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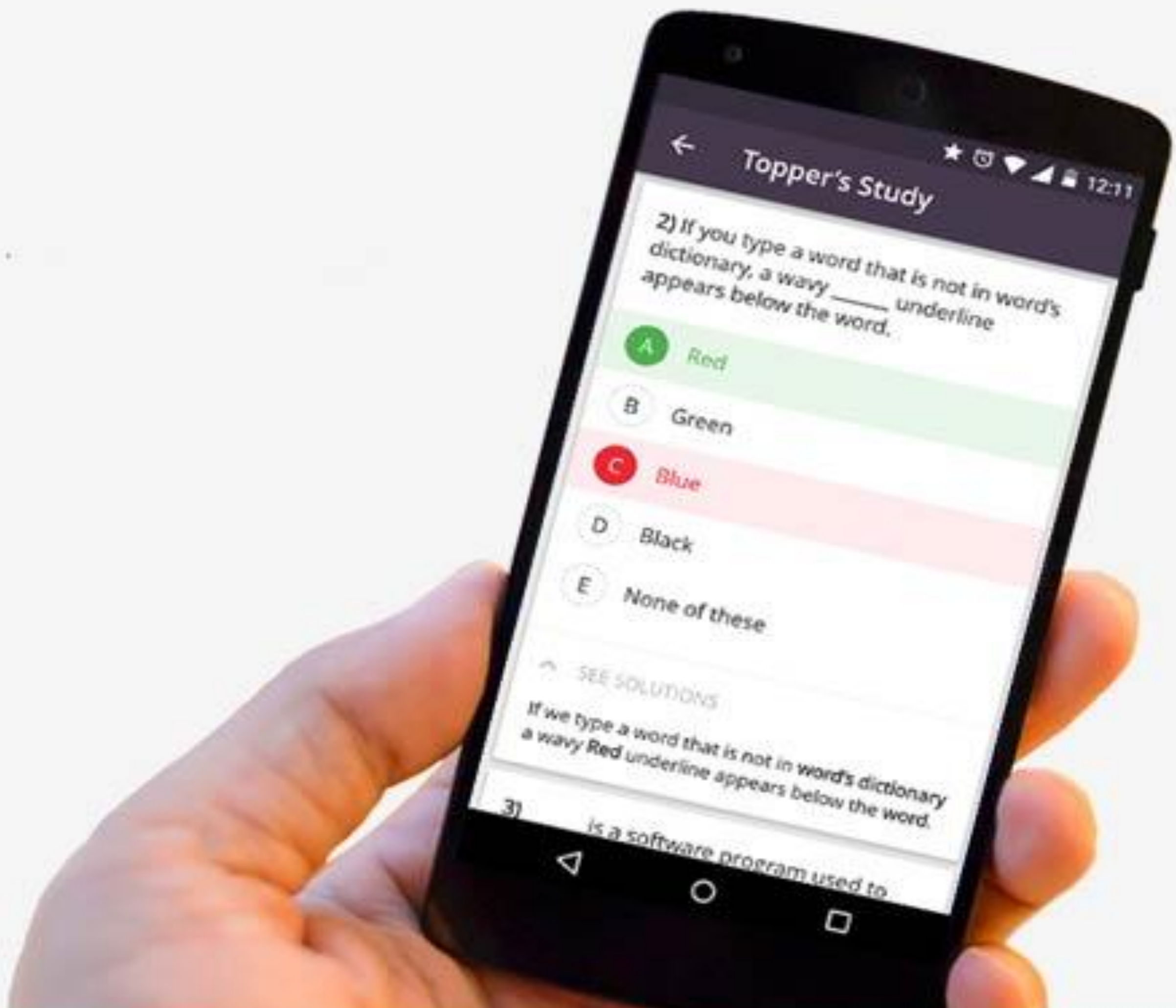
INSAURANCE DIGEST

for LIC AAO 2016 Exam



Insurance Digest for LIC AAO 2016 Exam

Dear readers,

This Insurance Digest is complete Information of important terms and plan & Policies and history. The Insurance Digest is important and relevant for all Insurance exams like - LIC AAO 2016 Exam, NICL, NIACL, Insurance and other Insurance Exams.

What is Insurance? - Insurance is defined as a contract between two parties whereby one party called insurer undertakes in exchange for a fixed sum called premium to pay the other party called insured a fixed amount of money after happening of a certain event.

According to the Indian Contract Act 1872, "A Contract may be defined as an agreement between two or more parties to do or to abstain from doing an act, with an intention to create a legally binding relationship."

Benefits of Insurance –

- ✓ It safeguards your money.
- ✓ It ensures growth of money.

Life insurance policies are broadly categorized into 2 types –

- ✓ Traditional Plans and
- ✓ Unit Linked Insurance Plans (ULIPs).

History-of-Life-Insurance-Corporation (LIC) - Life Insurance Corporation (India) (LIC) is an Indian state-owned insurance group and investment company **headquartered** in **Mumbai.** The Life Insurance Corporation of India **was founded in 1956** when the Parliament of India passed the Life Insurance of India Act that nationalized the private insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation.

- ✓ **The Life Insurance Companies Act, 1912** made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage.

- ✓ **LIC Nationalization** - The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly.

  Eventually, the Parliament of India passed the **Life Insurance of India Act on June 19, 1956** creating the Life Insurance Corporation of India, which started operating in September of that year. It consolidated the life insurance business of 245 private life insurers and other entities offering life insurance services, this consisted of 154 life insurance companies, 16 foreign companies and 75 provident companies.

  The nationalization of the life insurance business in India was a result of the Industrial Policy Resolution of **1956**, which had created a policy framework for extending state control over at least seventeen sectors of the economy, including life insurance.

Nationalization was accomplished in two stages;

- ✓ Initially the management of the companies was taken over by means of an Ordinance, and
- ✓ Later, the ownership of the companies was taken by means of a comprehensive bill.

Some of the important milestones in the life insurance business in India are:

- **1818: Oriental Life Insurance Company**, the first life insurance company on Indian soil started functioning.
- **1870: Bombay Mutual Life Assurance Society**, the first Indian life insurance company started its business.
- **1912: The Indian Life Assurance Companies Act** enacted as the first statute to regulate the life insurance business.
- **1928: The Indian Insurance Companies Act** enacted to enable the government to collect statistical information about both life and non-life insurance businesses.
- **1938: Earlier legislation** consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.
- **1956: 245 Indian and foreign** insurers and provident societies are taken over by the central government and nationalized. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India.

Important Concept and Terms of Insurance

- ✓ **Bancassurance?** Bancassurance means selling of insurance products through banks. The insurance companies and the banks come up in a partnership wherein the bank sells the tied insurance company's insurance products to its clients. Bank Insurance Model is also termed as Bancassurance.

- ✓ **Actuary?** A person with expertise in the fields of economics, statistics and mathematics, who helps in risk assessment and estimation of premiums etc. for an insurance business, is called an actuary.

  Actuaries are experts in:
  1. Evaluating the likelihood of future events—using numbers, not crystal balls.
  2. Designing creative ways to reduce the likelihood of undesirable event.
  3. Decreasing the impact of undesirable events that do occur

Actuaries may also be involved with the acceptance of proposals for new policies, with legal and taxation matters affecting life assurance, or with the investment of funds.

Actuarial Science? Actuarial science is the discipline that applies mathematical and statistical methods to assess risk in insurance, finance and other industries and professions. Actuarial science includes a number of interrelated subjects, including probability, mathematics, statistics, finance, economics, financial economics, and computer programming.

Third Party Administrators? Third Party Administrators or TPAs are a vital link between health insurance companies, policy holders and health care providers.
The TPAs maintain databases of policy holders and issue them identity cards with unique identification numbers and handle all the post policy issues including claim settlements.

Mortality Charge? Mortality Charge is the amount charged every year by the insurer to provide the life cover to the policyholder on the life of the Life Insured. It is also called as Cost of Insurance.
It is the actual cost of insurance by the life insurance company. It is usually deducted with other charges in the policy, before investing your money. Mortality is dependent on the sum at risk (sum assured minus fund value) and should reduce as the fund value increases in the policy term.

What is Maturity Date? The maturity date is the date when the amount paid towards the life insurance policy is given to the policy holder once the term of the policy ends. The maturity date tells you when you will get your principal back and for how long you will receive interest payments.

Who is an Agent? An Agent is a person who is licensed by state to sell Insurance. The Agents serve as an intermediary between the insurance company and the insured. The insurance company is responsible for the acts of its agents, and it can be assumed by the insurance applicant that any information or payment of money to the agent will be received by the insurance company. Agents are only responsible for the timely and accurate processing of forms, premiums, and paperwork.

(i) Captive Agent – Agent sell Insurance of a specific Company.
(ii) Independent Agent – Agent who works independently and sells Insurance of many companies.

Who is a Broker? An insurance broker is a specialist in insurance and risk management. Brokers act on behalf of their clients and provide advice in the interests of their clients. The insurance Company is not responsible for because the broker represents the insurance client, not the company. Insurance brokers can be best described as a kind of super-independent agent.

What is Annuity? A long-term contract sold by an insurance company designed to provide payments to the holder at specified intervals, usually after retirement. The goal of annuities is to provide a steady stream of income during retirement.

What are Insurable and Uninsurable Risks? The various life risks cannot be treated individually, so they are put under a few broad categories based on the degree of each risk. There are two main classes of risk:

(i) Insurable Risks. - A risk that conforms to the norms and specifications of the insurance policy in such a way that the criterion for insurance is fulfilled is called insurable risk. Here the insurance company has enough statistics to work out the probability of the risk. E.g. Fire insurance

(ii) Uninsurable Risks
In case of a scenario where the loss is too huge that no insurer would want to pay for it, the risk is said to be uninsurable. A risk is uninsurable when an insurance company cannot calculate the probability of the risk and therefore cannot work out a premium that the business must pay.

What is AD&D in Insurance? - AD&D in Insurance refers to Accidental Death and Dismemberment Insurance. "Accidental death" under the policy means a death caused by an unforeseen circumstance unrelated to the body. In other words, the death cannot be caused in any way by illness or the insured's physical condition.

It is a policy that pays benefits to the beneficiary if the cause of death is an accident. This is a limited form of life insurance which is generally less expensive.

Lapse in Insurance? - The policy for which all benefits to the policy holder cease and is terminated due to nonpayment of premium amount on the due date or even after the grace period is called a lapsed policy.

Excessive delay in payments and servicing of the policy leads to the policy being dead or lapsed. However, a lapsed policy may be revived by fulfilling the terms and conditions as per the policy statement.

What is Surrender Value? - Surrender Value is the amount the policy holder will get from the insurance company if he decides to exit the policy before maturity. And also all the benefits associated with that policy along with protection cover will cease to exist in case of surrender.

Maturity claim? - It simply means that when the policy completes its tenure, a certain amount of money called Maturity Claim amount is settled towards the life assured.

What is Death claim? - Death claim is a type of claim made by the nominee of the insured to the insurance company due to death of the insured, abiding to the policy terms and conditions.
Following four steps are to be followed to file a claim:
1. Claim intimation/notification
2. Documents required for claim processing
3. Submission of required documents for claim processing
4. Settlement of claim

What is valid claim & fraudulent claim? - An insurance company validates the authenticity and amount claimed by the insured in-order to prevent the insurer from exaggerating the claim amount & the claim fraudulently.
If it is a valid reason it is classified as valid claim or else it is classified as fraudulent claim, thereby if insurance suspects of fraudulence in the claim.

There are 2 types of insurance fraud-

- ✓ **Hard fraud –** Hard fraud occurs when a person intentionally fakes an accident, theft, or injury to collect money from an insurance company.
- ✓ **Soft fraud –** Soft fraud occurs when a person has a valid insurance claim, but falsifies part of the claim, or exaggerates damages in order to obtain the maximum benefits.

What is Gratuity? - Gratuity is a part of salary that is received by an employee from his/her employer in gratitude for the services offered by the employee in the company.
According to Payments of Gratuity Act, 1972 with minimum of 5 years' service during exit is eligible to minimum of 15 days from the last drawn salary for each completed service year.

Gratuity is paid when an employee:
1. Is eligible for superannuation
2. Retires
3. Resigns
4. Passes away or is rendered disabled due to accident or illness (if an employee passes away, gratuity will be paid to the employee's nominee).

What is Paid up value? - The right to change the normal policy into paid up value is given to the insured by the insurance company, if the insured have paid premiums for minimum of three years.
The paid policy means, after the period if the insured cannot pay premium then the policy is not cancelled but the sum assured is reduced in proportion to the number of premiums paid by the insured.

Terminal bonus? - Terminal bonus is the loyalty bonus paid by the insurance company to the insured for maintaining the policy till the maturity date. It is the bonus paid during the time of maturity and the value is not guaranteed by disclosed during the time of policy maturity only. Terminal Bonus is also known as persistency bonus.

Important Plan and Policy of Insurance

- **What is Endowment Policy? -** The assured has to pay an annual premium which is determined on the basis of the assured's age at entry and the term of the policy. The insured amount is payable either at the end of specified number of years or upon the death of the insured person, whichever is earlier.

- **What is Premium? -** The payment, or one of the regular periodic payments, that a policy holder makes to an insurer in exchange for the insurer's obligation to pay benefits upon the occurrence of the contractually-specified contingency (e.g., death).

- **What is a ULIP? -** ULIP is an abbreviation for Unit Linked Insurance Policy. A ULIP is a life insurance policy which provides a combination of risk cover and investment. The dynamics of the capital market have a direct bearing on the performance of the ULIPs. In a ULIP policy, the investment risk is generally borne by the investor.

- **What types of funds do ULIP offer? -** Most insurers offer a wide range of funds to suit one's investment objectives, risk profile and time horizons. Different funds have different risk profiles. The potential for returns also varies from fund to fund. The following are some of the common types of funds available along with an indication of their risk characteristics.
  1) Equity Funds (Medium to High risk) – Primarily invested in company stocks with the general aim of capital appreciation
  2) Income, Fixed Interest and Bond Funds (Medium risk) – Invested in corporate bonds, government securities and other fixed income instruments
  3) Cash Funds (Low risk) – Sometimes known as Money Market Funds — invested in cash, bank deposits and money market instruments
  4) Balanced Funds (Medium risk) – Combining equity investment with fixed interest instruments

- **Unit Fund? -** The allocated (invested) portions of the premiums after deducting for all the charges and premium for risk cover under all policies in a particular fund as chosen by the policy holders are pooled together to form a Unit fund.

- **Fund Value? -** The total value of the units in all the funds invested in by policy holder at the valuation date. The value of the units in each fund on the valuation date is calculated as–
  (Number of units held by you in that fund) X (Corresponding unit price of that fund at the valuation date)

Important LIC Plan & Policy:

- **Lic's Single Premium Endowment Plan:** This is an endowment plan or policy which combines savings and financial protection. The minimum age at entry is 90 days while Maximum age at entry is 65 years. Term ranges between 10 years and 25 years. The minimum age at maturity is 18-75 years. There is no upper limit on the maximum sum assured while the minimum sum is 50,000 Rupees.

- **Lic's New Endowment Plan:** This endowment plan gives the policy holders the benefit of LIC's Accidental Death and Disability Benefit Rider in equal monthly installments for 10 years with the payment of extra premium. The policy term can extend from 12-35 years, and the sum assured starts from a minimum of 1, 00,000 Rupees.

- **Lic's New Jeevan Anand:** This plan provides insurance and risk coverage for the entire life of the policy-holder. At death or attainment of 100 years of the policy holder (whichever occurs earlier), sum assured will be paid to the nominee. The policy can be bought between 18 to 50 years. The premium paying modes are yearly, half yearly, quarterly and monthly (ECS Only).

- **LIC's Jeevan Rakshak:** This is a regular endowment assurance plan with profit. In case of death of the policyholder during the policy term if no premiums are due, Sum Assured on Death shall be payable, which is the highest among basic sum assured, 10 times of annualized premium and 105% of all the premiums paid as on date of death.

- **LIC's Limited Premium Endowment Plan:** This is a participating non-linked policy that offers the policy holder the optional benefits of LIC's Accidental Death and Disability Benefit Rider and LIC's New Term Assurance Rider. Age at entry must be 18 Years to 54 years.

- **LIC's JEEVAN SANGAM:** This is a single premium life insurance plan that is participating, non-linked and provides a risk cover is a multiple of single premium. If the policy holder dies before the date of risk commencement and before completing first five policy years, the single premium will be paid back excluding service tax and extra premium without interest.

- **LIC's Jeevan Lakshya:** This is a non-linked plan which offers Annual Income benefit which helps to fulfill the needs of a family in case of sudden death of Policy holder before maturity and a lump sum amount at Maturity regardless of the life of Policy holder

- **LIC's Jeevan Tarun:** It is a non-linked plan with limited premium payment. This is designed to meet the educational needs of children of 20-24 years with annual Survival Benefit. Maturity Benefit is provided at 25 years. This plan gives four options for choosing the Survival and Maturity benefits

- **LIC's Anmol Jeevan :** LIC Anmol Jeevan is a policy providing financial cover to the policy holder's family in case of sudden death. The main benefits are the Death Benefit and Maturity Benefit. The minimum age of the policy holder is 18 years while the maximum age is 55 years.

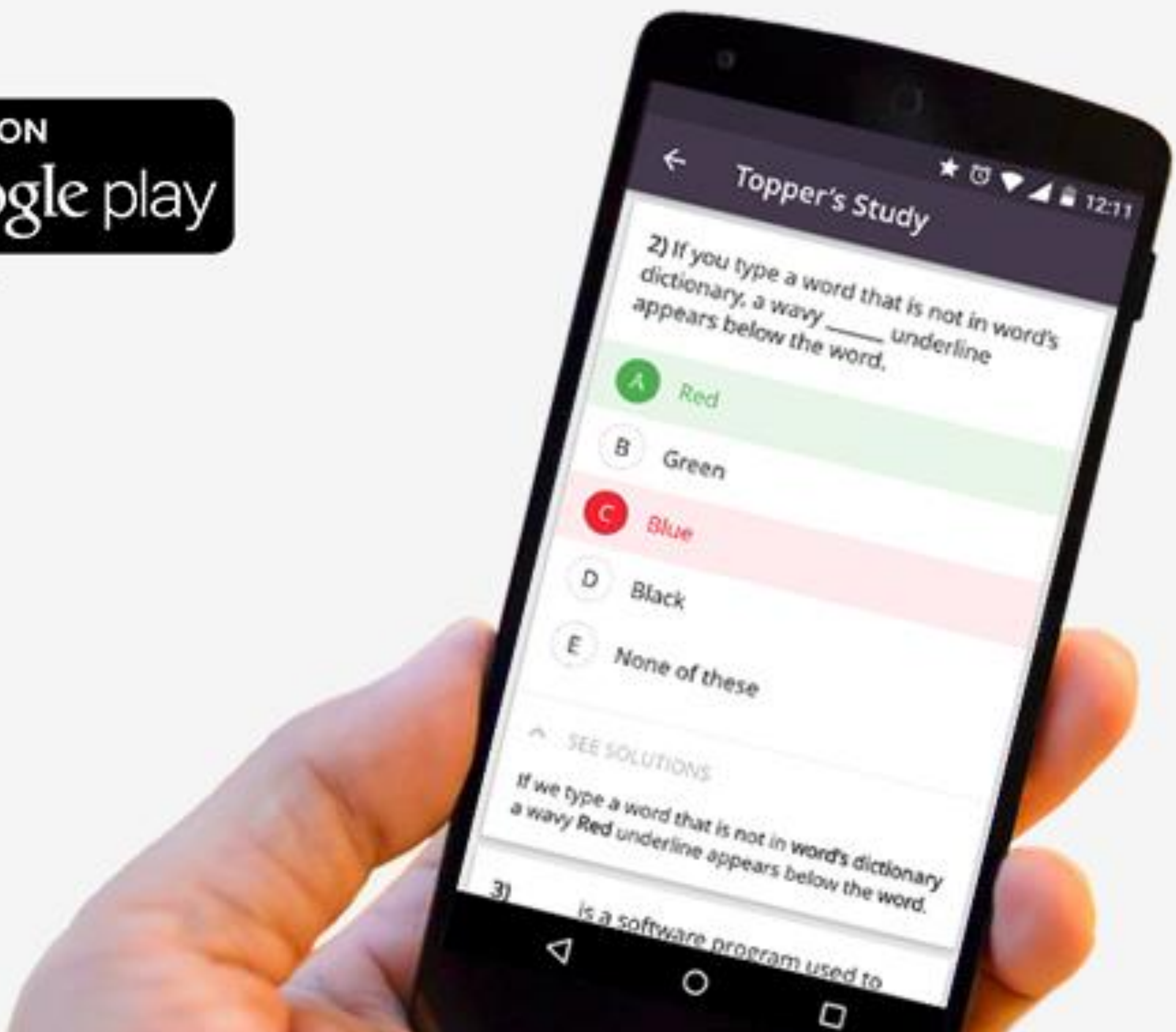
Tagline, Chairman Head Office of Insurance Company

Insurance Company	Tagline	Chairman	Head Office
Life Insurance Corporation Of India	Jindagi ke sath bhi jindagi ke bad bhi	S.K. Roy	Mumbai,
New India Assurance Company Limited	India's premier general insurance company	G. Srinivasan.	Mumbai,
PNB India Insurance Company Limited	Have you met life today?	Tarun Chugh	Gurgaon
United India Insurance Company Limited	Rest Assured with Us	Milind A Kharat.	Chennai
ICICI Prudential Life Insurance Company Limited	Zimmedari ka humsafar	Sandeep Bakshi	Mumbai
HDFC Standard life Insurance Company Limited	Sar utha Ke Jiyo	Amitabh Chaudhary, Vibha Padalkar	Mumbai
Oriental Insurance Company Limited	Sabki Suraksha Hamare Paas	AK Saxena	Delhi
National Insurance Company Limited	THODA SIMPLE SOCHO	Rajesh Aggarwal	Kolkata
SBI Life Insurance Company Limited	Rest Assured with Us	Arijit Basu.	Mumbai,

Important Insurance Abbreviations

- ULIP- Unit Link Insurance plan
- ARM – Associate in Risk Management
- BAP – Business Auto Policy
- BOP – Business Owners Policy
- CIC – Certified Insurance Counselor
- CISR – Certified Insurance Service Representative
- DSU – Delay in Start-Up Insurance
- DOD – Date of Death
- EAP – Estimated Annual Premium
- ETB – Engaged In Trade or Business
- FMV – Air Market Value
- GAP – Guaranteed Auto Protection
- GL – General Liability
- GWP – Gross Written Premium
- HII – Health Insurance Institute
- HLV – Human Life Value
- LOC – Letter Of Credit
- M&D – Minimum and Deposit
- MDO – Monthly Debit Ordinary Life Insurance
- MPL – Maximum Possible Loss
- MPP – Managed premium plan
- ORFS – Operational Risk Financing Securities
- PAP – Personal Auto Policy
- RAM – Reverse-Annuity Mortgage
- SPAP – Special Personal Auto Policy
- TDI – Trade Disruption Insurance
- TERI – Targeted Enterprise Risk Insurance
- TPA – Third-party administrator
- UL – Umbrella Liability
- YRT – Yearly Renewable Term

Best Wishes for Your Exams



Topper's Study
12:11
2) If you type a word that is not in word's dictionary, a wavy ____ underline appears below the word.
A Red
B Green
C Blue
D Black
E None of these
SEE SOLUTIONS
If we type a word that is not in word's dictionary a wavy Red underline appears below the word.
3) ____ is a software program used to