

IC-38

INSURANCE AGENTS

LIFE

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SECTION – 1

COMMON CHAPTERS

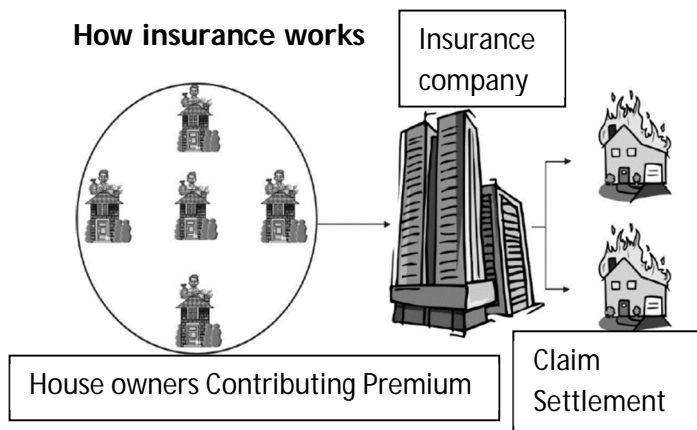
CHAPTER 1

INTRODUCTION TO INSURANCE

Insurance is risk transfer through risk pooling.

The origin of commercial insurance business as practiced today is traced to the Lloyd's Coffee House in London.

How insurance works



An insurance arrangement involves the following entities like, Asset, Risk, Peril, Contract, Insurer and Insured

When persons having similar assets exposed to similar risks contribute into a common pool of funds it is known as pooling.

Apart from insurance, other risk management techniques include:

Risk avoidance, Risk control, Risk retention, Risk financing and Risk transfer

The thumb rules of insurance are:

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

Test Yourself

1. What is meant by customer lifetime value?
 - I. Sum of costs incurred while servicing the customer over his lifetime
 - II. Rank given to customer based on business generated

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

IV. Maximum insurance that can be attributed to the customer

2. Identify the scenario where a debate on the need for insurance is not required.

I. Property insurance

II. Business liability insurance

III. Motor insurance for third party liability

IV. Fire insurance

3. As per the Consumer Protection Act, 1986, who cannot be classified as a consumer?

I. Hires goods / services for personal use

II. A person who buys goods for resale purpose

III. Buys goods and services for a consideration and uses them

IV. Uses the services of another for a consideration

4. What does not go on to make a healthy relationship?

I. Attraction

II. Trust.

III. Communication

IV. Scepticism

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

I. Paying good attention

II. Being extremely judgemental

III. Empathetic listening

IV. Responding appropriately

Test Yourself (Q.no) 1 2 3 4 5

Answer

II

III

II

I

III

Self-Examination Questions

1. Risk transfer through risk pooling is called _____.
 - a. Savings
 - b. Investments
 - c. Insurance
 - d. Risk mitigation
2. The measures to reduce chances of occurrence of risk are known as _____.
 - a. Risk retention
 - b. Loss prevention
 - c. Risk transfer
 - d. Risk avoidance
3. By transferring risk to insurer, it becomes possible _____.
 - a. To become careless about our assets
 - b. To make money from insurance in the event of a loss
 - c. To ignore the potential risks facing our assets

- d. To enjoy peace of mind and plan one's business more effectively
4. Origins of modern insurance business can be traced to _____.
 - a. Bottomry
 - b. Lloyds
 - c. Rhodes
 - d. Malhotra Committee
 5. In insurance context „risk retention“ indicates a situation where _____.
 - a. Possibility of loss or damage is not there
 - b. Loss producing event has no value
 - c. Property is covered by insurance
 - d. One decides to bear the risk and its effects
 6. Which of the following statement is true?
 - a. Insurance protects the asset
 - b. Insurance prevents its loss
 - c. Insurance reduces possibilities of loss
 - d. Insurance pays when there is loss of asset
 7. 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?
 - a. Rs.100/- b.Rs.200/-
 - c.. Rs.80/- d.Rs.400/-
 8. Which of the following statements is true?
 - a. Insurance is a method of sharing the losses of a „few“ by „many“
 - b. Insurance is a method of transferring the risk of an individual to another individual
 - c. Insurance is a method of sharing the losses of a „many“ by a few
 - d. Insurance is a method of transferring the gains of a few to the many
 9. Why do insurers arrange for survey and inspection of the property before acceptance of a risk?
 - a. To assess the risk for rating purposes
 - b. To find out how the insured purchased the property
 - c. To find out whether other insurers have also inspected the property
 - d. To find out whether neighbouring property also can be insured
 10. Which of the below option best describes the process of insurance?
 - a. Sharing the losses of many by a few
 - b. Sharing the losses of few by many
 - c. One sharing the losses of few
 - d. Sharing of losses through subsidy

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

CHAPTER 2 CUSTOMER SERVICE

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

Five major indicators of service quality include reliability, assurance, responsiveness, empathy and tangibles.

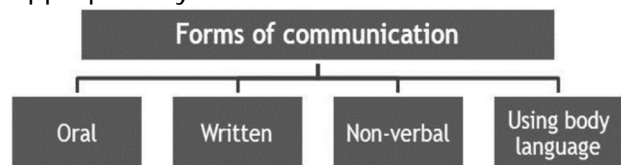
Customer lifetime value may be defined as the sum of economic benefits that can be derived from building a sound relationship with a customer over a long period of time.

The role of an insurance agent in the area of customer service is absolutely critical.

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

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

Active listening involves paying attention, providing feedback and responding appropriately.



Ethical behaviour involves placing the customer's interest before self.

Test Yourself

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2. Identify the scenario where a debate on the need for insurance is not required.
 - I. Property insurance
 - II. Business liability insurance

- III. Motor insurance for third party liability
 - IV. Fire insurance
3. As per the Consumer Protection Act, 1986, who cannot be classified as a consumer?
 - I. Hires goods / services for personal use
 - II. A person who buys goods for resale purpose
 - III. Buys goods and services for a consideration and uses them
 - IV. Uses the services of another for a consideration
 4. What does not go on to make a healthy relationship?
 - I. Attraction
 - II. Trust
 - III. Communication
 - IV. Scepticism
 5. Which among the following is not an element of active listening?
 - I. Paying good attention
 - II. Being extremely judgemental
 - III. Empathetic listening
 - IV. Responding appropriately
 6. Which among the following is not a characteristic of ethical behaviour?
 - I. Making adequate disclosures to enable the clients to make an informed decision
 - II. Maintaining confidentiality of client's business and personal information
 - III. Placing self-interest ahead of client's interests
 - IV. Placing client's interest ahead of self interest

Test Yourself (Q.no) 1 2 3 4 5 6

Answer	III	III	II	IV	II	III
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Self-Examination Questions

1. _____ is not a tangible good.
 - a. House
 - b. Insurance
 - c. Mobile Phone
 - d. A pair of jeans
2. _ is not an indicator of service quality.
 - a. Cleverness
 - b. Reliability
 - c. Empathy
 - d. Responsiveness
3. In India ____ insurance is mandatory.
 - a. Motor third party liability
 - b. Fire insurance for houses
 - c. Travel insurance for domestic travel

- d. Personal accident
4. One of the methods of reducing insurance cost of an insured is ____
 - a. Reinsurance
 - b. Deductible
 - c. Co-insurance
 - d. Rebate
 5. A customer having complaint regarding his insurance policy can approach IRDA through
 - a. IGMS
 - b. District Consumer Forum
 - c. Ombudsman
 - d. IGMS or District Consumer Forum or Ombudsman
 6. Consumer Protection Act deals with:
 - a. Complaint against insurance companies
 - b. Complaint against shopkeepers
 - c. Complaint against brand
 - d. 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
 - a. High Court
 - b. District Forum
 - c. State Commission
 - b. National Commission
 8. In customer relationship the first impression is created:
 - a. By being confident
 - b. By being on time
 - c. By showing interest
 - d. By being on time, showing interest and being confident
 9. Select the correct statement:
 - a. Ethical behaviour is impossible while selling insurance
 - b. Ethical behaviour is not necessary for insurance agents
 - c. Ethical behaviour helps in developing trust between the agent and the insurer
 - d. Ethical behaviour is expected from the top management only
 10. Active Listening involves:
 - a. Paying attention to the speaker
 - b. Giving an occasional nod and smile
 - c. Providing feedback
 - d. Paying attention to the speaker, giving an occasional nod and smile and providing feedback

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 GRIEVANCE REDRESSAL MECHANISM

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

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

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

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

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

Judicial Channels

National Commission

Established by Central Government by Notification

Entertains:

- ✓ Complaints where the value of the goods or services and compensation, if any, claimed exceeds Rs. 1 crores; and
- ✓ Appeals against the orders of any State Commission

State Commission

Established by State Government in a State

Entertains:

- ✓ Complaints where the value of the goods / services & the compensation, if any, claimed exceeds Rs. 20 lakhs, but does not exceed Rs. 1 crore;
- ✓ Appeals against the orders of any District Forum within the State

District Forum

Established by the State Government in each District

Entertains:

- ✓ Complaints where the value of the goods / services & the compensation, if any, claimed 'does not exceed Rs. 20 lakhs

Test Yourself

1. The _____ has jurisdiction to entertain complaints, where value of the goods or services and the compensation claimed is up to Rs.20 lakhs.

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

ANSWER - I

Self-Examination Questions

1. Expand the term IGMS.
 - a. Insurance General Management System
 - b. Indian General Management System
 - c. Integrated Grievance Management System
 - d. 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?
 - a. District Forum
 - b. State Commission
 - c. National Commission
 - d. Zilla Parishad
3. Which among the following cannot form the basis for a valid consumer complaint?
 - a. Shopkeeper charging a price above the MRP for a product
 - b. Shopkeeper not advising the customer on the best product in a category
 - c. Allergy warning not provided on a drug bottle
 - d. Faulty products
4. Which of the below will be the most appropriate option for a customer to lodge an insurance policy related complaint?
 - a. Police
 - b. Supreme Court
 - c. Insurance Ombudsman
 - d. District Court
5. Which of the below statement is correct with regards to the territorial jurisdiction of the Insurance Ombudsman?
 - a. Insurance Ombudsman has National jurisdiction
 - b. Insurance Ombudsman has State jurisdiction
 - c. Insurance Ombudsman has District jurisdiction
 - d. Insurance Ombudsman operates only within the specified territorial limits
6. How is the complaint to be launched with an insurance ombudsman?
 - a. The complaint is to be made in writing
 - b. The complaint is to be made orally over the phone
 - c. The complaint is to be made orally in a face to face manner
 - d. The complaint is to be made through newspaper advertisement
7. What is the time limit for approaching an Insurance Ombudsman?
 - a. Within two years of rejection of the complaint by the insurer
 - b. Within three years of rejection of the complaint by the insurer
 - c. Within one year of rejection of the complaint by the insurer
 - d. 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?
 - a. The complaint must be by an individual on a „Personal Lines“ insurance
 - b. The complaint must be lodged within 1 year of the insurer rejecting the complaint
 - c. Complainant has to approach a consumer forum prior to the Ombudsman
 - d. 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?
 - a. A fee of Rs 100 needs to be paid
 - b. No fee or charges need to be paid
 - c. 20% of the relief sought must be paid as fee
 - d. 10% of the relief sought must be paid as fee
10. Can a complaint be launched against a private insurer?
 - a. Complaints can be launched against public insurers only
 - b. Yes, complaint can be launched against private insurers
 - c. Complaint can be launched against private insurers only in the Life Sector
 - d. Complaint can be launched against private insurers only in the Non-Life Sector

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

CHAPTER 4 REGULATORY ASPECTS OF INSURANCE AGENTS

A Life Insurance policy is a promise which an Insurer makes to the client who takes out a policy and the promise is to pay a certain amount as per the policy conditions and its status on the happening of an event causing a loss on account of the client's death before the maturity of the policy or at the time of survival of the policy term.

The main purpose of the Regulations is to protect the interests of the policyholder.

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

The insurance Act, 1938 has provisions for monitoring and controlling operations of the insurance companies.

Regulation and development of insurance business is the main objective of the IRDA Act 1999 and this was achieved in the establishment of the Authority in 2000.

In the aforesaid Act of 1999 as well the subsequent Act 2000 provisions are there for regulating both the insurance companies and intermediaries as far as protection of policyholders' interests is concerned.

An Agent can either be an individual or corporate agent.

To become an agent he has to meet the prescribed educational qualifications, undergo minimum training and pass the prescribed examination on paying the stipulated fees.

Code of conduct is applicable to every agent holding a valid licence

Self-Examination Questions

- Which of the following entities is not regulated by IRDAI?
 - Insurance company
 - Insurance Agent
 - Broker
 - Employees of Insurance company
- Insurance agent represents the .
 - Insurance company
 - Sub-agent
 - Co-agent
 - Broker
- The agency appointment letter is given by.
 - Government of India
 - IRDAI
 - General Insurance Corporation
 - Insurer
- What is not prohibited in the latest insurance regulations?
 - Rebates
 - Multilevel marketing
 - Sharing of commission
 - Commission
- Identify the statement which is not correct. Insurance agent should.
 - Indicate the scale of commission if asked by the customer
 - Share the commission by way of rebate
 - Disclose his licence on demand
 - Indicate the premium to be charged
- Which of the following is incorrect?
 - An agent is expected to inform the insurer all relevant facts about the prospectus.
 - Advise the prospectus on nomination
 - Offer rates different than those offered by insurer
 - Render assistance in claim settlement
- Which of the following acts is insurance business in India not linked to?.
 - ESIC Act, 1948
 - ECGC Act,
 - LIC Act, 1956
 - Income Tax Act, 1961
- IRDAI regulations prescribe insurers obligations. Which of the following is incorrect?
 - At point of sale
 - Towards policy servicing
 - Towards control of expenses
 - Customer relationship management
- Minimum qualification required for insurance agent is pass.
 - Graduate
 - 10th
 - Post-graduate
 - 7th
- may deal with more than one life insurance company or general insurance company or both.
 - Agent
 - Surveyor
 - Composite agent
 - None of the above

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

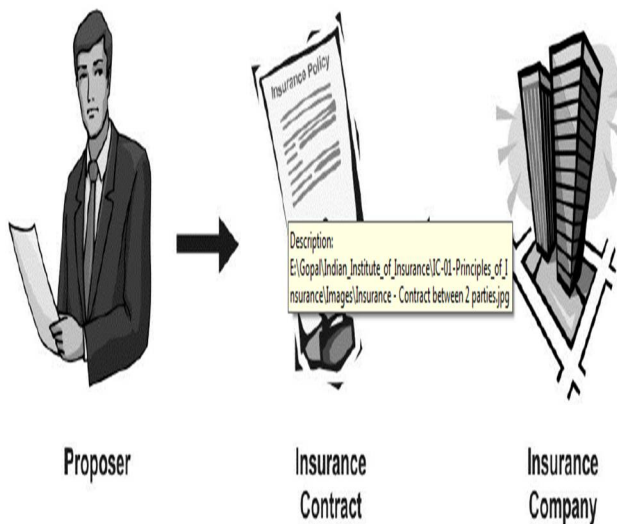
CHAPTER 5

LEGAL PRINCIPLES OF AN INSURANCE CONTRACT

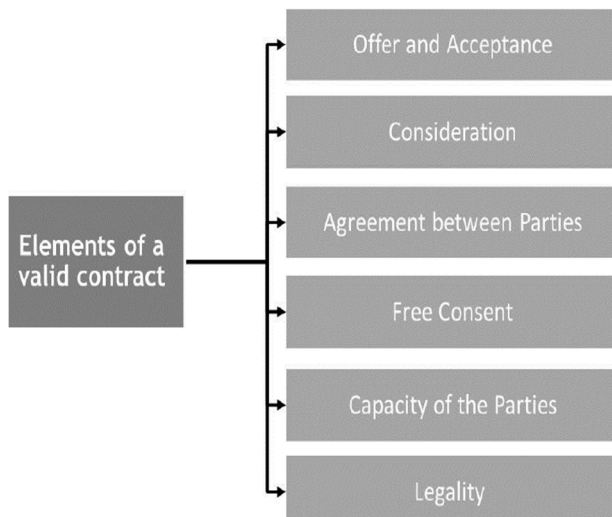
An insurance policy is a contract entered into between two parties, viz., the company, called the **insurer**, and the policy holder, called the **insured** and fulfils the requirements enshrined in the Indian Contract Act, 1872.

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

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



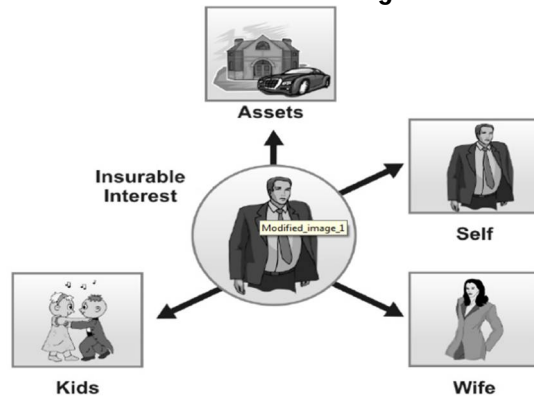
Elements of a valid contract include:



The special features of insurance contracts include:

- i. Uberrima fides,
- ii. Insurable interest,
- iii. Proximate cause

Insurable interest according to common law



Test Yourself

1. Which among the following is an example of coercion?

- I. Ramesh signs a contract without having knowledge of the fine print
- II. Ramesh threatens to kill Mahesh if he does not sign the contract
- III. Ramesh uses his professional standing to get Mahesh to sign a contract
- IV. Ramesh provides false information to get Mahesh to sign a contract

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

- I. Ramesh's house
- II. Ramesh's spouse
- III. Ramesh's friend
- IV. Ramesh's parents

Test Yourself (Q.no) 1 2

Answer	II	III
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Self-Examination Questions

1. Which element of a valid contract deals with premium?
 - a. Offer and acceptance
 - b. Consideration
 - c. Free consent
 - d. Capacity of parties to contract
2. _____ relates to inaccurate statements, which are made without any fraudulent intention.
 - a. Misrepresentation
 - b. Contribution
 - c. Offer
 - d. Representation
3. _____ involves pressure applied through criminal means.
 - a. Fraud
 - b. Undue influence
 - c. Coercion

- d. Mistake
4. Which among the following is true regarding life insurance contracts?
- They are verbal contracts not legally enforceable
 - They are verbal which are legally enforceable
 - They are contracts between two parties (insurer and insured) as per requirements of Indian Contract Act, 1872
 - They are similar to wager contracts
5. Which of the below is not a valid consideration for a contract?
- Money
 - Property
 - Bribe
 - Jewellery
6. Which of the below party is not eligible to enter into a life insurance contract?
- Business owner
 - Minor
 - House wife
 - Government employee
7. Which of the below action showcases the principle of "Uberrima Fides"?
- Lying about known medical conditions on an insurance proposal form
 - Not revealing known material facts on an insurance proposal form
 - Disclosing known material facts on an insurance proposal form
 - Paying premium on time
8. Which of the below is not correct with regards to insurable interest?
- Father taking out insurance policy on his son
 - Spouses taking out insurance on one another
 - Friends taking out insurance on one another
 - Employer taking out insurance on employees
9. When is it essential for insurable interest to be present in case of life insurance?
- At the time of taking out insurance
 - At the time of claim
 - Insurable interest is not required in case of life insurance
 - Either at time of policy purchase or at the time of claim
10. Find out the proximate cause for death in the following scenario?

the hospital and dies because of pneumonia.

- Pneumonia
- Broken back
- Falling off a horse
- Surgery

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

Ajay falls off a horse and breaks his back. He lies there in a pool of water and contracts pneumonia. He is admitted to

SECTION – 2

LIFE INSURANCE

CHAPTER 6

WHAT LIFE INSURANCE INVOLVES

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

The HLV concept considers human life as a kind of property or asset that earns an income. It thus measures the value of human life based on an individual's expected net future earnings.

Example

Mr. Rajan earns Rs. 1,20,000 a year and spends Rs. 24,000 on himself. The net earnings his family would lose, were he to die prematurely, would be Rs. 96,000 per year. Suppose the rate of interest is 8% (expressed as 0.08).
 $HLV = 96000 / 0.08 = \text{Rs. } 12,00,000$

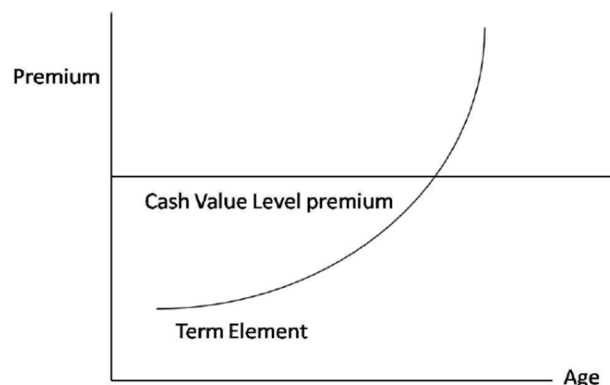
Typical concerns faced by ordinary people

Dying too early

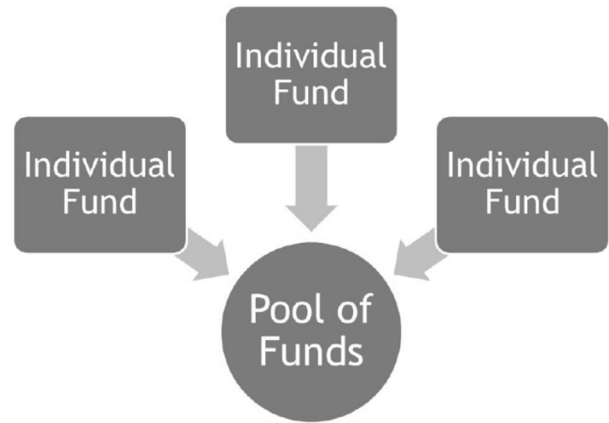
Living too long

Living with disability

The level premium is a premium fixed such that it does not increase with age but remains constant throughout the contract period.



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



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

Test Yourself

1. How does diversification reduce risks in financial markets?

- I. Collecting funds from multiple sources and investing them in one place
- II. Investing funds across various asset classes
- III. Maintaining time difference between investments
- IV. Investing in safe assets

Answer - II

Self-Examination Questions

1. Which of the below is not an element of the life insurance business?
 - a. Asset
 - b. Risk
 - c. Principle of mutuality
 - d. Subsidy
2. Who devised the concept of HLV?
 - a. Dr. Martin Luther King
 - b. Warren Buffet
 - c. Prof. Hubener
 - d. George Soros
3. Which of the below mentioned insurance plans has the least or no amount of savings element?
 - a. Term insurance plan
 - b. Endowment plan
 - c. Whole life plan
 - d. Money back plan
4. Which among the following cannot be termed as an asset?
 - a. Car
 - b. Human Life
 - c. Air
 - d. House
5. Which of the below cannot be categorised under risks?
 - a. Dying too young

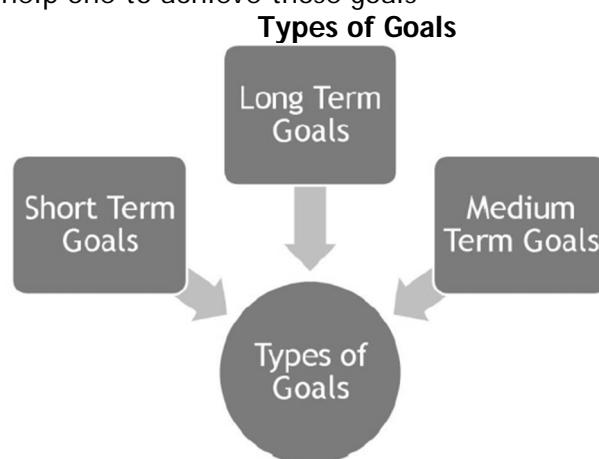
- b. Dying too early
 - c. Natural wear and tear
 - d. Living with disability
6. Which is correct?
- a. Life insurance policies are contracts of indemnity while general insurance policies are contracts of assurance
 - b. Life insurance policies are contracts of assurance while general insurance policies are contracts of indemnity
 - c. In case of general insurance the risk event protected against is certain
 - d. 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?
- a. Human Economic Value
 - b. Life Term Proposition
 - c. Human Life Value
 - d. 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?
- a. Young people are mostly dependant
 - b. Old people can afford to pay more
 - c. Mortality is related to age
 - d. Mortality is inversely related to age
9. Which of the below is not an advantage of cash value insurance contracts?
- a. Safe and secure investment
 - b. Inculcates saving discipline
 - c. Lower yields
 - d. Income tax advantages
10. Which of the below is an advantage of cash value insurance contracts?
- a. Returns subject to corroding effect of inflation
 - b. Low accumulation in earlier years
 - c. Lower yields
 - d. Secure investment

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 FINANCIAL PLANNING

Financial planning is a process of:

- ✓ Identifying one's life's goals,
- ✓ Translating these identified goals into financial goals and
- ✓ Managing one's finances in ways that will help one to achieve those goals

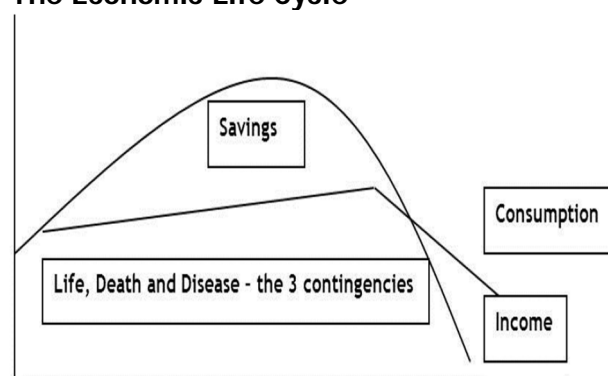


Based on the individual life cycle three types of financial products are needed. These help in:

- ✓ Enabling future transactions,
- ✓ Meeting contingencies and
- ✓ Wealth accumulation

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

The Economic Life Cycle

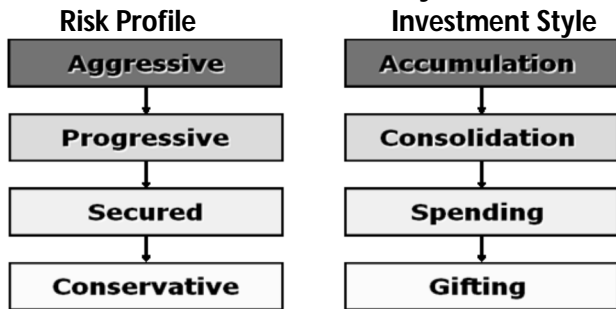


The best time to start financial planning is right after one receives the first salary.

Financial planning advisory services include:

- ✓ Cash planning,
- ✓ Investment planning,
- ✓ Insurance planning,
- ✓ Retirement planning,
- ✓ Estate planning and
- ✓ Tax planning

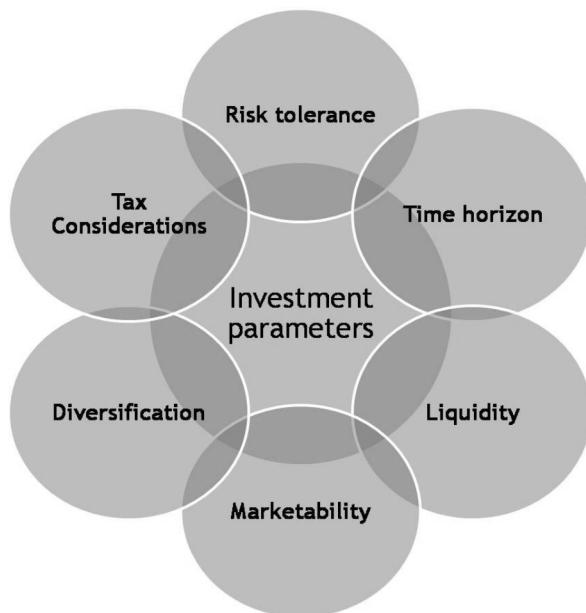
Risk Profile and Investment Style



Elements of Financial Planning



Investment Parameters



Test Yourself

- Which among the following would you recommend in order to seek protection against unforeseen events?
 - Insurance
 - Transactional products like bank FD's
 - Shares
 - Debentures
- When is the best time to start financial planning?
 - Post retirement
 - As soon as one gets his first salary
 - After marriage
 - Only after one gets rich
- Which among the following is not an objective of tax planning?
 - Maximum tax benefit
 - Reduced tax burden as a result of prudent investments
 - Tax evasion
 - Full advantage of tax breaks

Test Yourself (Q.no) 1 2 3

Answer	I	II	III
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Self-Examination Questions

- An individual with an aggressive risk profile is likely to follow wealth _____ investment style.
 - Consolidation
 - Gifting
 - Accumulation
 - Spending
- Which among the following is a wealth accumulation product?
 - Bank Loans
 - Shares
 - Term Insurance Policy
 - Savings Bank Account
- Savings can be considered as a composite of two decisions. Choose them from the list below.
 - Risk retention and reduced consumption
 - Gifting and accumulation
 - Spending and accumulation
 - Postponement of consumption and parting with liquidity
- During which stage of life will an individual appreciate past savings the most?
 - Post retirement
 - Earners
 - Learners

- d. Just married
5. What is the relation between investment horizon and returns?
 - a. Both are not related at all
 - b. Greater the investment horizon the larger the returns
 - c. Greater the investment horizon the smaller the returns
 - d. Greater the investment horizon more tax on the returns
 6. Which among the following can be categorised under transactional products?
 - a. Bank deposits
 - b. Life insurance
 - c. Shares
 - d. Bonds
 7. Which among the following can be categorised under contingency products?
 - a. Bank deposits
 - b. Life insurance
 - c. Shares
 - d. Bonds
 8. Which of the below can be categorised under wealth accumulation products?
 - a. Bank deposits
 - b. Life insurance
 - c. General insurance
 - d. Shares
 9. _____ is a rise in the general level of prices of goods and services in an economy over a period of time.
 - a. Deflation
 - b. Inflation
 - c. Stagflation
 - d. Hyperinflation
 10. Which of the below is not a strategy to maximise discretionary income?
 - a. Debt restructuring
 - b. Loan transfer
 - c. Investment restructuring
 - d. Insurance purchase

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

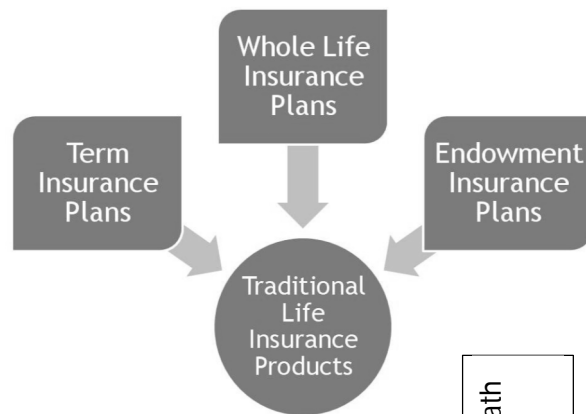
CHAPTER 8 LIFE INSURANCE PRODUCTS -I

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

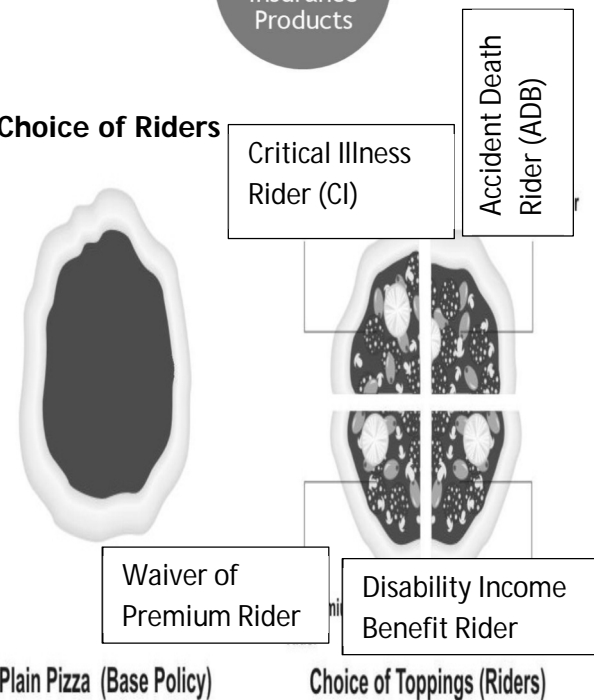
A life insurance policy, at its core, provides peace of mind and protection to the near and

dear ones of the individual in case something unfortunate happens to him.

Traditional Life Insurance Products



Choice of Riders



Term insurance provides valid cover only during a certain time period that has been specified in the contract.

Variants of Term Assurance

Variants of Term Assurance

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

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.

While term assurance policies are examples of temporary assurance, where protection is

available for a temporary period of time, whole life insurance is an example of a permanent life insurance policy.

An endowment assurance contract is actually a combination of two plans - a term assurance plan which pays the full sum assured in case of death of the insured during the term and a pure endowment plan which pays this amount if the insured survives at the end of the term.

Test Yourself

1. Which among the following is an intangible product?

- I. Car
- II. House
- III. Life insurance
- IV. Soap

2. The premium paid for whole life insurance is _____ than the premium paid for term assurance.

- I. Higher
- II. Lower
- III. Equal
- IV. Substantially higher

Test Yourself (Q.no) 1 2

Answer

III I

Self-Examination Questions

1. _____ life insurance pays off a policyholder's mortgage in the event of the person's death.
 - a. Term
 - b. Mortgage
 - c. Whole
 - d. 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.
 - a. Higher, Higher
 - b. Lower, Higher
 - c. Higher, Lower
 - d. Faster, Slower
3. Which of the below option is correct with regards to a term insurance plan?
 - a. Term insurance plans come with life-long renewability option
 - b. All term insurance plans come with a built-in disability rider
 - c. Term insurance can be bought as a stand-alone policy as well as a rider with another policy
 - d. 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.
 - a. Increase
 - b. Decrease
 - c. Remain constant
 - d. Are returned
5. Using the conversion option present in a term policy you can convert the same to _____.
 - a. Whole life policy
 - b. Mortgage policy
 - c. Bank FD
 - d. Decreasing term policy
6. What is the primary purpose of a life insurance product?
 - a. Tax rebates
 - b. Safe investment avenue
 - c. Protection against the loss of economic value of an individual's productive abilities
 - d. Wealth accumulation
7. Who among the following is best advised to purchase a term plan?
 - a. An individual who needs money at the end of insurance term
 - b. An individual who needs insurance and has a high budget
 - c. An individual who needs insurance but has a low budget
 - d. 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?
 - a. Death benefit amount decreases with the term of coverage
 - b. Premium amount decreases with the term of coverage
 - c. Premium remains level throughout the term
 - d. 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?
 - a. It has a death benefit component only
 - b. It has a survival benefit component only
 - c. It has both a death benefit as well as a survival component
 - d. It is similar to a term plan
10. Which of the below is an example of an endowment assurance plan?
 - a. Mortgage Redemption Plan
 - b. Credit Life Insurance Plan

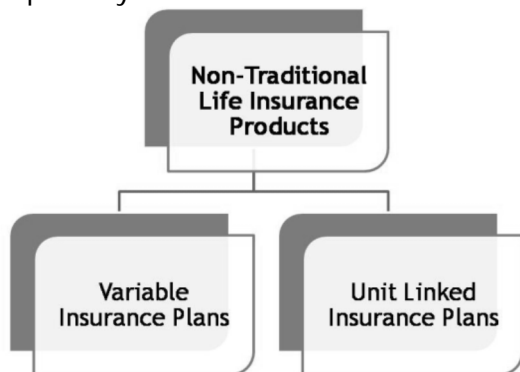
- c. Money Back Plan
- d. Whole Life Plan

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 LIFE INSURANCE PRODUCTS -II

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

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



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

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

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

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

Test Yourself

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

- I. Term assurance
- II. Universal life insurance
- III. Endowment insurance
- IV. Whole life insurance

2. Which of the below statement is incorrect?

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

Test Yourself (Q.no) **1** **2**

Answer **II** **I**

Self-Examination Questions

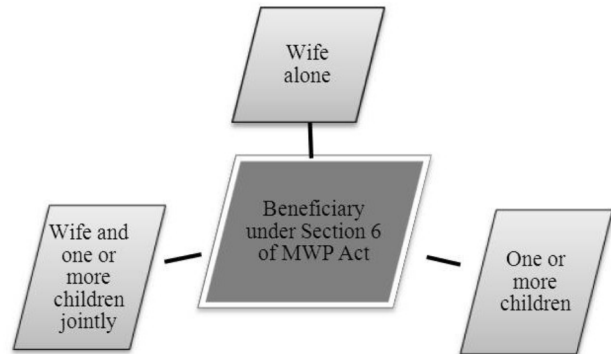
1. What does inter-temporal allocation of resources refer to?
 - a. Postponing allocation of resources until the time is right
 - b. Allocation of resources over time
 - c. Temporary allocation of resources
 - d. Diversification of resource allocation
2. Which among the following is a limitation of traditional life insurance products?
 - a. Yields on these policies is high
 - b. Clear and visible method of arriving at surrender value
 - c. Well defined cash and savings value component
 - d. Rate of return is not easy to ascertain
3. Where was the Universal Life Policy introduced first?
 - a. USA
 - b. Great Britain
 - c. Germany
 - d. France
4. Who among the following is most likely to buy variable life insurance?
 - a. People seeking fixed return
 - b. People who are risk averse and do not dabble in equity
 - c. Knowledgeable people comfortable with equity
 - d. Young people in general
5. Which of the below statement is true regarding ULIP"s?
 - a. Value of the units is determined by a formula fixed in advance
 - b. Investment risk is borne by the insurer
 - c. ULIP"s are opaque with regards to their term, expenses and savings components
 - d. ULIP"s are bundled products

6. All of the following are characteristics of variable life insurance EXCEPT:
- Flexible premium payments
 - Cash value is not guaranteed
 - Policy owner selects where savings reserve is invested
 - 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 is true
 - II is true
 - I and II are true
 - I and II are false
8. All of the following is true regarding ULIP's EXCEPT:
- Unit holder can choose between different kind of funds
 - Life insurer provides guarantee for unit values
 - Units may be purchased by payment of a single premium or via regular premium payments.
 - 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 only
 - II only
 - I and II both
 - Neither I nor II
10. What does unbundling of life insurance products refers to?
- Correlation of life insurance products with bonds
 - Correlation of life insurance products with equities
 - Amalgamation of protection and savings element
 - Separation of the protection and savings element

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 APPLICATIONS OF LIFE INSURANCE

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.



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

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

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

Test Yourself

1. What is the objective behind Mortgage Redemption Insurance?
- Facilitate cheaper mortgage rates
 - Provide financial protection for home loan borrowers
 - Protect value of the mortgaged property
 - Evade eviction in case of default

Answer-II.

Self-Examination Questions

1. What does unbundling of life insurance products refers to?
- Correlation of life insurance products with bonds
 - Correlation of life insurance products with equities
 - Amalgamation of protection and savings element

- d. Separation of the protection and savings element
- Mortgage redemption insurance (MRI) can be categorised under _____.
 - Increasing term life assurance
 - Decreasing term life assurance
 - Variable life assurance
 - Universal life assurance
 - Which of the below losses are covered under keyman insurance?
 - Property theft
 - Losses related to the extended period when a key person is unable to work
 - General liability
 - Losses caused due to errors and omission
 - 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 _____.
 - Next of kin
 - Official Trustee of the State
 - Insurer
 - Insured
 - 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?
 - Property under Mahesh's name
 - Mahesh's bank accounts
 - Term life insurance policy purchased under Section 6 of MWP Act
 - Mutual funds owned by Mahesh
 - 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 is true
 - II is true
 - Both I and II are true
 - Neither I nor II is true
 - 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 is true
 - II is true
 - Both I and II are true

- d. Neither I nor II is true
- 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

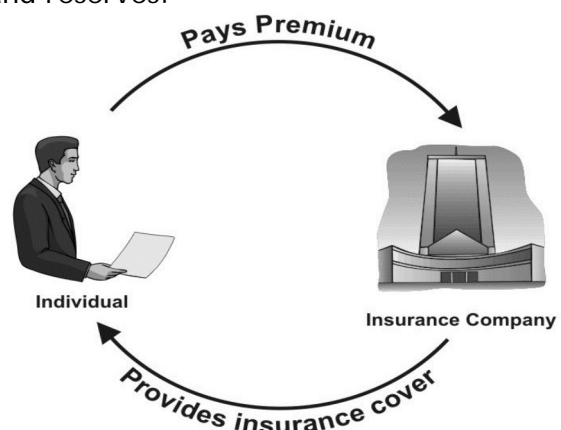
 - I only
 - II only
 - Both I and II
 - Neither I nor II
 - The practice of charging interest to borrowers who pledge their property as collateral but leaving them in possession of the property is called _____.
 - Security
 - Mortgage
 - Usury
 - Hypothecation
 - Which of the below policy can provide protection to home loan borrowers?
 - Life Insurance
 - Disability Insurance
 - Mortgage Redemption Insurance
 - General Insurance

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

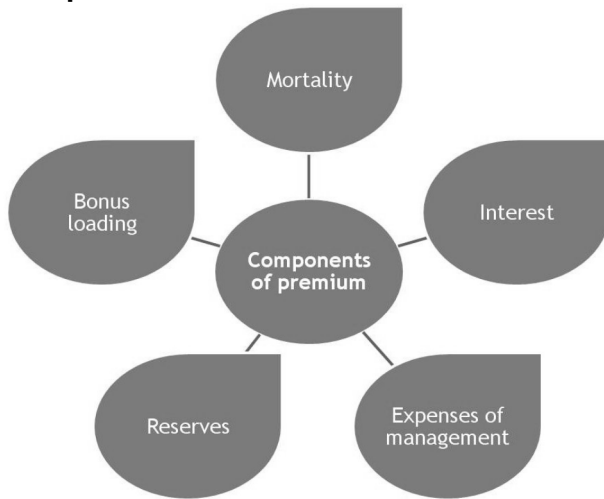
CHAPTER 11 PRICING AND VALUATION IN LIFE INSURANCE

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

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



Components of Premium



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

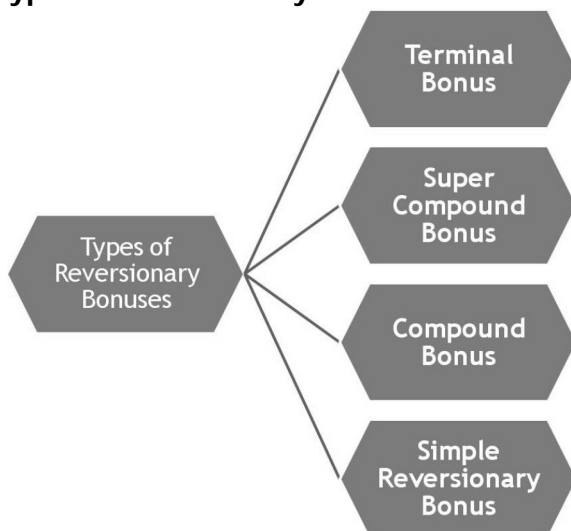
A lapse means that the policyholder discontinues payment of premiums. In case of withdrawals, the policyholder surrenders the policy and receives an amount from the policy's acquired cash value.

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

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

The most common form of bonus is the reversionary bonus.

Types of Reversionary Bonuses



Test Yourself

- What does a policy lapse mean?
 - Policyholder completes premium payment for a policy
 - Policyholder discontinues premium payment for a policy
 - Policy attains maturity
 - Policy is withdrawn from the market
- Who bears the investment risk in case of ULIPs?
 - Insurer
 - Insured
 - State
 - IRDA

Test Yourself (Q.no) 1 2

Answer II II

Self-Examination Questions

- What does the term "premium" denote in relation to an insurance policy?
 - Profit earned by the insurer
 - Price paid by an insured for purchasing the policy
 - Margins of an insurer on a policy
 - Expenses incurred by an insurer on a policy
- Which of the below is not a factor in determining life insurance premium?
 - Mortality
 - Rebate
 - Reserves
 - Management expenses
- What is a policy withdrawal?
 - Discontinuation of premium payment by policyholder
 - Surrender of policy in return for acquired surrender value
 - Policy upgrade
 - Policy downgrade
- Which of the below is one of the ways of defining surplus?
 - Excessive liabilities
 - Excessive turnover
 - Excess value of liabilities over assets
 - Excess value of assets over liabilities
- Which of the below is not a component of ULIP premiums?
 - Policy allocation charge
 - Investment risk premium
 - Mortality charge
 - Social security charge

6. Life insurance companies may offer rebate to the buyer on the premium that is payable on the basis of _____.
 - a. Sum assured chosen by the buyer
 - b. Type of policy chosen by the buyer
 - c. Term of the plan chosen by the buyer
 - d. 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?
 - a. Lower the interest rate assumed, lower the premium
 - b. Higher the interest rate assumed, higher the premium
 - c. Higher the interest rate assumed, lower the premium
 - d. The interest rates don't affect premiums
8. Which of the below statement is correct?
 - a. Business strain is the difficulty faced by the companies in securing new business
 - b. Business strain arises at the end of the policy term.
 - c. Business strain arises because of excess premium
 - d. 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.
 - a. Discounted future value
 - b. Discounted present value
 - c. Market value
 - d. Book value
10. In case of _____, a company expresses the bonus as a percentage of basic benefit and already attached bonuses.
 - a. Reversionary bonus
 - b. Compound bonus
 - c. Terminal bonus
 - d. Persistency bonus

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

DOCUMENTATION -PROPOSAL STAGE

Prospectus is a formal legal document used by insurance companies that provides details about the product.

The application document used for making the proposal is commonly known as the "proposal form".

Matters of health, habits and occupation, income and family details need to be mentioned by the agent in the agent's report.

Details pertaining to physical features like height, weight, blood pressure, cardiac status etc. are recorded and mentioned by the doctor in his/ her report called the medical examiner's report.

Moral hazard is the likelihood that a client's behaviour might change as a result of purchasing a life insurance policy and such a change would increase the chance of a loss.

Some documents considered as standard age proofs include school or college certificate, birth certificate extracted from municipal records etc.

Valid age proofs

Standard age proof

- School or college certificate
- Passport
- PAN card
- Service register
- Certificate of baptism
- Certified extract from a family bible if it contains the date of birth
- Identity card in case of defence personnel
- Marriage certificate issued by a Roman Catholic church

Non- standard age proof

- Horoscope
- Ration card
- An affidavit by way of self-declaration
- Certificate from village panchayat

Each insurer is required to have an AML policy and accordingly file a copy with IRDAI. The AML program should include internal policies, procedures and controls and appointment of a principal compliance officer.

Insurers need to determine the true identity of their customers. KYC documents like address proof, PAN card and photographs etc. need to be collected as a part of the KYC procedure.

Test Yourself

1. During the _____ period, if the policyholder has bought a policy and does not want it, he / she can return it and get a refund.

- I. Free evaluation
- II. Free look
- III. Cancellation
- IV. Free trial

Answer – II

Self-Examination Questions

1. Which of the below is an example of standard age proof?
 - a. Ration card
 - b. Horoscope
 - c. Passport
 - d. Village Panchayat certificate
2. Which of the below can be attributed to moral hazard?
 - a. Increased risky behaviour following the purchase of insurance
 - b. Increased risky behaviour prior to the purchase of insurance
 - c. Decreased risky behaviour following the purchase of insurance
 - d. Engaging in criminal acts post being insured
3. Which of the below features will be checked in a medical examiner's report?
 - a. Emotional behaviour of the proposer
 - b. Height, weight and blood pressure
 - c. Social status
 - d. Truthfulness
4. A _____ is a formal legal document used by insurance companies that provides details about the product.
 - a. Proposal form
 - b. Proposal quote
 - c. Information docket
 - d. Prospectus
5. The application document used for making the proposal is commonly known as the _____.
 - a. Application form
 - b. Proposal form
 - c. Registration form
 - d. Subscription form
6. From the below given age proof documents, identify the one which is classified as non-standard by insurance companies.
 - a. School certificate
 - b. Identity card in case of defence personnel
 - c. Ration card
 - d. 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.
 - a. Illegal, illegal
 - b. Legal, legal
 - c. Illegal, legal
 - d. 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.
 - a. 60 days
 - b. 45 days
 - c. 30 days
 - d. 15 days
9. Which of the below statement is correct with regards to a policy returned by a policyholder during the free look period?
 - a. The insurance company will refund 100% of the premium
 - b. The insurance company will refund 50% of the premium
 - c. 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
 - d. The insurance company will forfeit the entire premium
10. Which of the below is not a valid address proof?
 - a. PAN Card
 - b. Voter ID Card
 - c. Bank passbook
 - d. Driving licence

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 DOCUMENTATION -POLICY CONDITION -I

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

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

The first premium receipt contains the following information:

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

Policy document components



Test Yourself

1. What does a first premium receipt (FPR) signify? Choose the most appropriate option.
- I. Free look period has ended
 - II. It is evidence that the policy contract has begun
 - III. Policy cannot be cancelled now
 - IV. Policy has acquired a certain cash value

Answer - II

Self-Examination Questions

1. Which of the following documents is an evidence of the contract between insurer and insured?
- a. Proposal form
 - b. Policy document

- c. Prospectus
 - d. 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?
- a. In favour of insured
 - b. In favour of insurer
 - c. The policy will be declared as void and the insurer will be asked to return the premium with interest to the insured
 - d. 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.
- a. It is evidence of the insurance contract
 - b. It is evidence of the interest expressed by the insured in buying an insurance policy from the company
 - c. It is evidence of the policy (procedures) followed by an insurance company when dealing with channel partners like banks, brokers and other entities
 - d. It is an acknowledgement slip issued by the insurance company on payment of the first premium
4. Which of the below statement is correct?
- a. The proposal form acceptance is the evidence that the policy contract has begun
 - b. The acceptance of premium is evidence that the policy has begun
 - c. The First Premium Receipt is the evidence that the policy contract has begun
 - d. 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 _____.
- a. Revival premium receipt
 - b. Restoration premium receipt
 - c. Reinstatement premium receipt
 - d. Renewal premium receipt
6. What will happen if the insured person loses the original life insurance policy document?
- a. The insurance company will issue a duplicate policy without making any changes to the contract
 - b. The insurance contract will come to an end

- c. The insurance company will issue a duplicate policy with renewed terms and conditions based on the current health declarations of the life insured
- d. 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?
- The policy document has to be signed by a competent authority but need not be compulsorily stamped according to the Indian Stamp Act.
 - The policy document has to be signed by a competent authority and should be stamped according to the Indian Stamp Act.
 - The policy document need not be signed by a competent authority but should be stamped according to the Indian Stamp Act.
 - 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?
- Policy schedule
 - Standard provisions
 - Specific policy provisions
 - Claim procedure
9. In a standard insurance policy document, the standard provisions section will have information on which of the below?
- Date of commencement, date of maturity and due date of last premium
 - Name of nominee
 - The rights and privileges and other conditions, which are applicable under the contract
 - 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?
- Policy schedule
 - General provisions
 - Standard provisions
 - Specific policy provisions

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 DOCUMENTATION -POLICY CONDITION-II

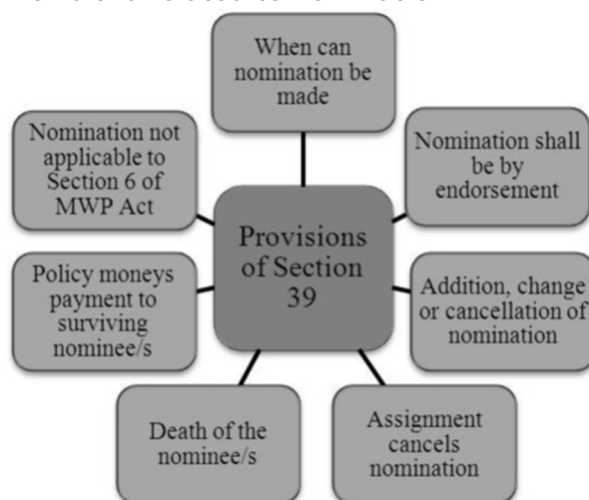
The grace period clause grants the policyholder an additional period of time to pay the premium after it has become due.

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

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

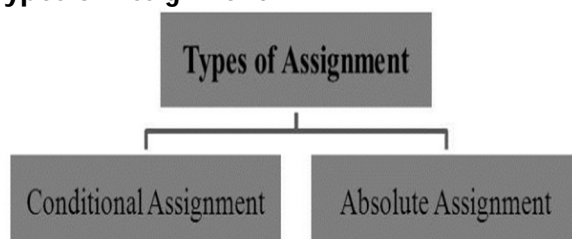
Nomination is where the life assured proposes the name of the person(s) to which the sum assured should be paid by the insurance company after their death.

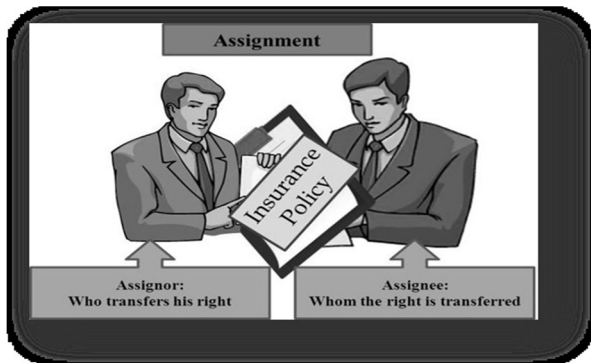
Provisions related to nomination



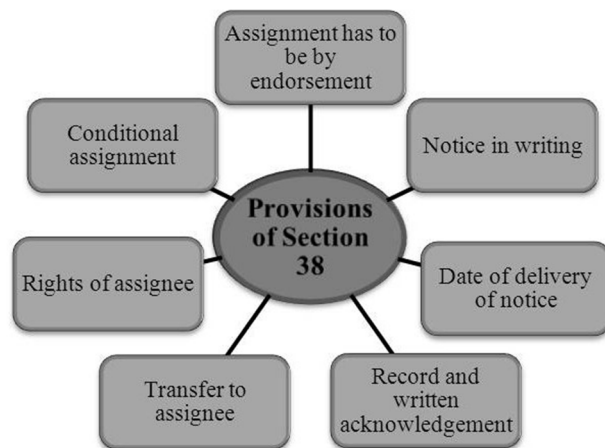
The assignment of a life insurance policy implies the act of transferring the rights, title and interest in the policy (as property) from one person to another. The person who transfers the rights is called assignor and the person to whom property is transferred is called assignee.

Types of Assignment





Provisions related to assignment of insurance policies



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

Test Yourself

1. Under what circumstances would the policyholder need to appoint an appointee?
 - I. Insured is minor
 - II. Nominee is a minor
 - III. Policyholder is not of sound mind
 - IV. Policyholder is not married

Answer - II

Self-Examination Questions

1. Which of the below statement is false with regards to nomination?
 - a. Policy nomination is not cancelled if the policy is assigned to the insurer in return for a loan
 - b. Nomination can be done at the time of policy purchase or subsequently
 - c. Nomination can be changed by making an endorsement in the policy
 - d. 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?

- a. Premiums must be paid for at least 2 consecutive years
 - b. Premiums must be paid for at least 3 consecutive years
 - c. Premiums must be paid for at least 4 consecutive years
 - d. Premiums must be paid for at least 5 consecutive years
3. When is a policy deemed to be lapsed?
 - a. If the premiums are not paid on due date
 - b. If the premiums are not paid before the due date
 - c. If the premium has not been paid even during days of grace
 - d. If the policy is surrendered
 4. Which of the below statement is correct with regards to grace period of an insurance policy?
 - a. The standard length of the grace period is one month.
 - b. The standard length of the grace period is 30 days.
 - c. The standard length of the grace period is one month or 30 days.
 - d. 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?
 - a. The insurer will consider the policy void due to non-payment of premium by the due date and hence reject the claim
 - b. The insurer will pay the claim and waive off the last unpaid premium
 - c. The insurer will pay the claim after deducting the unpaid premium
 - d. 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.
 - a. Evidence of insurability at revival
 - b. Revival of the policy leading to increase in risk for the insurance company
 - c. Payment of unpaid premiums with interest
 - d. Insured submitting the revival application within a specified time frame

7. For an insurance policy nomination is allowed under _____ of the Insurance Act, 1938.
- Section 10
 - Section 38
 - Section 39
 - 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?
- The policy will have to be assigned in favour of the insurance company
 - The nomination of such policy will get cancelled due to assignment of the policy in favour of the insurance company
 - The nominee's right will be affected to the extent of the insurer's interest in the policy
 - 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?
- 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.
 - The assignment of a life insurance policy implies the act of transferring the rights, title and interest in the policy (as property) from one person to another.
 - It is necessary that the policyholder must give notice of assignment to the insurer.
 - 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?
- Splitting up of the policy into two or more policies
 - Extension of the premium paying term
 - Change of the policy from with profit policy to without profit policy
 - Increase in the sum assured

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 UNDERWRITING

To usher equity, the underwriter engages in risk classification where individual lives are categorised and assigned to different risk classes depending on the degree of risks they pose.

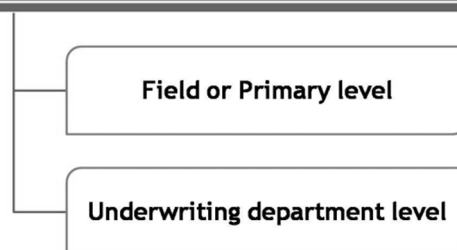
Risk Classification



Underwriting or the selection process may be said to take place at two levels:

- ✓ At field level and
- ✓ At underwriting department level

Underwriting or the Selection Process



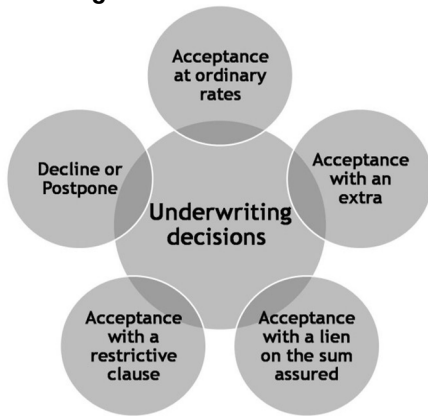
Judgment method or numerical method of underwriting is widely used for underwriting insurance proposals.

Methods of Underwriting

- Judgement Method
- Numerical Method

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

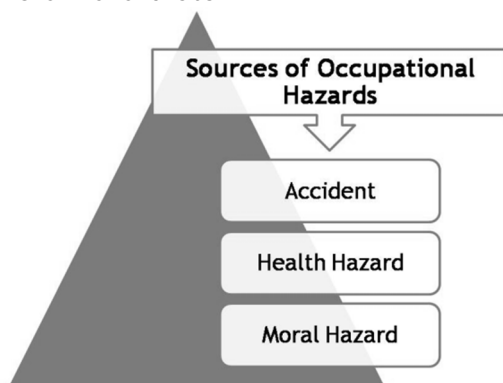
Underwriting decisions



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

Some of the rating factors for non-medical underwriting include

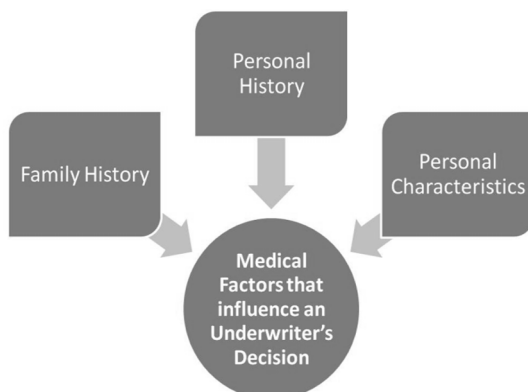
- ✓ Age
- ✓ Large sum assured
- ✓ Moral hazard etc.



Some of the factors considered in medical underwriting include

- ✓ Family history,
- ✓ Heredity and personal history etc

Medical Factors that influence an Underwriter's Decision



Test Yourself

1. Which of the following cases is likely to be declined or postponed by a life insurer?
 - I. Healthy 18 year old
 - II. An obese person
 - III. A person suffering from AIDS
 - IV. Housewife with no income of her own
2. Which of the following is an example of moral hazard?
 - I. Stunt artist dies while performing a stunt
 - II. A person drinking copious amounts of alcohol because he is insured
 - III. Insured defaulting on premium payments
 - IV. Proposer lying on policy document
3. Why is heredity history of importance in medical underwriting?
 - I. Rich parents have healthy kids
 - II. Certain diseases can be passed on from parents to children
 - III. Poor parents have malnourished kids
 - IV. Family environment is a critical factor

Test Yourself (Q.no)	1	2	3
Answer	III	II	II

Self-Examination Questions

1. Which of the following denotes the underwriter's role in an insurance company?
 - a. Process claims
 - b. Decide acceptability of risks
 - c. Product design architect
 - d. Customer relations manager
2. Which of the following is not an underwriting decision?
 - a. Risk acceptance at standard rates
 - b. Declinature of risk
 - c. Postponement of risk
 - d. Claim rejection
3. Which of the following is not a standard age proof?
 - a. Passport
 - b. School leaving certificate
 - c. Horoscope
 - d. Birth certificate
4. Which of the following condition will affect a person's insurability negatively?
 - a. Daily jogs
 - b. Banned substance abuse
 - c. Lazy nature
 - d. 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)?
 - a. Judgment
 - b. Arbitrary
 - c. Numerical rating
 - d. Single step
6. Under risk classification, _____ consist of those whose anticipated mortality corresponds to the standard lives represented by the mortality table.
 - a. Standard lives
 - b. Preferred risks
 - c. Sub-standard lives
 - d. 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.
 - a. Acceptance at ordinary rates
 - b. Acceptance with extra premium
 - c. Decline the proposal
 - d. Acceptance with a restrictive clause
8. Which of the below insurance proposal is not likely to qualify under non-medical underwriting?
 - a. Savita, aged 26 years, working in an IT company as a software engineer
 - b. Mahesh, aged 50 years, working in a coal mine
 - c. Satish, aged 28 years, working in a bank and has applied for an insurance cover of Rs. 1 crore
 - d. 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.
 - a. Judgment method
 - b. Numerical method
 - c. Any of the above method since an illness like diabetes does not play a major role in the underwriting process
 - d. 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 _____.

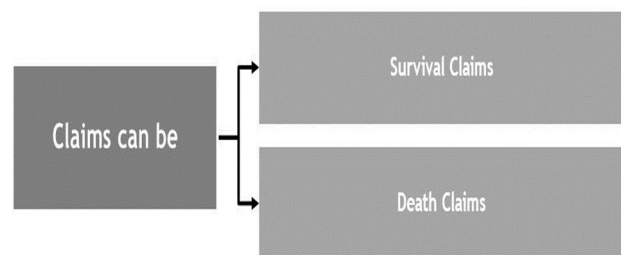
- a. Standard lives
- b. Preferred risks
- c. Substandard lives
- d. Declined lives

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 PAYMENTS UNDER A LIFE INSURANCE POLICY

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

Types of claims



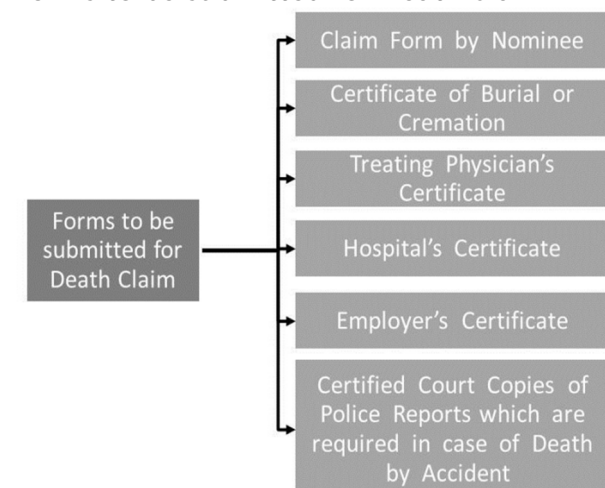
A claim can be survival claim or death claim. While a death claim arises only upon the death of the life assured, survival claims can be caused by one or more events

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

The following payments may occur during the policy term:

- ✓ Survival Benefit Payments
- ✓ Surrender of Policy
- ✓ Rider Benefit
- ✓ Maturity Claim
- ✓ Death Claim

Forms to be submitted for Death Claim



Section 45 (Indisputability Clause) of the Insurance Act offers protection against rejection of claim by the insurer on flimsy grounds provided and sets a time limit of 3 years for the Insurer for calling a policy into question.

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

Test Yourself

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

- I. A claim is a request that the insurer should make good the promise specified in the contract
- II. A claim is a demand that the insurer should make good the promise specified in the contract
- III. A claim is a demand that the insured should make good the commitment specified in the agreement
- IV. A claim is a request that the insured should make good the promise specified in the agreement

Answer -II

Self-Examination 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?
 - a. Money-back policy
 - b. Unit linked insurance policy
 - c. Return of premium policy
 - d. 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?
 - a. Mahesh
 - b. Karan
 - c. The payment will be shared equally by Mahesh and Karan
 - d. 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.

- a. Certificate of burial or cremation
 - b. Treating physician's certificate
 - c. Employer's certificate
 - d. Inquest Report
4. Which of the below death claim will be treated as an early death claim?
 - a. If the insured dies within three years of policy duration
 - b. If the insured dies within five years of policy duration
 - c. If the insured dies within seven years of policy duration
 - d. 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?
 - a. Claim paid on maturity of a term insurance policy
 - b. An instalment payable upon reaching the milestone under a money-back policy
 - c. Claim paid for critical illnesses covered under the policy as a rider benefit
 - d. 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?
 - a. Death claim
 - b. Maturity claim
 - c. Periodical survival claim
 - d. 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?
 - a. Lower of sum assured or fund value
 - b. Higher of sum assured or fund value
 - c. Premiums paid will be returned with 2% higher interest rate as compared to a bank's savings deposit
 - d. Surrender value
 8. Based on classification of claims (early or non-early), pick the odd one out?
 - a. Ramya dies after 6 months of buying a term insurance plan
 - b. Manoj dies after one and half years of buying a term insurance plan
 - c. David dies after two and half years of buying a term insurance plan
 - d. 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.

- a. Inquest report
- b. Claim form
- c. Certificate of burial or cremation
- d. 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.

- a. 7 days
- b. 15 days
- c. 30 days
- d. 45 days

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

SECTION 3

HEALTH SECTION

CHAPTER 17

INTRODUCTION TO HEALTH INSURANCE

Insurance in some form or other existed many centuries ago but its modern form is only a few centuries old. Insurance in India has passed through many stages with government regulation.

Health of its citizens being very important, governments play a major role in creating a suitable healthcare system.

Level of healthcare provided depends on many factors relating to a country's population.

The three type of healthcare are primary, secondary and tertiary depending on the level of medical attention required. Cost of healthcare rises with each level with tertiary care being the costliest.

India has its own peculiar challenges such as population growth and urbanization which require proper healthcare.

The government was also the first to come up with schemes for health insurance followed later by commercial insurance by private insurance companies.

The health insurance market is made up of many players some providing the infrastructure, with others providing insurance services, intermediaries such as brokers, agents and third party administrators servicing health insurance business and also other regulatory, educational as well as legal entities playing their role.

CHAPTER 18

INSURANCE DOCUMENTATION

The first stage of documentation is the proposal form through which the insured informs about herself and what insurance she needs

The duty of disclosure of material information arises prior to the inception of the policy, and continues throughout the policy period

Insurance companies usually add a declaration at the end of the Proposal form to be signed by the proposer.

Elements of a proposal form usually include:

- i. Proposer's name in full
- ii. Proposer's address and contact details
- iii. Bank details in case of health policies
- iv. Proposer's profession, occupation or business
- v. Details and identity of the subject matter of insurance
- vi. Sum insured
- vii. Previous and present insurance
- viii. Loss experience
- ix. Declaration by the insured

An agent, who acts as the intermediary, has the responsibility to ensure all material information about the risk is provided by the insured to insurer.

The process of scrutinising the proposal and deciding about acceptance is known as underwriting.

In health policies, a Prospectus is also provided to the insured and he has to declare in the proposal that he has read and understood it

Premium is the consideration or amount paid by the insured to the insurer for insuring the subject matter of insurance, under a contract of insurance.

Payment of premium can be made by cash, any recognised banking negotiable instrument, postal money order, credit or debit card, internet, e-transfer, direct credit or any other method approved by authority from time to time.

A certificate of insurance provides proof of insurance in cases where it may be required

The policy is a formal document which provides an evidence of the contract of insurance.

A warranty is a condition expressly stated in the policy which has to be literally complied with for validity of the contract.

If certain terms and conditions of the policy need to be modified at the time of issuance, it is done by setting out the amendments / changes through a document called endorsement.

The most important rule of construction is that the intention of the parties must prevail and this intention is to be looked for in the policy itself.

Money Laundering means converting money obtained through criminal means to legal money and laws to fight this have been introduced worldwide and in India

An agent has a responsibility to follow the Know Your Customer guidelines and obtain documents as required by these guidelines.

Test Yourself

1. As per guidelines, an insurance company has to process an insurance proposal within _____.

- I. 7 days
- II. 15 days
- III. 30 days
- IV. 45 days

2. In case the premium payment is made by cheque, then which of the below statement will hold true?

- I. The risk may be assumed on the date on which the cheque is posted
- II. The risk may be assumed on the date on which the cheque is deposited by the insurance company
- III. The risk may be assumed on the date on which the cheque is received by the insurance company
- IV. The risk may be assumed on the date on which the cheque is issued by the proposer

3. Which of the below statement is correct with regards to a warranty?

I. A warranty is a condition which is implied without being stated in the policy

II. A warranty is a condition expressly stated in the policy

III. A warranty is a condition expressly stated in the policy and communicated to the insured separately and not as part of the policy document

IV. If a warranty is breached, the claim can still be paid if it is not material to the risk

4. If certain terms and conditions of the policy need to be modified at the time of issuance, it is done by setting out the amendments through _____.

- I. Warranty
- II. Endorsement
- III. Alteration
- IV. Modifications are not possible

5. Which of the below statement is correct with regards to renewal notice?

I. As per regulations there is a legal obligation on insurers to send a renewal notice to insured, 30 days before the expiry of the policy

II. As per regulations there is a legal obligation on insurers to send a renewal notice to insured, 15 days before the expiry of the policy

III. As per regulations there is a legal obligation on insurers to send a renewal notice to insured, 7 days before the expiry of the policy

IV. As per regulations there is no legal obligation on insurers to send a renewal notice to insured before the expiry of the policy

CHAPTER 19 HEALTH INSURANCE PRODUCTS

a) A health insurance policy provides financial protection to the insured person in the event of an unforeseen and sudden accident / illness leading to hospitalization.

b) Health insurance products can be classified on the basis of number of people covered under the policy: individual policy, family floater policy, group policy.

c) A hospitalization expenses policy or Medclaim reimburses the cost of

hospitalization expenses incurred on account of illness / accident.

d) Pre hospitalization expenses would be relevant medical expenses incurred during period up to the defined number of days (generally 30 days) prior to hospitalization and will be considered as part of claim.

e) Post hospitalization expenses would be relevant medical expenses incurred during period up to the defined number of days (generally 60 days) after hospitalization and will be considered as part of claim.

f) In a family floater policy, the family consisting of spouse, dependent children and dependent parents are offered a single sum insured which floats over the entire family.

g) A hospital daily cash policy provides a fixed sum to the insured person for each day of hospitalization.

h) Critical illness policy is a benefit policy with a provision to pay a lump sum amount on diagnosis of certain named critical illness.

i) High Deductible or Top-up Covers offer cover for higher sum insured over and above a specified chosen amount (called threshold or deductible).

j) The fixed benefits cover provides adequate cover to the insured person and also helps the insurer to effectively price his policy

k) A Personal Accident (PA) Cover provides compensation in the form of death and disability benefits due to unforeseen accidents.

l) Out-patient covers provide for medical expenses like dental treatments, vision care expenses, routine medical examinations and tests etc. that do not require hospitalization.

m) A group policy is taken by a group owner who could be an employer, an association, a bank's credit card division, where a single policy covers the entire group of individuals.

n) Corporate Floater or Buffer Cover amount helps meet excess expenses over and above the family sum insured.

o) Overseas Mediclaim / Travel Policies provide cover to an individual against

exposure to the risk of accident, injury and sickness during his stay overseas.

p) Corporate Frequent Travelers" Plan is an annual policy whereby a corporate takes individual policies for its executives who frequently make trips outside India.

q) Many terms used in health insurance have been standardized by IRDA by regulation to avoid confusion especially for the insureds.

Test Yourself

1. 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

2. 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

Self-Examination Questions

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

a. Only hospitalization expenses are covered

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

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

d. 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.

2. Identify which of the below statement is correct?

a. Health insurance deals with morbidity

b. Health insurance deals with mortality

c. Health insurance deals with morbidity as well as mortality

d. Health insurance neither deals with morbidity or mortality

3. Which of the below statement is correct with regards to cashless service provided in health insurance?
 - a. 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.
 - b. 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
 - c. All payments made by insured have to be made only through internet banking or cards as cash is not accepted by the insurance company
 - d. The insured does not pay and the insurance company settles the bill directly with the hospital
4. Identify the correct full form of PPN with regards to hospitals in health insurance.
 - a. Public Preferred Network
 - b. Preferred Provider Network
 - c. Public Private Network
 - d. Provider Preferential Network
5. Identify which of the below statement is incorrect?
 - a. An employer can take a group policy for his employees
 - b. A bank can take a group policy for its customers
 - c. A shopkeeper can take a group policy for its customers
 - d. A group policy taken by the employer for his employees can be extended to include the family members of the employees

Q.No.	1	2	3	4	5
Ans.	B	A	D	B	C

CHAPTER 20 HEALTH INSURANCE UNDERWRITING

Health insurance is based on the concept of morbidity which is defined as the risk of a person falling ill or sick.

Underwriting is the process of risk selection and risk pricing.

Underwriting is required to strike a proper balance between risk and business thereby

maintaining the competitiveness and yet profitability for the organisation.

Some of the factors which affect a person's morbidity are age, gender, habits, occupation, build, family history, past illness or surgery, current health status and place of residence.

The purpose of underwriting to prevent adverse selection against the insurer and also ensure proper classification and equity among risks.

The agent is the first level underwriter as he is in the best position to know the prospective client to be insured.

The core principles of insurance are: utmost good faith, insurable interest, indemnity, contribution, subrogation and proximate cause.

The key tools for underwriting are: proposal form, age proof, financial documents, medical reports and sales reports.

Medical underwriting is a process which is used by the insurance companies to determine the health status of an individual applying for health insurance policy.

Non-medical underwriting is a process where the proposer is not required to undergo any medical examination.

Numerical rating method is a process adopted in underwriting, wherein numerical or percentage assessments are made on each aspect of the risk.

The underwriting process is completed when the received information is carefully assessed and classified into appropriate risk categories. Group insurance is mainly underwritten based on the law of averages, implying that when all members of a standard group are covered under a group health insurance policy, the individuals constituting the group cannot anti-select against the insurer.

Underwriting or the Selection Process

Field or Primary level

Underwriting department level

Test Yourself

- Underwriting is the process of _____.
 - Marketing insurance products
 - Collecting premiums from customers
 - Risk selection and risk pricing
 - Selling various insurance products
- The principle of utmost good faith in underwriting is required to be followed by _____.
 - The insurer
 - The insured
 - Both the insurer and the insured
 - The medical examiners
- Insurable interest refers to _____.
 - Financial interest of the person in the asset to be insured
 - The asset which is already insured
 - Each insurer's share of loss when more than one company covers the same loss
 - The amount of the loss that can be recovered from the insurer
- Which of the following statements about medical underwriting is incorrect?
 - It involves high cost in collecting and assessing medical reports.
 - Current health status and age are the key factors in medical underwriting for health insurance.
 - Proposers have to undergo medical and pathological investigations to assess their health risk profile.
 - Percentage assessment is made on each component of the risk.
- In a group health insurance, any of the individual constituting the group could anti-select against the insurer.
 - Group health insurance provides coverage only to employer-employee groups.
 - Statement 1 is true and statement 2 is false
 - Statement 2 is true and statement 1 is false
 - Statement 1 and statement 2 are true

IV. Statement 1 and statement 2 are false

Q.No.	1	2	3	4	5
Ans.	III	III	I	IV	IV

Self-Examination Questions

- Which of the following factor does not affect the morbidity of an individual?
 - Gender
 - Spouse job
 - Habits
 - Residence location
- According to the principle of indemnity, the insured is paid for _____.
 - The actual losses to the extent of the sum insured
 - The sum insured irrespective of the amount actually spent
 - A fixed amount agreed between both the parties
 - The actual losses irrespective of the sum assured
- The first and the primary source of information about an applicant, for the underwriter is his _____.
 - Age proof documents
 - Financial documents
 - Previous medical records
 - Proposal form
- The underwriting process is completed when _____.
 - All the critical information related to the health and personal details of the proposer are collected through the proposal form
 - All the medical examinations and tests of the proposer are completed
 - The received information is carefully assessed and classified into appropriate risk categories
 - The policy is issued to the proposer after risk selection and pricing.
- Which of the following statements about the numerical rating method is incorrect?
 - Numerical rating method provides greater speed in the handling of a large business with the help of trained personnel.
 - Analysis of difficult or doubtful cases is not possible on the basis of numerical points without medical referees or experts.
 - This method can be used by persons without any specific knowledge of medical science.
 - It ensures consistency between the decisions of different underwriters.

Q.No.	1	2	3	4	5
Ans.	B	A	D	C	B

CHAPTER 21

HEALTH INSURANCE CLAIMS

Insurance is a „promise“ and the policy is a “witness” to that promise. The occurrence of insured event leading to a claim under the policy is the true test of that promise.

One of the key rating parameter in insurance is the claims paying ability of the insurance company.

Customers, who buys insurance is the primary stakeholder as well as the receiver of the claim.

In Cashless claim a network hospital provides the medical services based on a pre-approval from the insurer / TPA and later submits the documents for settlement of the claim.

In reimbursement claim, the customer pays the hospital from his own resources and then files claim with Insurer / TPA for payment.

Claim intimation is the first instance of contact between the customer and the claims team.

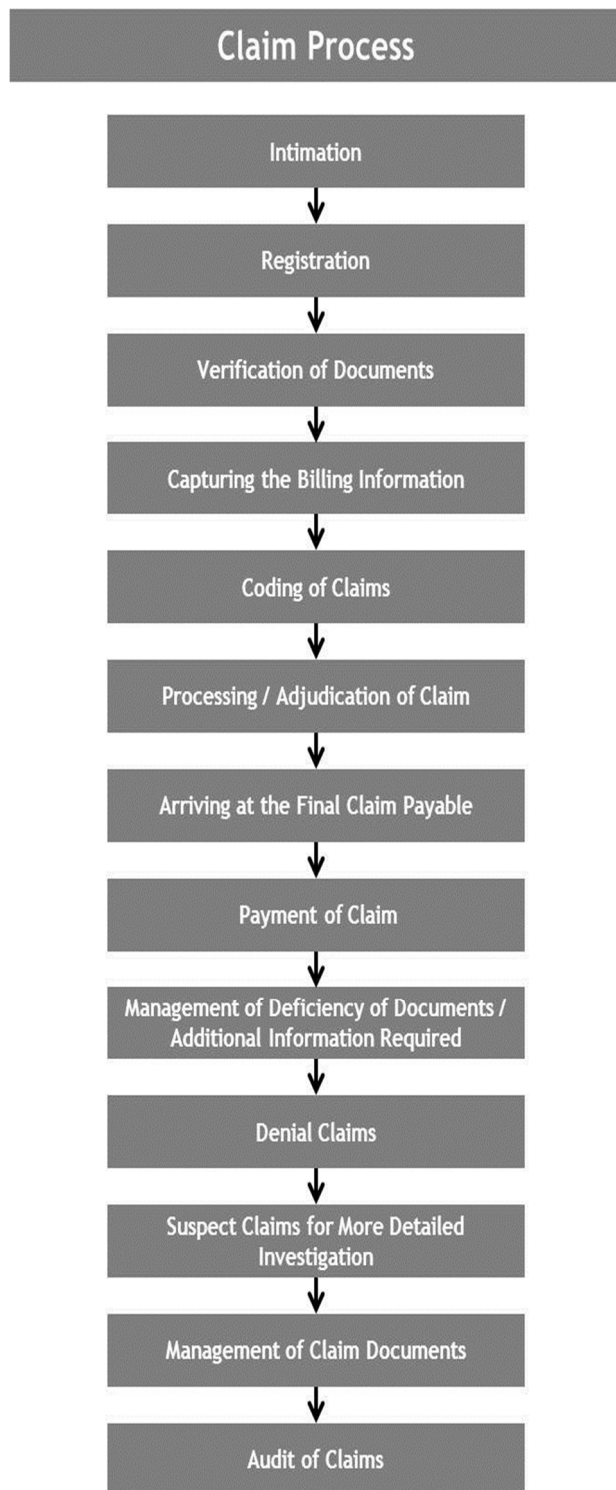
If a fraud is suspected by insurance company in case of insurance claim, it is sent for investigation. Investigation of a claim could be done in-house by an insurer/TPA or be entrusted to a professional investigation agency.

Reserving refers to the amount of provision made for all claims in the books of the insurer based on the status of the claims.

In case of a denial, the customer has the option, apart from the representation to the insurer, to approach the Insurance Ombudsman or the consumer forums or even the legal authorities.

Frauds occur mostly in hospitalization indemnity policies but Personal accident policies also are used to make fraud claims.

The TPA provides many important services to the insurer and gets remunerated in the form of fees.



Test Yourself

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

- I. Insurance company shareholders
- II. Human Resource Department
- III. Regulator
- IV. TPA

3. 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
4. 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.
5. _____ are paid upfront by Assistance Company and later claimed from insurance company.
- I. Bail bond cases
 - II. Personal accident claims
 - III. Overseas travel insurance claims
 - IV. Untenable claims

Self-Examination Questions

1. Who among the following is considered as primary stakeholder in insurance claim process?
 - a. Customers
 - b. Owners
 - c. Underwriters
 - d. Insurance agents/brokers
2. 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?
 - a. To approach Government
 - b. To approach legal authorities
 - c. To approach insurance agent
 - d. Nothing could be done in case of case denial
3. 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.
 - a. Impersonation
 - b. Fabrication of documents
 - c. Exaggeration of expenses
 - d. Outpatient treatment converted to in-patient / hospitalization

4. Under which of the following condition, is domiciliary hospitalization is covered in a health insurance policy?
- a. The condition of the patient is such that he/she can be removed to the Hospital/Nursing Home , but prefer not to
 - b. The patient cannot be removed to Hospital/Nursing Home for lack of accommodation therein
 - c. The treatment can be carried out only in hospital/Nursing home
 - d. Duration of hospitalization is exceeding 24 hours
5. Which of the following codes capture the procedures performed to treat the illness?
- a. ICD
 - b. DCI
 - c. CPT
 - d. PCT

Q.No.	1	2	3	4	5
Ans.	A	B	A	B	C

MOCK TEST – 1

1. The concept of insurance involves a transfer of
A. liability B. needs. C. ownership. D. risk.
2. Rakesh recently bought a health insurance policy and a personal accident policy. What main section(s) of the insurance market do these products normally fall into?
A. Life insurance in both cases.
B. Life insurance for health and non-life insurance for personal accident.
C. Non-life insurance in both cases.
D. Non-life insurance for health and life insurance for personal accident.
3. The main role of an underwriter in a life insurance company is normally to
A. assess the acceptability of particular risks.
B. certify a loss when claims are submitted.
C. design the structure of the products to be offered.
D. negotiate with the industry regulator.
4. Akshat is a relatively cautious person. In insurance terms, this will normally increase the likelihood that he will
A. be considered an above average insurance risk.
B. be considered a below average insurance risk.
C. require insurance cover.
D. require reinsurance cover.
5. How are perils and hazards normally distinguished under term insurance policies?
A. Perils are medical factors which influence the risk of dying and hazards are lifestyle activities which influence the risk of dying.
B. Perils are risks that policyholders will die before a specified date and hazards are factors which could influence that risk.
C. Perils are factors which affect the risk being insured and hazards are the size of the risk being insured.
D. Perils are factors which could influence an insured event occurring and hazards are the actual events which will trigger a payout.
6. In insurance terms, the risk of suffering a disability is best described as what type of risk?
A. Financial B. Fundamental.
C. Homogenous. D. Speculative.
7. For a household insurance policy, insurable interest need only exist at outset and at what other point?
A. The date the cancellation period expires.
B. The date a claim occurs.
C. The date the policy document is received.
D. The termination date.
8. Rahul is employed by Sunny. In respect of this employment, Rahul automatically has insurable interest in Sunny's life up to what limit, if any?
A. Rahul's monthly salary.
B. Rahul's pension fund value.
C. Sunny's annual profit. D. There is no limit.
9. Arun started a 20-year term insurance policy. Once established, when, if at all, is the insurer next entitled to ask him for proof of continuing good health?
A. At no point.
B. After the end of the first 12 months.
C. At the point when he changes occupation or retires.
D. When a lapsed policy is revived.
10. The concept of indemnity is based on the key principle that policyholders should be prevented from
A. insuring existing losses
B. making false insurance claims.
C. paying excessively for insurance cover.
D. profiting from insurance.
11. Once an absolute assignment is effected under a life insurance policy, who will be the titleholder(s) of this policy?
A. The assignor in all cases.
B. The assignee in all cases.
C. Either the assignor or assignee depending on the type of policy involved.
D. The assignor and assignee jointly.
12. How long is the free look-in period under a term insurance policy from the date of receipt of the policy document?
A. 5 days. B. 10 days. C. 15 days. D. 20 days.
13. Underwriting is the process of
A. Marketing insurance products
B. Collecting premium from customers
C. Risk collection and risk pricing
D. Selling various insurance products
14. A policy document for a money-back policy includes the statement 'the proposal and declaration signed by the proposer form the basis of the contract'. In which main section of the policy document will this normally appear?
A. Attestation B. Operative clause

C. Preamble D. Terms and conditions

15. A life insurance policy can only be made paid up if what particular policy feature exists?

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16. The main reason why a life insurance proposal form often asks for the proposer's height is to enable a reasonable comparison with the proposer's

- A. age B. gender C. occupation D. weight

17. Which of the following statement/s is/are correct?

i. In a group health insurance, any of the individuals constituting the group could anti-select against insurer.

ii. Group health insurance provides coverage only to employer-employee group

- A. Statement I is true and statement ii is false
B. Statement ii is true and statement i is false
C. Statement I and statement ii are true
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18. The amount paid out by the insurer under a 30-year life insurance policy exceeded the sum insured plus revisionary bonuses. The excess is likely to result from?

- A. charges refunded B. a frequency loading.
C. a tax rebate D. a terminal bonus.

19. As per IRDA guidelines, a _____ grace period is allowed for renewal of individual health policies?

- A. 15 days B. 30 days C. 45 days D. 60 days

20. The main protection need of a 19-year-old is most likely to be

- A. self-protection B. home loan protection
C. protection of dependants
D. protection of children's future.

21. 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

- A. 15 days B. 30 days C. 45 days D. 60 days

22. Which of the following is an example of moral hazard?

- A. Stunt artist dies while performing a stunt
B. A person drinking copious amounts of alcohol because he is insured
C. Insured defaulting on premium payments
D. Proposer lies in the policy document

23. When is the best time to start financial planning?

- A. Post retirement
B. As soon as one gets his first salary
C. After marriage
D. Only after one gets rich

24. Which among the following is not an objective of tax plan?

- A. Maximum tax benefit
B. Reduced tax burden as a result of prudent investment
C. Tax evasion D. Full advantage of tax breaks

25. Which among the following would you recommend on order to seek protection against unforeseen events?

- A. Insurance B. Transactional products like bank FD
C. Shares D. Debentures

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

- A. An endorsement from a satisfied customer
B. Test result for a product in a benchmarking test
C. List of test that a product must pass
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27. In a customer's mind, there are two types of feelings and related emotions that arise with each service failure on part of the insurance

company. These feelings are

- A. Confusion and empathy
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- A. A fall in average premium levels
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29. The general need for a pension policy results from the existence of what key problem?

- A. Anticipated fall in income
B. Lack of employment opportunities
C. Likely deterioration in health
D. Uncertainty over investment performance

30. Which among the below statement is true?

- I. Every pension is an annuity
- II. Every annuity is a pension
- A. I and II are true B. I and II are false
- C. I is true and II is false D. I is false and II is true

31. Who provides public pensions?

- A. State B. Employers C. Insurers D. NGO's

32. Which of the below statement is incorrect?

- A. Variable life insurance is a temporary life insurance policy
- B. Variable life insurance is a permanent life insurance policy
- C. The policy has a cash value account
- D. The policy provides a minimum death benefit guarantee

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

- A. Mortality B. Morbidity C. Infinity D. Serendipity

34. Who bears the investment risk in case of ULIPs?

- A. Insurer B. Insured C. State D. IRDA

35. Why is heredity history of importance in medical underwriting?

- A. Rich parents have healthy kids
- B. Certain diseases can be passed on from parents to children
- C. Poor parents have malnourished kids
- D. Family environment is a critical factor

36. The main purpose of including commission details in the documentation to clients is to increase

- A. competitiveness B. efficiency
- C. flexibility. D. transparency

37. Which of the below statements is correct?

- A. The prime purpose of insurance regulation is to protect the insurance companies
- B. The prime purpose of insurance regulation is to protect the policyholder
- C. The prime purpose of insurance regulation is to protect the insurance intermediaries
- D. The prime purpose of insurance regulation is to protect the Government

38. An insurance agent has advised a client to surrender an existing investment product and start a new investment product. What key indicator should be used to determine whether this advice was ethical?

- A. The best interests of the client.

B. The difference in potential income and capital growth between the two products.

C. The flexibility of the new product compared to the old one.

D. The views expressed by the client.

39. What key impact will low persistency levels have on insurance policyholders?

- A. An enhancement in product choice.
- B. An improvement in investment performance.
- C. An increase in insurance cover.
- D. A reduction in benefits.

40. Raju died 5 years before the end of his 30-year endowment insurance policy. What factor most likely caused the insurer to investigate the claim using the early death claim procedures?

- A. He paid the most recent premium during the period of grace.
- B. His cover was originally accepted with a premium loading on medical grounds.
- C. His death resulted from a recently acquired sudden illness.
- D. The policy had lapsed and was revived shortly before he died.

41. A claim under a term insurance policy is submitted by an individual who has substantially understated his age. As an alternative to paying out the full claim the insurer is most likely to take what action?

- A. Deduct the underpaid premiums from the sum insured.
- B. Make the policy paid up.
- C. Pay out the surrender value.
- D. Reject the claim on the grounds of misrepresentation.

42. On the maturity of an endowment policy, a reduced sum insured is paid out. What is the most likely reason for this?

- A. The instalments were commuted by the policyholder.
- B. The policyholder's health seriously deteriorated during the policy term.
- C. The policy was made paid up during the policy term.
- D. The policy was subject to a lien.

43. Proportion of policies remaining in force at the end of the period out of the total policies in force at the beginning of the period are referred to as _

- A. Persistency B. Consistency
- C. Uniformity D. Reliability

44. During the _____ period, if the policyholder has bought a policy and does not want it, he / she can return it and get a refund.

- A. Free evaluation B. Free look
C. Cancellation D. Free trial

45 Under what circumstances would the policyholder need to appoint an appointee?

- A. Insured is minor B. Nominee is a minor
C. Policyholder is not of sound mind
D. Policyholder is not married

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

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47. Apart from conducting a comprehensive fact-find, the other main action that an insurance agent can take at outset to minimise the risk of subsequently receiving a customer complaint is to

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- A. complainant accepts this decision
B. Consumer Forum is involved in the case.
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D. value of the award is less than 2 lakhs.

49. A policyholder asked his insurance agent for guidance on submitting a claim for the maturity benefit under his life insurance policy. Due to pressure of work, the agent declined to assist. Consequently, this action is deemed to be a breach of the

- A. General Insurance Council's guidelines.
B. Insurance Regulatory and Development Authority's Code of Conduct.
C. Insurance Ombudsman's protocols.
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4	C	14	C	24	C	34	B	44	B
5	B	15	D	25	A	35	B	45	B
6	A	16	D	26	A	36	D	46	B
7	B	17	D	27	D	37	B	47	C
8	A	18	D	28	C	38	A	48	A
9	D	19	A	29	A	39	D	49	B
10	D	20	B	30	C	40	D	50	B

MOCK TEST 3

1) Which among the following is the regulator for the insurance industry in India?
 A. Insurance Authority of India
B. Insurance Regulatory and Development Authority of India
 C. Life Insurance Corporation of India
 D. General Insurance Corporation of India

2) Which among the following is a secondary burden of risk?
 A. Business interruption cost B. Goods damaged cost
C. Setting aside reserves as a provision for meeting potential losses in the future
 D. Hospitalization costs as a result of heart attack

3) Which among the following is a method of risk transfer?
 A. Bank FD B. **Insurance**
 C. Equity shares D. Real estate

4) Which among the following scenarios warrants insurance?
A. The sole bread winner of a family might die untimely
 B. A person may lose his wallet
 C. Stock prices may fall drastically
 D. 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?
 A. Employees State Insurance Corporatio
 B. Crop Insurance Scheme
C. Jan Arogya D. All of the above

6) How does diversification reduce risks in financial markets?
 A. Collecting funds from multiple sources and investing them in one place
B. Investing funds across various asset classes
 C. Maintaining time difference between investments
 D. Investing in safe assets

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 C. Ramesh uses his professional standing to get Mahesh to sign a contract
 D. Ramesh provides false information to get Mahesh to sign a contract

8) Which among the following options cannot be insured by Ramesh?
 A. Ramesh's house B. Ramesh's spouse
 C. **Ramesh's friend** D. Ramesh's parents

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

A. Insurance

- B. Transactional products like bank FD's
C. Shares D. Debentures

10) When is the best time to start financial planning?

A. Post retirement

B. As soon as one gets his first salary

- C. After marriage D. Only after one gets rich

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

A. Maximum tax benefit

B. Reduced tax burden as a result of prudent investments

C. Tax evasion

D. Full advantage of tax breaks

12) Which among the following is an intangible product?

A. Car B. House

C. Life insurance D. Soap

13) The premium paid for whole life insurance is _____ than the premium paid for term assurance.

A. Higher

B. Lower

C. Equal

D. Substantially higher

14) Which among the following is a non-traditional life insurance product?

A. Term assurance **B. Universal life insurance**

C. Endowment insurance D. Whole life insurance

15) Which of the below statement is correct?

A. Variable life insurance is a temporary life insurance policy

B. Variable life insurance is a permanent life insurance policy

C. The policy has a cash value account

D. The policy provides a minimum death benefit guarantee

16) Who provides public pension?

A. State

B. Employers

C. Insurers

D. NGO's

17) Who bears the investment risk in a fixed benefit annuity?

A. Insurer

B. Insured C. State D. Risk pool

18) Which among the below statement is true?

Statement I : Every pension is an annuity

Statement II : Every annuity is a pension

A. I and II are true

B. I and II are false

C. I is true and II is false

D. I is false and II is true

19) Health insurance is designed to handle which of the following risks?

A. Mortality

B. Morbidity

C. Infinity

D. Serendipity

20) 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.

A. Fifteen days

B. Thirty days

C. Forty Five days

D. Sixty days

21) As per IRDA guidelines, a _____ grace period is allowed for renewal of individual health policies.

A. Fifteen days

B. Thirty days

C. Forty Five days

D. Sixty days

22) Underwriting is the process of _____.

A. Marketing insurance products

B. Collecting premiums from customers

C. Risk selection and risk pricing

D. Selling various insurance products

23) The principle of utmost good faith in underwriting is required to be followed by _____.

A. The insurer

B. The insured

C. Both the insurer and the insured

D. The medical examination

24) Insurable interest refers to _____.

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

B. The asset which is already insured

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

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

25) Which of the following statements about medical underwriting is incorrect?

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

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

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

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

26) 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.

A. Statement 1 is true and statement 2 is false

B. Statement 2 is true and statement 1 is false

C. Statement 1 and statement 2 are true

D. Statement 1 and statement 2 are false

27) Who among the following is not a stakeholder in insurance claim process?

A. Insurance company shareholders

B. Human Resource Department

C. Regulator

D. TPA

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

A. Investigation report B. Settlement sheet

C. Case paper D. Hospital registration certificate

29) The amount of provision made for all claims in the books of the insurer based on the status of the claims is known as _____.

A. Pooling

B. Provisioning

C. Reserving

D. Investing

30) Which of the following documents are not required to be submitted for Permanent Total Disability 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.

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

31) ___ are paid upfront by Assistance Company and later claimed from insurance company.

A. Bail bond cases B. Personal accident claims

C. Overseas travel insurance claims

D. Untenable claims

32) What is the objective behind Mortgage Redemption Insurance?

A. Facilitate cheaper mortgage rates

B. Provide financial protection for home loan borrowers

C. Protect value of the mortgaged property

D. Evade eviction in case of default

33) What does a policy lapse mean?

A. Policyholder completes premium payment for a policy

B. Policyholder discontinues premium payment for a policy

C. Policy attains maturity

D. Policy is withdrawn from the market

34) Who bears the investment risk in case of ULIPs?

A. Insurer **B. Insured** C. State D. IRDAI

35) During the _____ period, if the policyholder has bought a policy and does not want it, he/she can return it and get a refund.

A. Free evaluation

B. Free look

C. Cancellation

D. Free trial

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

A. Free look period has ended

B. It is evidence that the policy contract has begun

C. Policy cannot be cancelled now

D. Policy has acquired a certain cash value

37) Under what circumstances would the policyholder need to appoint an appointee?

A. Insured is minor **B. Nominee is a minor**

C. Policyholder is not of sound mind

D. Policyholder is not married

38) Which of the following cases is likely to be declined or postponed by a life insurer?

A. Healthy 18 year old

B. An obese person

C. A person suffering from AIDS

D. Housewife with no income of her own

39) Which of the following is an example of moral hazard?

A. Stunt artist dies while performing a stunt

B. A person drinking copious amounts of alcohol because he is insured

C. Insured defaulting on premium payments

D. Proposer lying on policy document

40) Which is heredity history of importance in medical underwriting?

- A. Rich parents have healthy kids
- B. Certain diseases can be passed on from parents to children**
- C. Poor parents have malnourished kids
- D. Family environment is a critical factor

41) Which of the below statement best describes the concept of claim?

Choose the most appropriate option.

- A. A claim is a request that the insurer should make good the promise specified in the contract
- B. A claim is a demand that the insurer should make good the promise specified in the contract**
- C. A claim is a demand that the insured should make good the commitment specified in the agreement
- D. A claim request that the insured should make good the promise specified in the agreement

42) Which of the below statement is correct?

- A. The prime purpose of insurance regulation is to protect the insurance companies
- B. The prime purpose of insurance regulation is to protect the policyholder**
- C. The prime purpose of insurance regulation is to protect the insurance intermediaries
- D. The prime purpose of insurance regulation is to protect the Government

43) Which of the below statement is incorrect?

- A. An individual insurance agent is a representative of the insurance company and is governed by the agent-principal relationship.
- B. An individual insurance agent's primary relationship and responsibility is to the insurance buyer and not the insurance company.**
- C. Insurance broker, who represents the insured, generally does not have any contractual agreement to exclusively serve any one insurance company
- D. Insurance broker is expected to represent the customer's interest when choosing the right product and company that would best fit the customer's particular needs.

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

- A. Affection and Zeal to succeed
- B. Patience and pro-activeness

- C. Empathy and ego drive
- D. Hunger for growth and self-confidence

45) Proportional of policies remaining in force at the end of the period out of the total policies in force at the beginning of the period is referred to as _____.

- A. Persistency** B. Consistency
- C. Uniformity D. Reliability

46) Which of the below statement best describes a "testimonial"

- A. An endorsement from a satisfied customer**
- B. Test result for a product in a benchmarking test
- C. List of tests that a product must pass
- D. Money required to test a product

47) What is meant by customer lifetime value?

- A. Sum of costs incurred while servicing the customer over his lifetime
- B. Rank given to customer based on business generated
- C. Sum of economic benefit that can be achieved by building a long term relationship with the customer**
- D. Maximum insurance that can be attributed to the customer

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

- A. Confusion and empathy
- B. Dishonesty and revenge
- C. Ignorance and sympathy
- D. Sense of unfairness and hurt ego**

49) Which among the following is not an element of active listening?

- A. Paying good attention
- B. Being extremely judgmental**
- C. Empathetic listening
- D. Responding appropriately

50) The _____ has jurisdiction to entertain complaints, where value of the goods or services and the compensation claimed is up to Rs. 20 lakhs.

- A. District Forum** B. State Commission
- C. Zilla Parishad D. National Commission