wife, children & Parents/parents in laws can be covered
(C) Both correct (D) None of the above correct

37. In respect of a family floater health policy, which of the following statements is correct?
(A) The total premium payable is less than the total premium payable under non-floater policies
(B) The total premium payable is more than the total premium payable under non-floater policies
(C) Both correct (D) None of the above correct

38. It would be advantageous to go for a Family floater rather than Non-floater for the reason that-
(A) Higher cover which would help any family member in case of high cost treatment.
(B) Premiums are considerably lower than where cover is taken for individual members.
(C) Both correct (D) Either A or B is correct

39. The sum insured under a health insurance policy would primarily depend on –
(A) Age (B) Health condition
(C) Affordability (D) Income

40. Health insurance policy premiums qualify for tax relief under Income Tax Act?
(A) 80C (B) 80D (C) 10(10D) (D) 80E

41. The definition for 'Hospital' does not envisage which of the following:-
(A) 5 inpatient beds in towns with a population < 10 lakh population and 10 beds in other places
(B) Qualified medical practitioner round the clock
(C) Fully equipped operation theatre
(D) (D) Daily records of patients to be maintained.

42. Cashless facility means –
(A) Insured need not carry cash on hand and he can settle medical bills thro' debit card
(B) Insured has to pay bills and take reimbursement later
(C) Hospital (Net work provider) would directly get the bills settled by the insurer
(D) None of the above.

43. Smart identity card for presenting it to network hospital in health insurance would be issued by–
(A) Insurer (B) TPA
(C) Either A or B (D) Neither A nor B

44. In case of hospitalization in a network hospital, admission would be on the basis of –
(A) Smart card
(B) Pre-authorisation from Insurer/TPA
(C) Either A or B (D) NOTA

45. If the insured gets admitted in a non-network hospital,
(A) He could still avail cashless facility
(B) He would settle hospital bills and would get reimbursed by the insurer.
(C) Either A or B (D) Neither A nor B

46. In which event availing cashless facility may not require a pre-authorisation from the insurer/TPA?
(A) If the hospitalization is to a Non-network hospital
(B) Emergency hospitalization
(C) Both A and B correct
(D) Neither A nor B are correct.

47. Who prescribes the format of a pre-authorisation letter and standard claim forms?
(A) Central Government
(B) Insurance company (C) TPA (D) IRDA

48. How much free look period allowed from the date of receipt of health ins policy document?
(A) 10 days (B) 15 days
(C) 30 days (D) 90 days

49. The grace period for renewal beyond expiry date of a health insurance policy is –
(A) 10 days (B) 15 days
(C) 30 days (D) 90 days

50. As per IRDA regulations on health insurance –
(A) Life time cover not mandated
(B) Life time cover is mandatory
(C) Either A or B (D) Neither A nor B

MODEL TEST 5

Time : 1 hour
Marks : 1 mark each

1. Prospectus is a document which is ……
   A. basis of the contract B. Contract
   C. Evidence of contract
   D. providing details about product
2. Which is not provided in a Prospectus?
   A. Terms & conditions B. Scope of benefits
   C. Documents required for claim. D. Entitlements
3. Which of the following defines a proposal form?
   A. IRDA Act, 1999
   B. IRDA (Licensing of Agents) Regulations, 2000
   C. Insurance Act, 1938
   D. IRDA (Protection of Policyholders' interests) Regulations, 2002
4. IRDA has prescribed the design and content of a proposal form through –
   A. IRDA (Licensing of Agents) Regulations, 2000
   B. IRDA (Protection of Policyholders' interests) Regulations, 2002
   C. IRDA (Standard Proposal Form for insurance) Regulations, 2013 D. All the above
5. Who is the primary underwriter?
   A. Insurer B. Insured
   C. Proposer D. Agent
6. Which of the following information is not contained in a Medical Examiner's Report?
   A. Previous policy particulars
   B. Height, weight, BP of the proponent
   C. Both A and B D. Neither A nor B
7. When medical report of the life insured is essential?
   A. Sum proposed or age is high
   B. Medical characteristics of the proposer
   C. Both A and B D. Neither A nor B
8. What does moral hazard indicate?
   A. The possibility that client would undertake dangerous expeditions after taking a policy
   B. The possibility of ending own life or the life of another
   C. Both the above instances D. NOTA

9. Moral Hazard Report is completed by ………….
   A. Official of the Company B. Agent
   C. Medical Examiner D. Proposer
10. To ascertain which of the following Age proof is not required:
    A. Assessment of Risk profile
    B. Premium paying capacity
    C. Fixing the premium D. All the above
11. Which is a not a standard age proof?
    A. PAN card B. Baptism Certificate
    C. Service Register D. Ration card
12. Which is a standard age proof?
    A. Horoscope B. Ration card
    C. PAN card D. Self declaration
13. The term Money Laundering would mean –
    A. Process of hiding the origin of the money
    B. Turning illegal money into legal money
    C. Bringing illegal money into economy
    D. All of the above.
14. As per PML Act, 2002, which came into effect from 2005, money laundering is punishable by
    A. Rigorous imprisonment for 3 - 7 years
    B. Fine of Rs.5 lakhs C. None D. Both A or B
15. AML programme of an ins. co. to include –
    A. Internal policies and controls
    B. Appointment of a Principal Compliance Officer
    C. Internal Audit/control D. All the above
16. What are the KYC documents?
    A. Photo B. Address proof
    C. Proof of Identify D. All the above.
17. Objective of KYC guidelines is to prevent –
    A. Identity theft B. Financial fraud
    C. Money laundering D. All the above
18. The free look period available to cancel a policy is –
    A. 15 days B. 30 days
    C. 45 days D. 60 days
19. When free look period under a policy would commence?
    A. Date of commencement
    B. Date of receipt of policy bond
    C. Date of FPR D. Any time
20. Which is evidence of commencement of contract/risk cover?
    A. Policy document B. Prospectus
    C. Proposal form D. FPR
21. Which is a Premium receipt?
    A. First Premium Receipt
    B. Renewal Premium Receipt
    C. Both D. NOTA
22. Which will act as a proof of premium payment should any dispute arise as to premium payment?
    A. F.P.R. B. R.P.R.
    C. Proposal form D. Policy document
23. Which is evidence of contract?
    A. Policy document B. Prospectus
    C. Proposal form D. FPR
24. What are the parts of a policy bond?
    A. Policy schedule B. Standard provisions
    C. Specific provisions D. All the above
25. Which of the following information is not found in the Policy Schedule?
    A. Plan and Term B. Sum insured
    C. Rights/Privileges D. Policy No.
26. Standard provisions of a policy contains which of the following information?
    A. Rights/Privileges B. Sum insured
    C. Table and Term D. Policy No.
27. Specific policy provisions may contain –
    A. Plan and Term B. Clause
    C. Rights/Privileges D. Policy No.
28. 'Clause' under a life insurance policy means –
    A. Risk not covered B. Risk covered
    C. Surrender D. Loan facility

29. What is the standard length of a grace period under a
life insurance policy?
- A. One month not more than 30 days
- B. One month not less than 31 days
- C. One month not more than 31 days
- D. One month not less than 30 days

30. When a policy is said to lapse?
- A. If premiums are paid within grace period
- B. If premiums are paid after grace period
- C. If premiums are not paid after grace period
- D. If premiums are not paid within grace period

31. If the policyholder dies within grace period –
- A. Claim will be rejected
- B. Claim will be paid subject to policy conditions
- C. Claim is payable after deducting the prem.
- D. None of the above

32. Revival of a life insurance policy means –
- A. Forcing a policy into lapse
- B. Reinstating a lapsed policy
- C. Not paying the premiums
- D. Non-settlement of claim monies

33. Revival of a policy is not a ……… right of the insured.
- A. Conditional B. Unconditional
- C. Legal D. Fundamental

34. Revival would be subject to –
- A. No increase in risk cover
- B. Creation of reserve
- C. Satisfactory evidence of insurability
- D. All the above

35. Satisfactory evidence of insurability would mean –
- A. Satisfactory premium payment
- B. Satisfactory evidence of health
- C. Satisfactory proposal form
- D. Satisfactory terms and conditions

36. If a policy is lapsed for a very short period of time only, what would be the requirement:-
- A. Medical Report B. Medical Underwriting
- C. Certificate of good health D. None

37. When a medical report would be called at the time of
revival?
- A. When the policy is in a lapsed condition for a long
period
- B. If health problem is present
- C. If the sum assured is high D. All the above

38. It would be advantageous to Revive a lapsed policy rather
than taking a new policy. Most apt reason is -
- A. Fresh conditions may be imposed under a new
policy
- B. Policyholder may not get the same policy benefits.
- C. That policy may longer be available for sale
- D. Premium under a new policy would be more based
on his latest age.

39. What is the way to revival a lapsed policy of life insurance?
- A. Ordinary revival B. Special Revival
- C. Instalment revival D. Any of the above.

40. Which is the simplest form of revival?
- A. Ordinary revival B. Special RevivalC.
Instalment revival D. Any of the above.

41. Under special revival which is correct?
- A. It is as though a new policy is issued by altering DOC
- B. The maturity date also gets altered
- C. Difference between old and new premium is payable.
- D. All the above.

42. What is the condition for special revival?
- A. The policy should have loan value
- B. The policy must not have acquired surrender value.
- C. Either A or B D. Neither A nor B.

43. A loan-cum revival would mean –
- A. Granting a loan B. Revival of the policy
- C. Both D. None

44. Under the loan cum revival which of the following is correct?
- A. The policyholder would pay full arrears of premium with interest like ordinary revival.
- B. The loan granted would be used as a consideration amount and balance only payable. C. Both are correct D. Both are wrong.

45. When instalment revival can be availed?
- A. When policyholder is unable to pay full arrears of premium in lumpsum
- B. When the policy could not be revived under special revival scheme. C. Both D. None

46. Who gets benefited if a policy is lapsed?
- A. Insurer B. Insured
- C. Both Insurer & Insured D. None

47. Non-forfeiture provisions means accrual of certain benefits to policyholders if premiums are paid for at least
- A. One year. B. Two years
- C. Three years. D. Four years.

48. Loan value is a percentage of –
- A. Paid up value B. Surrender Value
- C. Revival Value D. None

49. What is the maximum %age of surrender value that can be granted as loan?
- A. 50 percent B. 75 percent
- C. 80 percent D. 90 percent

50. How policy loan is different from a commercial loan?
- A. There is no legal obligation to repay a policy loan
- B. In case of policy loan, there is no need for a credit check.
- C. Both the above are right
- D. None of the above is correct

CANDIDATE ANSWERING PAGE

MOCK TEST 1				MOCK TEST 2				MOCK TEST 3			
Sno	**Ans**	**Sno**	**Ans**	**Sno**	**Ans**	**Sno**	**Ans**	**Sno**	**Ans**	**Sno**	**Ans**
1		26		1		26		1		26	
2		27		2		27		2		27	
3		28		3		28		3		28	
4		29		4		29		4		29	
5		30		5		30		5		30	
6		31		6		31		6		31	
7		32		7		32		7		32	
8		33		8		33		8		33	
9		34		9		34		9		34	
10		35		10		35		10		35	
11		36		11		36		11		36	
12		37		12		37		12		37	
13		38		13		38		13		38	
14		39		14		39		14		39	
15		40		15		40		15		40	
16		41		16		41		16		41	
17		42		17		42		17		42	
18		43		18		43		18		43	
19		44		19		44		19		44	
20		45		20		45		20		45	
21		46		21		46		21		46	
22		47		22		47		22		47	
23		48		23		48		23		48	
24		49		24		49		24		49	
25		50		25		50		25		50	

CANDIDATE ANSWERING PAGE

MOCK TEST 4				MOCK TEST 5				MOCK TEST 6			
Sno	Ans	Sno	Ans	Sno	Ans	Sno	Ans	Sno	Ans	Sno	Ans
1		26		1		26		1		26	
2		27		2		27		2		27	
3		28		3		28		3		28	
4		29		4		29		4		29	
5		30		5		30		5		30	
6		31		6		31		6		31	
7		32		7		32		7		32	
8		33		8		33		8		33	
9		34		9		34		9		34	
10		35		10		35		10		35	
11		36		11		36		11		36	
12		37		12		37		12		37	
13		38		13		38		13		38	
14		39		14		39		14		39	
15		40		15		40		15		40	
16		41		16		41		16		41	
17		42		17		42		17		42	
18		43		18		43		18		43	
19		44		19		44		19		44	
20		45		20		45		20		45	
21		46		21		46		21		46	
22		47		22		47		22		47	
23		48		23		48		23		48	
24		49		24		49		24		49	
25		50		25		50		25		50	

ENGLISH - MOCK TEST - ANSWER SHEET

MOCK TEST 1				MOCK TEST 2				MOCK TEST 3				MOCK TEST 4			
Sno	**Ans**	**Sno**	**Ans**	**Sno**	**Ans**	**Sno**	**Ans**	**Sno**	**Ans**	**Sno**	**Ans**	**Sno**	**Ans**	**Sno**	**Ans**
1	**B**	26	**D**	1	**C**	26	**D**	1	**D**	26	**C**	1	**C**	26	**A**
2	**B**	27	**B**	2	**C**	27	**D**	2	**B**	27	**B**	2	**B**	27	**D**
3	**C**	28	**A**	3	**C**	28	**B**	3	**A**	28	**C**	3	**B**	28	**C**
4	**C**	29	**C**	4	**C**	29	**B**	4	**C**	29	**D**	4	**C**	29	**B**
5	**B**	30	**D**	5	**B**	30	**D**	5	**B**	30	**B**	5	**B**	30	**D**
6	**A**	31	**A**	6	**A**	31	**B**	6	**D**	31	**B**	6	**C**	31	**B**
7	**D**	32	**A**	7	**C**	32	**D**	7	**A**	32	**A**	7	**D**	32	**D**
8	**A**	33	**C**	8	**D**	33	**A**	8	**D**	33	**C**	8	**C**	33	**D**
9	**B**	34	**D**	9	**A**	34	**D**	9	**D**	34	**B**	9	**B**	34	**C**
10	**D**	35	**C**	10	**D**	35	**C**	10	**B**	35	**A**	10	**B**	35	**B**
11	**D**	36	**C**	11	**C**	36	**A**	11	**D**	36	**D**	11	**C**	36	**C**
12	**D**	37	**A**	12	**C**	37	**D**	12	**D**	37	**D**	12	**A**	37	**A**
13	**C**	38	**D**	13	**D**	38	**D**	13	**A**	38	**C**	13	**D**	38	**C**
14	**D**	39	**D**	14	**D**	39	**B**	14	**C**	39	**D**	14	**C**	39	**A**
15	**A**	40	**B**	15	**B**	40	**D**	15	**C**	40	**D**	15	**C**	40	**B**
16	**B**	41	**D**	16	**D**	41	**D**	16	**D**	41	**B**	16	**B**	41	**A**
17	**D**	42	**C**	17	**B**	42	**C**	17	**C**	42	**B**	17	**C**	42	**C**
18	**A**	43	**D**	18	**C**	43	**B**	18	**C**	43	**C**	18	**D**	43	**C**
19	**B**	44	**A**	19	**B**	44	**A**	19	**A**	44	**C**	19	**C**	44	**C**
20	**A**	45	**B**	20	**D**	45	**D**	20	**D**	45	**D**	20	**A**	45	**B**
21	**A**	46	**D**	21	**C**	46	**D**	21	**D**	46	**C**	21	**D**	46	**C**
22	**D**	47	**A**	22	**D**	47	**B**	22	**B**	47	**A**	22	**D**	47	**D**
23	**A**	48	**D**	23	**B**	48	**C**	23	**A**	48	**B**	23	**D**	48	**B**
24	**A**	49	**A**	24	**A**	49	**B**	24	**B**	49	**A**	24	**C**	49	**C**
25	**B**	50	**C**	25	**B**	50	**C**	25	**D**	50	**B**	25	**C**	50	**B**

MOCK TEST 5			
Sno	**Ans**	**Sno**	**Ans**
1	**D**	26	**A**
2	**C**	27	**B**
3	**D**	28	**A**
4	**C**	29	**B**
5	**D**	30	**D**
6	**A**	31	**C**
7	**C**	32	**B**
8	**C**	33	**B**
9	**A**	34	**D**
10	**B**	35	**B**
11	**D**	36	**C**
12	**C**	37	**D**
13	**D**	38	**D**
14	**D**	39	**D**
15	**D**	40	**A**
16	**D**	41	**D**
17	**D**	42	**B**
18	**A**	43	**C**
19	**B**	44	**B**
20	**D**	45	**C**
21	**C**	46	**D**
22	**B**	47	**C**
23	**A**	48	**B**
24	**D**	49	**D**
25	**C**	50	**C**