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Insurance Capsule for LIC AAO Mains 2023

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Banking and Financial Current Affairs

1. The **Reserve Bank of India's (RBI) card-on-file (CoF) tokenization** norms came into effect on 1st October 2022. RBI's CoF tokenization aims to improve the payment experience of cardholders.
2. **PNB WhatsApp Banking Launched:** The government-owned **Punjab National Bank (PNB)** announced that it has made banking services available to both clients and non-customers via WhatsApp.
3. **'Active Fit'** which is a comprehensive health insurance plan for young and healthy adults, launched by **Aditya Birla Health Insurance Co. Limited (ABHICL)**, the health insurance subsidiary of **Aditya Birla Capital Limited (ABCL).**
4. **State Bank of India** launched the **SBI Foundation's Gram Seva Program** across six states of India.
5. **The Reserve Bank Governor Shaktikanta Das** launched a new **'SupTech' initiative DAKSH** – the **bank's Advanced Supervisory Monitoring System**, which is expected to make the supervisory processes more robust.
6. **To enhance the effectiveness of its grievance redressal systems**, the **Reserve Bank of India (RBI)** has urged Credit Information Companies to **designate an internal ombudsman (IO)** by April 1, 2023. The Central Bank decided in August to include CICs in the scope of the RBI-Integrated Ombudsman Scheme 2021 to broaden its appeal.
7. **Smart Wire service:** ICICI Bank has introduced Smart Wire service, a novel approach to make SWIFT-based inward remittances easier and faster for its customers. According to **ICICI Bank**, the first bank in the nation to introduce such a service.
8. **Pay in Europe using UPI soon:** NPCI International Payments Ltd (**NIPL**) and European payment services provider **Worldline** established a corporation due to which Indians will soon be able to make payments through **UPI (United Payments Interface)** across Europe.
9. **Seva Vikas Cooperative Bank licence revoked by RBI:** Seva Vikas Co-operative Bank, situated in Pune, had its licence revoked by the Reserve Bank of India (RBI) due to lack of sufficient capital and future earnings potential.
10. The **Reserve Bank raised the minimum capital requirement for setting up an asset reconstruction company (ARC)** to Rs 300 crore from the existing Rs 100 crore with an aim **to strengthen the securitisation sector** which plays a vital role in the management of distressed financial assets.
11. **IDBI Bank said that it has agreed to cooperate with Vayana Network** as its first fintech partner to provide end-to-end digitization services.
12. **South Indian Bank** bagged a world record for **staging and swinging the highest 101.** The South Indian Bank has organized an event **'Onnichirikkam Oonjaladam'** and was accoladed with the World Book of Records award for **'staging and swinging 101 Oonjals'.**
13. **Paytm brand** has partnered with **Jana Small Finance Bank** to deploy card machines to further drive digitisation among merchants across the country.
14. **BookMyShow and RBL Bank collaborate:** The launch of a new credit card called "Play" by **RBL Bank** and BookMyShow will significantly increase the entertainment value for Indian consumers.
15. **KBL Centenary Deposit Scheme launched:** Karnataka Bank has launched a term deposit scheme named the **KBL Centenary Deposit Scheme** with effect from October 17, 2022.
16. Leading stock brokerage firm, **HDFC Securities, announced the opening of the first-ever Women-Only Digital Centre (DC) in India.**
17. PSU lender **Indian Bank** has launched several digital initiatives under **"Project WAVE"** in a bid to enhance the customer experience through integrated services on its digital platform.
18. **LIC to divest 60.72% share in IDBI Bank:** The government announced that it and **LIC** would sell a combined 60.72 percent share in IDBI Bank in order to privatise the banking institution.
19. **Life Insurance Company** (LIC) has launched the **'LIC Dhan Varsha' scheme.** The 'LIC Dhan Varsha scheme is a non-linked, non-participating, individual, savings life insurance plan which offers a combination of protection and savings. The savings insurance plan provides **financial support** for the family in case of **unfortunate death** of the life assured during the policy terms.

20. **New MD and CEO of SBI General Insurance:** Shri Kishore Kumar Poludasu has been named the new managing director and chief executive officer of SBI General Insurance Company Limited, according to the company's announcement.
21. **Mohit Bhatia- New CEO of Bank of India Mutual Funds:** The appointment of **Mohit Bhatia** as CEO of Bank of India Investment Managers Private Ltd **(Bank of India Mutual Funds)** has been made public.
22. **A Balasubramanian** has been re-elected as the **chairman of the Association of Mutual Funds in India (AMFI),** and **Radhika Gupta** as the vice-chairperson of the industry body.
23. **Vijay Srirangam** has been appointed as part-time Non-Official Director as well as Non-Executive Chairman of **Canara Bank** for three years,
24. **K G Ananthakrishnan** has been appointed as part-time Non-Official Director as well as Non-Executive Chairman of **Punjab National Bank** for a term of three years.
25. **Srinivasan Varadarajan** has been appointed as part-time Non-Official Director as well as Non-Executive Chairman of **Union Bank of India** for a term of three years, according to an order issued by the Department of Personnel & Training.
26. The Centre has also appointed **Charan Singh** as a part-time Non-Official Director as well as Non-Executive Chairman of **Punjab & Sind Bank** for a term of two years.
27. **Bank of Baroda and Visa** has announced the launch of **two new premium debit cards** for Bank of Baroda customers – **bob World Opulence** – a super-premium Visa Infinite Debit Card (Metal Edition) and bob World Sapphire – a **Visa Signature Debit Card.**

28. **State Bank of India** reported **74 per cent year-on-year increase in net profit** at ₹13,265 crore for quarter ended September.
29. The **Asian Development Bank (ADB)** signed a $40 million financing package with **GreenCell Express Private Limited (GEPL)** to develop **255 electric battery-powered buses (e-buses).**
30. **SBI** commits to finance **1000 entrepreneurs** in **Nagaland** through a partnership with Business Association. The State Bank of India (SBI) in collaboration with the **Business Association of Nagas** (BAN) has decided to help 1000 entrepreneurs with financing.
31. **Life Insurance Company (LIC)** has increased its **shareholding in Voltas** by buying an additional 2 per cent stake. The **state-owned lifeinsurer** increased its shareholding from 2,27,04,306 shares (equivalent to 6.862 per cent) to 2,93,95,224 (8.884 per cent) in Voltas.
32. The country's fifth largest public sector bank, **Union Bank of India,** marked its **104th foundation day** on **11 November 2022.**
33. **The Reserve Bank of India (RBI)** has announced that the government has nominated **Vivek Joshi** to its director on central board.
34. **State Bank of India** has signed a **150 million euro (Rs 1,240 crore)** loan agreement with the **German development bank KfW** for funding **solar projects.**
35. Government has decided to **provide longer tenure to Managing Director, CEO** and other whole-time directors of the **public sector banks.** Now the appointment can be made **initially for up to 5 years,** which **can be extended for the 5 more years.**
36. **Federal Bank announced that** it has partnered with **JCB India** to expand its **loan portfolio and fund potential buyers** of heavy construction equipment.
37. **Bharat Interface for Money (BHIM) using Unified Payments Interface** BHIM-UPI recorded a new high, **transactions rose by 7.7 per cent in October to 730 crore(7.3 Billion).** The total value for the month stood at **more than ₹12.11 lakh crore.** In September, UPI transactions stood at 678 crore with a total value of ₹11.16 lakh crore.
38. **Export-Import Bank of India (India Exim Bank)** has concluded a Master Risk Participation Agreement for supporting trade transactions with **FirstRand Bank (FRB) Limited. The agreement was signed in Johannesburg** on the sidelines of the **India – Southern Africa Regional Conclave.**

39. **Moody's Investor Services** has lowered **India's economic growth forecast** by 70 basis points to **7 per cent for the calendar year 2022.** This is in line with the downward revision of the **global growth forecast.**
40. **CRISIL** has revised its forecast for **India's real gross domestic product (GDP) growth** to 7 per cent for the current fiscal (2022-23) from 7.3 per cent estimated previously. The **credit rating agency** said this is primarily because the **slowdown in global growth** has started to impact **India's exports and industrial activity.**
41. **"Niveshak Didi" programme launched:** Niveshak Didi, in order to promote financial literacy "By the women, for the women," India Post Payments Bank (IPPB) organised India's First Floating Financial Literacy Camp in Srinagar, J&K. The **Niveshak Didi Initiative** is fo
42. unded on the principle of "women for women," as rural women are better at ease discussing their concerns with another woman.
43. **The Reserve Bank of India (RBI)** has announced a four-tiered regulatory framework for categorisation of **Urban Co-operative Banks (UCBs).**
44. Risk and vulnerability management company **TAC Security** announced that it is the official **cyber security partner for the stock exchange-BSE.**
45. The **Reserve Bank of India (RBI)** has imposed a **monetary penalty** of Rs 1.25 crore on **Zoroastrian Co-operative Bank**, Bombay, for non-compliance with **RBI directions on 'Discounting of Bills by UCBs – Restricted Letters of Credit**' and the provisions of the **Co-operative Banks Rules**, 1985. This penalty had been imposed in the exercise of powers vested in RBI, the central bank said in a statement.
46. **Tamilnad Mercantile Bank** has entered into bancassurance partnerships with **Cholamandalam MS General Insurance Company Ltd**, part of the **Chennai-based Murugappa Group, and Max Life Insurance Company** to provide general insurance products and life insurance schemes respectively to TMB's customers.
47. **TurtleFin**, India's leading insurtech platform, has partnered with **YES BANK**, one of the leading private sector banks in India, to create a comprehensive technology platform **EasyNsure**. Turtlefin's distinctive API will power the platform to offer a bouquet of holistic insurance solutions on a single platform.
48. **IIFL Mutual Fund** has launched **India's first passive tax saver fund,** almost six months after the **Securities and Exchange Board of India (Sebi)** introduced the passive alternative in the **Equity Linked Savings Scheme (ELSS) space.**
49. The **Employees State Insurance Corporation(ESIC)** can now invest up to **15 per cent of its excess fund into equity** after the Centre allowed the body to do so.
50. The **Reserve Bank of India (RBI)** has put in place a framework to allow **overseas subsidiaries and branches of Indian banks and financial institutions** to undertake activities not specifically permitted in the Indian domestic market.
51. **Edelweiss Mutual Fund** has announced the launch of the **fourth tranche of BHARAT Bond ETF** – India's first corporate bond **ETF (exchange-traded fund).** A **central government initiative**, Bharat Bond ETF invests only in **'AAA'-rated bonds** of public sector companies.
52. **State-owned Bank of Baroda** on 6 December 2022 has bagged an **EAG Laureate award** in the International Olympiad of Financial Security held at **Sochi, Russia** on 10 October 2022.
53. **Fintech player Spice Money** has partnered with **Axis Bank** to facilitate opening of instant, zero balance savings or current accounts for rural citizens through its **Adhikari network**.
54. The **Reserve Bank of India** has signed a **Currency Swap Agreement** with the **Maldives Monetary Authority (MMA)** to enable MMA to make drawals in multiple tranches up to a maximum of **$200 million** from the RBI. This agreement has been signed under the **SAARC** Currency Swap Framework.
55. Banks have **written off** bad loans worth ₹ 10,09,511 crore during the last **five financial years**, **Finance Minister Nirmala Sitharaman** informed Parliament.
56. **HDFC Bank** announced the launch of its **sixth annual grants** program for **social startups** in partnership with the Government of India's flagship initiative **'Startup India'**. Known as **Parivartan SmartUp Grants**, the program aims to identify startups working in the social impact space and support them through monetary grants to their incubators.
57. **Road, transport and highways minister Nitin Gadkari** launched the **country's first-ever surety bond insurance product**, a move that would reduce the dependence of **infra developers** of bank guarantee. Surety Bond Insurance will act as a security arrangement for infrastructure projects and will insulate the contractor as well as the principal.

58. **IDFC FIRST Bank** has declared **ZERO Fee Banking** on savings accounts and waived fees on multiple banking services, including Passbook charges, NEFT charges. The bank said that customers maintaining as low as Rs 10,000 Average Monthly Balance, and the Rs 25,000 AMB savings account variant will get these benefits.
59. **Finance Minister Nirmala Sitharaman** said **note in circulation (NiC)** has witnessed an annual growth of 7.98 per cent to Rs 31.92 lakh crore as of December 2, 2022.
60. The **Reserve Bank of India (RBI)** recently said that **all leading banks** should issue the locker agreement to its holders **before January 1, 2023, as** the new locker rules will be implemented from that date.
61. **Worldline ePayments India** (WEIPL), a leader in **digital payments**, has received in-principle authorisation from the **Reserve Bank Of India (RBI)** to act as a **payment aggregator (PA).**
62. **Indian Bank,** one of the leading public sector banks in the country, has launched its flagship business mentoring program for MSME entrepreneurs **'MSME Prerana'** in the state of **Rajasthan.**
63. To enhance the insurance force in India, the **Insurance Regulatory and Development Authority of India (IRDAI)** will soon introduce **"Bima Vahaks"** in each gram panchayat.
64. **Bajaj Allianz General Insurance**, one of the leading private general insurers of India, announced the launch of its unique health insurance rider **'Respect Senior Care Rider'.**
65. **SBI Foundation** has designed a project in collaboration with **Himalayan Environment Studies and Conservation** (HESCO) that aims to promote equitable economic and ecological development in 10 disaster-prone villages in Joshimath Block of **Chamoli District.**
66. **Goldsikka** with technology support from **Hyderabad-based startup, Opencube Technologies** has launched its first **Gold ATM** at Begumpet and described it India's first Gold ATM and world's first Real Time Gold ATM.
67. The fifth volume of the **Reserve Bank of India's** history is released. This volume encompasses the 11-year period from 1997 to 2008. With this volume, the history of the Reserve Bank of India is now updated up to 2008. The Reserve Bank had initiated the process of preparation of this volume in 2015 under the guidance of an **Advisory Committee chaired by Dr. Narendra Jadhav,** former Member of Parliament and former Principal Adviser & Chief Economist of the Reserve Bank.
68. The **Reserve Bank of India's Medium-term Strategy Framework** for the period 2023-2025 – 'Utkarsh 2.0' – was launched by **Shri Shaktikanta Das, Governor, RBI.**
69. Public sector bank **Punjab and Sind Bank (PSB)** has partnered with **SBI Card** to launch co-brand credit cards for the bank's customers.
70. The **Reserve Bank of India** said **SBI, ICICI Bank, HDFC Bank** remain **domestic systemically important banks (D-SIBs).**
71. **HDFC Bank,** India's largest private sector bank, is partnering with **Microsoft** in the next phase of its digital transformation journey.
72. The **Reserve Bank of India** has launched the **Inflation Expectations Survey of Households (IESH)** which will provide useful inputs for **monetary policy**.
73. **Bandhan Bank** launched the 'Jahaan Bandhan, Wahaan Trust' campaign along with the bank's **brand ambassador** Sourav Ganguly.
74. Axis Bank has partnered with **OPEN** to provide a fully native digital current account journey for its customers including **SMEs (small and medium enterprises)**, freelancers, homepreneurs, influencers and more. This has been the **bank's first-ever partnership** with a fintech player to launch a fully digital current account.
75. The **Reserve Bank of India** gave its approval to **SBI Funds Management Ltd** to acquire up to 9.99% stake in **Equitas Small Finance Bank** through the schemes of **SBI Mutual Fund.**
76. The **Reserve Bank of India (RBI)** will auction **₹16,000 crore of sovereign green bonds (SGrBs)** in two tranches.
77. With the end near for the **London Interbank Offered Rate (Libor)**, the **Reserve Bank of India (RBI)** told **banks and other financial institutions** to stop using the benchmark as soon as possible and mandatorily by December 31 and move to any **Alternative Reference Rates (ARR). Secured Overnight Financing Rate (SOFR)** and **Sterling Overnight Interbank Average Rate (SONIA)** are the two popular alternatives, but are nowhere near as popular internationally as Libor, which is being phased out by this year's end.
78. **Axis Bank** has informed the exchanges that it has entered into a revised agreement with **Max Financial** to acquire the remaining **7 percent stake in the latter.**

79. **Axis Bank** has signed an agreement with the **Indian Institute of Science (IISc)**, Bengaluru, to establish a **Centre for Mathematics and Computing** at the institute.
80. **Reserve Bank of India (RBI)** issued the list of **six credit rating agencies** that banks can use for the purpose of risk weighting banks' claims for **capital adequacy** purposes. The six credit rating agencies are Acuite Ratings & Research Limited, Credit Analysis and Research Limited (CARE), CRISIL Ratings Limited, ICRA Limited, India Ratings and Research Private Limited (India Ratings)\ and INFOMERICS Valuation and Rating Pvt Ltd.
81. The **Union Cabinet** has approved the **incentive scheme** for the promotion of **RuPay Debit Cards** and low-value **BHIM-UPI transactions** (person-to-merchant) for the current financial year. The approved incentive scheme for promotion of RuPay Debit Cards and low-value BHIM-UPI transactions (P2M) in FY 2022-23 has a **financial outlay of Rs 2,600 crore.**
82. **India** was among the top five markets, globally, in terms of equity fundraising despite the quantum of funds raised declining by 43 per cent.
83. **State Bank of India (SBI)** has launched **e-Bank Guarantee (e-BG) facility** in association with **National e-Governance Services Limited (NeSL).**
84. **Sumitomo Mitsui Banking Corporation Group (SMBC Bank) of Japan** and **Oaktree Capital Management** are among those that have submitted **expressions of interest (EoIs)** for the **strategic stake sale in IDBI Bank.**
85. **Paytm Payments Bank** said it has received final approval from the **Reserve Bank of India** to operate as a **Bharat Bill Payment Operating Unit (BBPOU).**
86. **SBI** said it has raised **Rs 9,718 crore** through its **second infrastructure bond** issuance at a coupon rate of **7.70 per cent per annum** for the **15-year money**. This is the **second** fund-raising since early December when it had mopped up **Rs 10,000** crore via infra bonds.
87. **Mastercard** announced the expansion of its signature Girls4Tech, **STEM** (Science, Technology, Engineering, and Math) education program in India. The **Girls4Tech** is supported by Mastercard Impact Fund and in partnership with the American India Foundation (AIF).
88. **Tamilnad Mercantile Bank Limited** (TMB) has bagged the **Best Small Bank award** in the Best Banks survey for the year 2022.
89. State-owned **Punjab National Bank (PNB)** offers **credit cards** against **Fixed Deposit** to customers who don't meet the eligibility criteria for regular credit cards.
90. **Canara Bank** said it plans to sell its stake in **Russian Joint Venture(JV) Commercial Indo Bank LLC (CIBL)** to the other venture partner **State Bank of India (SBI)** for about **Rs 114 crore.**
91. **AU Small Finance Bank**, India's largest Small Finance Bank, announced the launch of a first-of-its-kind platform in the **credit card industry** – the **SwipeUp platform.** With this platform, AU Bank will provide an opportunity to **other bank Credit Cardholders** to upgrade their card to one of **AU Credit Cards.**
92. **Employees' Provident Fund Organisation (EPFO)** has launched a massive district outreach program in all the districts of the country through a revamped **Nidhi Aapke Nikat program.** The aim of this program is to reach all the districts of the country on the same day i.e. 27th of every month.
93. **Ajay Kumar Srivastava** has been elevated as **Managing Director and CEO** of **Indian Overseas Bank** with effect from January 1, 2023 from his current posting as executive director.
94. **Bank of Singapore (BoS),** the private banking arm of Oversea-Chinese Banking Corporation (OCBC), announced that it has appointed **Jason Moo** as its new CEO.
95. **ICICI Prudential Life Insurance** has announced the launch of its '360° Financial Protection with ICICI Prudential Life Insurance' digital-first campaign featuring cricketer **Suryakumar Yadav.**
96. **Paytm Payments Bank** has received banking regulator RBI's nod to appoint **Surinder Chawla** as its Managing Director and CEO. The RBI, however, continues to bar Paytm Payments Bank from on-boarding new customers.
97. India's Central Bank has approved **JP Morgan Chase & Co.** to appoint Prabdev Singh as the lender's Chief Executive Officer in the Country. The **Reserve Bank of India** approved a three-year term for Prabdev Singh last week.

Introduction of Insurance

Risks and Perils-
Every day, we hear stories about accidents and other misfortunes that someone has suffered.

Some of these include:
- All of a sudden, people fall seriously ill.
- Motor vehicles are stolen and people die or get injured in accidents involving motor vehicles.
- House and belongings are destroyed by fire.
- Large-scale loss of lives and destruction of property in cyclones and tsunamis.

Life is full of uncertainties and surprises. Protecting oneself, one's family and society from these uncertain events has been one of the biggest concerns of man for centuries.

Definition of Risk- 'Risk' is a term that we use to refer to the chance of suffering a loss as a result of uncertain events like the above.
The events that give rise to such risks are known as **Perils.** We face many such risks in our day-to-day life including risks to our life, health, property and so on. We don't know whether and when something unfortunate will happen to us or our family members or our property. It may not always be possible for us to prevent such a happening. For instance, we cannot prevent a storm or somebody's death from occurring.

Savings and investment-
We can take measures to reduce the financial consequences that arise due to the abovementioned risks and protect ourselves financially. One of the ways by which this is normally done is with the help of savings and investment.

Example- We would have seen or learnt from our parents or elders about the need to save for the future. By saving or investing money, the money so accumulated can be used to cope with the loss. However, such savings can only give back our own money plus some returns.

What would happen if a human life is lost or a person is disabled permanently or temporarily?

Example- A person dies suddenly. Where would the person's family get the money from to support itself? How would the person's family meet the various living expenses after his death? A person suffers a paralytic stroke that leaves him permanently bed- ridden. Such an event would result in loss of income to the household and put the family in a lot of hardship. The loss suffered is so large in all such situations that one's savings may not be sufficient to take care of the financial burden.

Insurance-
Luckily for us, there is something called 'Insurance'. It is founded on a simple idea. Even though an event like death or fire can come as a terrible economic blow to someone, when we take the society as a whole, during any given year, only a few would suffer in such a manner. If a small contribution is collected from everyone in the community and pooled to create a common fund, the amount so pooled can be used to pay money to the few unfortunate members who have been subject to the loss.

Definition- Insurance is a mechanism of risk transfer and sharing by pooling of risks and funds among a group of individuals who are exposed to similar kinds of risks for the benefit of those who suffer loss on account of the risk. Insurance is, thus, a financial tool specially created to reduce the financial impact of unforeseen events and to create financial security. Indeed, everyone who wants to protect himself against financial hardship should consider insurance.

Traditionally, "the joint family" has been informal social security in India. In modern society, social security is available only to those who are employed in the organized sector. Insurance is considered one of the tools of social security for formal and informal sectors and is largely carried out in two ways.

i. The first way is known as Social Insurance. Here, the State or government takes care of those who are subjected to losses due to some risk event. Examples are, providing a pension when one grows old or providing free medical treatment, meeting the cost of hospitalization etc. The fund for this purpose comes from a pool made up from taxes or mandatory social security contributions required to be made by all those who work and earn an income. **The Employees' State Insurance scheme (ESI)** that provides medical care and other benefits to employees **and Employees' Provident Fund Organization (EPFO)** that provides pensions and survivors' benefits in the event of an employee's death are the popular schemes under this head.

ii. The second way is through voluntary Private Insurance. Here, individuals and groups can buy insurance from an insurance company by entering into a contract of insurance with the company. The insurance company enters into a contract **(an insurance policy)** whereby it **(insurer)** undertakes, in exchange for a small amount of money **(premium),** to provide financial protection by agreeing to pay the insuring person (insured) a fixed amount of money (sum assured) on the happening of a certain event **(insured peril).** Insurance companies collect premiums to provide for this protection and losses are paid out of the premiums so collected from the insuring public. In other words, an insurance contract promises to make good to the insured a certain sum in consideration for the premium received from the insured.

History of Life Insurance

Brief History of Insurance-

The story of insurance is probably as old as the **story of mankind.** The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security. Though the concept of insurance is largely a development of the recent past, particularly after the industrial era – **past few centuries – yet its beginnings date back almost 6000 years.**

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian Soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. However, later with the efforts of eminent people like **Babu Muttylal Seal, the foreign life insurance companies started** insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them. **Bombay Mutual Life Assurance** Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Starting as Indian enterprise with highly patriotic motives, insurance companies came into existence to carry the message of insurance and social security through insurance to various sectors of society. **Bharat Insurance Company (1896)** was also one such company inspired by nationalism. The **Swadeshi movement of 1905-1907** gave rise to more insurance companies. United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906. In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindranath Tagore, in Calcutta. The Indian Mercantile, General Assurance **and Swadeshi Life (later Bombay Life)** were some of the companies established during the same period. Prior to 1912 India had no legislation to regulate insurance business. In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage.

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

1818: Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.

1870: Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.

1912: The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.

1928: The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.

1938: Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.

1956: 245 Indian and foreign insurers and provident societies are taken over by the central government and nationalised. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India.

History of General Insurance

The entire **general insurance business in India** was nationalised by **General Insurance Business (Nationalisation) Act, 1972 (GIBNA).**

The Government of India (GOI), through Nationalisation took over the shares of **55 Indian insurance companies** and the undertakings of 52 insurers carrying on general insurance business. General Insurance Corporation of India (GIC) was formed in pursuance of Section 9(1) of GIBNA. It was incorporated on **22nd November 1972** under the **Companies Act, 1956** as a private company limited by shares. GIC was formed for the purpose of superintending, controlling and carrying on the business of general insurance. As soon as GIC was formed, GOI transferred all the shares it held of the general insurance companies to GIC. Simultaneously, the nationalised undertakings were transferred to Indian insurance companies.

After a process of mergers among Indian insurance companies, four companies were left as fully owned subsidiary **companies of GIC-**

National Insurance Company Limited.

The New India Assurance Company Limited.

The Oriental Insurance Company Limited.

United India Insurance Company Limited.

The next landmark happened on **19th April 2000,** when the **Insurance Regulatory and Development Authority Act, 1999 (IRDA)** came into force. This Act also introduced amendment to GIBNA and the Insurance Act, 1938. An amendment to GIBNA removed the exclusive privilege of GIC and its subsidiaries carrying on general insurance in India. In November 2000, GIC was renotified as the Indian Reinsurer and through administrative instruction, its supervisory role over the four subsidiaries was ended. With the General Insurance Business (Nationalisation) Amendment Act 2002 (40 of 2002) coming into force from March 21, 2003; GIC ceased to be a holding company of its subsidiaries. The ownership of the four erstwhile subsidiary companies and also of the General Insurance Corporation of India was vested with Government of India.

Chairman-cum-Managing Director of GIC- Alice G Vaidyan, Headquarters- Mumbai.

Know About IRDAI

In India, insurance has a deep-rooted history. It finds mention in the writings **of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra).** The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers' contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular.

1818 saw the advent of **life insurance business in India** with the establishment of the **Oriental Life Insurance Company in Calcutta.** This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the **Bombay Mutual (1871**), **Oriental (1874)** and **Empire of India (1897)** were started in the Bombay Residency. This era, however, was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies.

In 1914, the Government of India started publishing returns of Insurance Companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers.

The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business.

An Ordinance was issued on 19th January, 1956 nationalising the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector.

The history of general insurance dates back to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century. It came to India as a legacy of British occupation. General Insurance in India has its roots in the establishment of Triton Insurance Company Limited, in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Limited was set up. This was the first company to transact all classes of general insurance business. 1957 saw the formation of the General Insurance Council, a wing of the Insurance Association of India. The General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices. In 1968, the Insurance Act was amended to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up then.

In 1972 with the passing of the General Insurance **Business (Nationalisation)** Act, general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were amalgamated and grouped into four companies, namely **National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on January 1st 1973.**

This millennium has seen insurance come a full circle in a journey extending to nearly 200 years. The process of re-opening of the sector had begun in the early 1990s and the last decade and more has seen it been opened up substantially. In 1993, the Government set up a committee under the chairmanship of **RN Malhotra, former Governor of RBI,** to propose recommendations for reforms in the insurance sector.The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein , among other things, it recommended that the private sector be permitted to enter the insurance industry. They stated that foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.

Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in **April, 2000.** The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

The IRDA opened up the market in **August 2000** with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26% **(FDI At present, up to 49%).** The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests.

In December, 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time GIC was converted into a national re-insurer. Parliament passed a bill de-linking the four subsidiaries from **GIC in July, 2002.**

Today there are 31 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 24 life insurance companies operating in the country.

The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country's GDP. A well-developed and evolved insurance sector is a boon for economic development as it provides long- term funds for infrastructure development at the same time strengthening the risk taking ability of the country.

IRDAI Headquarters- Hyderabad, Chairperson: Debasish Panda.

Principle of Insurance

1. Principle of Utmost Good Faith

This is a primary principle of insurance. According to this principle, you have to disclose all the information that is related to the risk, to the insurance company truthfully.

2. Principle of Insurable Interest

According to this principle, you must have an insurable interest in the life that is insured. That is, you will suffer financially if the insured dies. You cannot buy a life insurance policy for a person on whom you have no insurable interest.

3. Principle of Proximate Cause

While calculating the claim for a loss, the proximate cause, i.e., the cause which is the closest and the main reason for a loss should be considered.

Though it is a vital factor in all types of insurance, this principle is not used in Life insurance.

4. Principle of Subrogation

This principle comes into play when a loss has occurred due to some other person/party and not the insured. In such a case, the insurance company has a legal right to reach that party for recovery.

5. Principle of Indemnity

The principle of indemnity states that the insurance will only cover you for the loss that has happened. The insurer will thoroughly inspect and calculate the losses. The main motive of this principle is to put you in the same position financially as you were before the loss. This principle, however, does not apply to life insurance and critical health policies.

6. Principle of Contribution

According to the principle of contribution, if you have taken insurance from more than one insurer, both insurers will share the loss in the proportion of their respective coverage.

If one insurance company has paid in full, it has the right to approach other insurance companies to receive a proportionate amount.

7. Principle of Loss Minimisation

You must take all the necessary steps to limit the loss when it happens. You must take all the necessary precautions to prevent the loss even after purchasing the insurance. This is the principle of loss minimization.

Types of Insurance

There are two broad types of insurance:

1. Life Insurance- Life insurance is a contract that offers financial compensation in case of **death or disability.** Some life insurance policies even offer financial compensation after retirement or a certain period of time. Life insurance, thus, helps you secure your family's financial security even in your absence. You either make a lump-sum payment while purchasing a life insurance policy or make periodic payments to the insurer. These are known as premiums. In exchange, your insurer promises to pay an assured sum to your family in the event of death, disability or at a set time.

2. General Insurance- A general insurance is a contract that offers financial compensation **on any loss other than death.** It insures everything apart from life. A general insurance compensates you for financial loss due to liabilities related to your house, car, bike, health, travel, etc. The insurance company promises to pay you a sum assured to cover damages to your vehicle, medical treatments to cure health problems, losses due to theft or fire, or even financial problems during travel.

Types of Life Insurance-

- Term Insurance
- Money-back policy
- Unit-Linked Insurance Plan
- Pension Plans

Types of General Insurance-

- Motor Insurance
- Home Insurance
- Health Insurance
- Fire Insurance

Term Insurance- Term Insurance is a life insurance plan that provides financial coverage to the beneficiary of the insured person for a defined period of time. In the event of death of term insurance policyholder during policy term, the beneficiary can claim death benefits from the insurance company.

Money-back policy- A money back policy is one of the smarter ways to plan your life investment cover. You not only receive money back over frequent intervals of the policy tenure, a sum assured at the end of the policy term, bonus amounts as declared by the insurer but also an adequate insurance cover for the whole of the policy period.

Unit-Linked Insurance Plan- A Unit Linked Insurance Plan (ULIP) is a product offered by insurance companies that, unlike a pure insurance policy, gives investors both insurance and investment under a single integrated plan.

Pension Plans- Pension plans also known as retirement plans are investment plans that lets you allocate a part of your savings to accumulate over a period of time and provide you with steady income after retirement. Even if a person has a good amount of savings, a pension plan is nevertheless crucial.

Motor Insurance/Vehicle insurance- Vehicle insurance is insurance for cars, trucks, motorcycles, and other road vehicles. Its primary use is to provide financial protection against physical damage or bodily injury resulting from traffic collisions and against liability that could also arise from incidents in a vehicle.

Home insurance- Home insurance is a type of property insurance that covers a private residence. It is an insurance policy that combines various personal insurance protections, which can include losses occurring to one's home, its contents, loss of use (additional living expenses), or loss of other personal possessions of the homeowner, as well as liability insurance for accidents that may happen at the home or at the hands of the homeowner within the policy territory.

Health Insurance- Health Insurance is an insurance policy that ensures that you get cashless treatment or expense reimbursement, in case you fall ill. A health insurance policy reimburses the insured for medical and surgical expenses arising from an illness or injury that leads to hospitalization.

Fire Insurance- Fire insurance is property insurance covering damage and losses caused by fire. The purchase of fire insurance in addition to homeowner's or property insurance helps to cover the cost of replacement, repair, or reconstruction of property, above the limit set by the property insurance policy.

Indian Insurance Market

Introduction-

The insurance industry of India consists of **57 insurance companies** of which **24 are in life insurance** business and 33 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Investments and Recent Developments-

The following are some of the major investments and developments in the Indian insurance sector.

- As of November 2018, HDFC Ergo is in advanced talks to acquire Apollo Munich Health Insurance at a valuation of around Rs 2,600 crore (US$ 370.05 million).
- In October 2018, Indian e-commerce major Flipkart entered the insurance space in partnership with Bajaj Allianz to offer mobile insurance.
- In August 2018, a consortium of WestBridge Capital, billionaire investor Mr Rakesh Jhunjunwala announced that it would acquire India's largest health insurer Star Health and Allied Insurance in a deal estimated at around US$ 1 billion.
- In September 2018, HDFC Ergo launched 'E@Secure' a cyber insurance policy for individuals.
- Insurance sector companies in India raised around Rs 434.3 billion (US$ 6.7 billion) through public issues in 2017.
- In 2017, insurance sector in India saw 10 merger and acquisition (M&A) deals worth US$ 903 million.
- India's leading bourse Bombay Stock Exchange (BSE) will set up a joint venture with Ebix Inc to build a robust insurance distribution network in the country through a new distribution exchange platform.

Government Initiatives-

The Government of India has taken a number of initiatives to boost the insurance industry. Some of them are as follows:

- In September 2018, National Health Protection Scheme was launched under Ayushman Bharat to provide coverage of up to Rs 500,000 (US$ 7,723) to more than 100 million vulnerable families. The scheme is expected to increase penetration of health insurance in India from 34 per cent to 50 per cent.
- Over 47.9 million famers were benefitted under Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2017-18.
- The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned initial public offering (IPO) guidelines for insurance companies in India, which are to looking to divest equity through the IPO route.
- IRDAI has allowed insurers to invest up to 10 per cent in additional tier 1 (AT1) bonds that are issued by banks to augment their tier 1 capital, in order to expand the pool of eligible investors for the banks.

Road Ahead-

The future looks promising for the life insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers.

The overall insurance industry is expected to reach US$ 280 billion by 2020. Life insurance industry in the country is expected grow by 12-15 per cent annually for the next three to five years. Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.

ULIP Unit Linked Insurance Plan (ULIP)

ULIP or Unit Linked Insurance Plan is a mix of insurance along with investment. From a ULIP, the goal is to provide wealth creation along with life cover where the insurance company puts a portion of your investment towards life insurance and rest into a fund that is based on equity or debt or both and matches with your long-term goals. These goals could be retirement planning, children's education or another important event you may wish to save for.

When you make an investment in ULIP, the insurance company invests part of the premium in shares/bonds etc., and the balance amount is utilized in providing an insurance cover. There are fund managers in the insurance companies who manage the investments and therefore the investor is spared the hassle of tracking the investments. ULIPS allow you to switch your portfolio between debt and equity based on your risk appetite as well as your knowledge of the market's performance. Benefits like these which offer investors the flexibility of switching is a huge factor contributing to the popularity of these investment instruments.

Lock-in-period of ULIP-

One of the changes brought about by the **Insurance Regulatory and Development Authority of India (IRDAI)** in the year 2010 as regards ULIPs, was to increase the lock in a period from 3 years to 5 years. However, insurance being a long-term product, as an investor you may not really reap the benefit of the policy unless you hold it for the entire term of the policy which can range from **10 to 15 years.**

Why you should invest in ULIPs?

Life cover: First and foremost, with ULIPs you get a life cover coupled with investment. It offers security that a taxpayer's family can fall back on in case of emergencies like the untimely death of the taxpayer, etc.

Income tax benefits: Not many are aware that the premium paid towards a ULIP is eligible for a tax deduction **under Section 80C.** Additionally, the returns out of the policy on maturity are exempt from income tax under **Section 10(10D)** of the Income-tax Act. This is a dual benefit that you can claim with this policy.

Finance Long Term Goals: If you have long-term goals like buying a house, a new car, marriage, etc., then ULIP is a good investment option because the money gets compounded. As a result, the net returns are generally more. This stands true even if you want to exit after the 5 year lock-in period in comparison to not having invested the amount at all and retaining it in a savings account or in the form of an FD. But, under ULIP, the mantra is to always keep the policy going for a longer time horizon to reap the best out of it.

The flexibility of a portfolio switch: As already mentioned, ULIPS are usually designed in a way that they allow you to switch your portfolio between debt and equity based on your risk appetite as well as your knowledge of how the market is performing. Insurance companies, on the other hand, allow a very few numbers of switches free of cost.

Types of ULIPs-

ULIPs are categorized based on the following broad parameters:

(a) Funds that ULIPs invest in-

- (i) **Equity Funds:** Where the premium paid is invested in the equity market and thereby is subject to higher risk
- (ii) **Balanced funds:** Where the premium paid is balanced between the debt and the equity market to minimise the risk for investors
- (iii) **Debt Funds:** Where the premium is invested in debt instruments which carry a lower risk but in turn also offer a lower return

(b) End use of Funds-

- (i) **Retirement Planning:** For those of you who plan to invest for the retirement days while you are still employed
- (ii) **Child Education:** You can investment with a long-term goal of saving to fund your child's education or save for some unforeseen circumstances
- (iii) **Wealth Creation:** You can make investments to build a heavy corpus that you can utilize for a future financial goal

(c) Death benefit to Policy Holders-

- (i) **Type-I ULIP:** This pays higher of the assured sum value or the fund value to the nominee in case of death of the policyholder
- (ii) **Type-II ULIP:** This pays the assured sum value, plus the fund value to the nominee in case of the death of the policyholder

ULIPs Vs. Mutual Funds-

Risk exposure - ULIPs are a relatively less risky product because they are insurance products. Even though ULIPs have great variety of products available investing in equities and bonds, they have to be more careful in investment because of the nature of insurance products. Mutual funds are of various types as explained above. Equity oriented mutual funds are more risky than the hybrid ones and hybrid mutual funds are more risky than the debt funds.

Potential of Returns - Since ULIPs invest in relatively low risk products, the potential of returns is also low. The reason is that they have to promise sum assured irrespective of whether the plan makes money. Mutual funds are of different varieties. Equity oriented mutual funds give higher returns than the hybrid ones. Hybrid mutual funds offer better returns than debt funds.

Lock-in period - Since ULIP is an insurance product, insurance companies define a lock-in period for investment. Hence if an investor buys ULIP, he or she cannot sell before the lock-in period of 3 to 5 years depending on individual ULIP products and the structure. Most of the mutual funds typically do not have any lock-in period. You can buy and sell mutual funds anytime. There is a certain type of mutual funds, known as closed fund, which have lock-in period of 3 years.

Liquidity - Liquidity is defined as the ease with which investors can redeem their investment. It is also about time it takes to receive your investment back after redemption. Needless to say, mutual funds are more liquid since it is more widely traded in the market.

Charges - The advantage of mutual fund is its low charges and professional management. The management fee of mutual funds is typically 1% to 2%. ULIP charges are higher.

Public Sector Insurance Companies

1. Life Insurance Corporation of India

LIC of India was incorporated on 1st September 1956 by amalgamating 243 Companies by the Act of Parliament called Insurance Act, 1956. LIC is governed by the Insurance Act 1938, LIC Act 1956, LIC Regulations 1959 and Insurance Regulatory and Development Authority Act 1999.

LIC headquarters- Mumbai

LIC Chairman- MR Kumar

2. General Insurance Corporation of India

GIC of India is a state owned enterprise in India. It was the sole reinsurance company in the Indian insurance market until the insurance market was open to foreign reinsurance players by late 2016 including companies from Germany, Switzerland and France.

Headquarters- Mumbai

Chairman-cum-Managing Director- Shri Devesh Srivastava

3. The New India Assurance Company Limited

The New India Assurance Company Limited, founded by Sir Dorabji Tata in 1919, a Multinational General Insurance Company, today operates in 28 countries and headquartered at Mumbai, India. Our global business crossed Rs. 22,270 crores in March 2017. We have been market leaders in India in Non-Life business for more than 40 years.

Headquarters- Mumbai

Chairman cum Managing Director- Ms Neerja Kapur

4. United India Insurance Company Limited

United India Insurance Company Limited was incorporated as a Company on 18th February 1938. General Insurance Business in India was nationalized in 1972. 12 Indian Insurance Companies, 4 Cooperative Insurance Societies and Indian operations of 5 Foreign Insurers, besides General Insurance operations of southern region of Life Insurance Corporation of India were merged with United India Insurance Company Limited. After Nationalization United India has grown by leaps and bounds and has 18300 work force spread across 1340 offices providing insurance cover to more than 1 Crore policy holders. The Company has variety of insurance products to provide insurance cover from bullock carts to satellites.

Headquarters- Chennai

Chairman cum Managing Director- Shri Satyajit Tripathy

5. Oriental Insurance Company Limited

The Oriental Insurance Company Limited was incorporated at Bombay on 12th September 1947. The Company was a wholly owned subsidiary of the Oriental Government Security Life Assurance Company Ltd and was formed to carry out General Insurance business. The Company was a subsidiary of Life Insurance Corporation of India from 1956 to 1973 (till the General Insurance Business was nationalized in the country). In 2003 all shares of our company held by the General Insurance Corporation of India have been transferred to Central Government.

Headquarters- New Delhi

Chairman-Cum-Managing Director-

Mrs. Sunita Tuli Nagpal, GM & Director (Joint charge of CMD)

Shri R. R. Singh, GM & Director (Joint charge of CMD)

6. National Insurance Company Limited

NIC (National Insurance Company Limited) is India's oldest general insurance Company. It was incorporated in Kolkata on 5th December, 1906 to fulfil the nationalist aspiration for Swaraj. 66 years later, after nationalisation it was merged along with 21 foreign and 11 Indian companies to form National Insurance Company Ltd, one of the 4 subsidiaries of the Govt. owned General Insurance Corporation of India.

Headquarters- Kolkata

Chairman-Cum-Managing Director- Mrs Suchita Gupta

7. Agriculture Insurance Company of India Limited

Agriculture Insurance Company of India Limited (AIC) has been formed at the behest of Government of India, consequent to the announcement by the then Hon'ble Union Finance Minister in his General Budget Speech FY 2002-03 that, "to subserve the needs of farmers better and to move towards a sustainable actuarial regime, it was proposed to set up a new Corporation for Agriculture Insurance".

Headquarters- New Delhi

Chairman-Cum-Managing Director- Ms. Girija Subramanian

Private Sector Insurance Companies

In India, there are 24 important life insurance companies in private sector registered by IRDAI.

- Acko General Insurance Limited (Based in- Mumbai)
- Aditya Birla Health Insurance Co. Ltd. (Based in- Mumbai)
- Religare Health Insurance Co. Ltd. (Based in- Chennai)
- Apollo Munich Health Insurance Co. Ltd (Based in- Gurugram)
- Bajaj Allianz General Insurance Co. Ltd (Based in- Pune)
- Bharti AXA General Insurance Co. Ltd. (Based in- Mumbai)
- Cholamandalam MS General Insurance Co. Ltd. (Based in- Chennai)
- CIGNA TTK Health Insurance Co. Ltd. (Based in- Mumbai)
- DHFL General Insurance Ltd. (Based in- Mumbai)
- Edelweiss General Insurance Co. Ltd. (Based in- Mumbai)
- Future Generali India Insurance Co. Ltd. (Based in- Mumbai)
- Reliance General Insurance Co.Ltd (Based in- Mumbai)
- Go Digit General Insurance Ltd (Based in- Pune)
- HDFC ERGO General Insurance Co.Ltd. (Based in- Mumbai)
- ICICI LOMBARD General Insurance Co. Ltd. (Based in- Mumbai)
- IFFCO TOKIO General Insurance Co. Ltd. (Based in- Gurugram)
- Kotak Mahindra General Insurance Co. Ltd. (Based in- Mumbai)

- Liberty General Insurance Ltd. (Based in- Mumbai)
- Magma HDI General Insurance Co. Ltd. (Based in- Mumbai)
- Max Bupa Health Insurance Co. Ltd (Based in- New Delhi)
- Star Health & Allied Insurance Co.Ltd. (Based in- Chennai)
- Universal Sompo General Insurance Co. Ltd. (Based in- Mumbai)
- Shriram General Insurance Co. Ltd. (Based in- Jaipur)
- Tata AIG General Insurance Co. Ltd. (Based in- Mumbai)

Glossary of Insurance Terms

- **Ab initio**- A term used to describe avoidance of a contract from its inception or its beginning. The Insurance Contracts Act allows an insurer to avoid a policy abinitio in situations where an insured fraudulently nondisclosed or fraudulently misrepresented information when applying for insurance.
- **Accident**- An unplanned and unexpected event which occurs suddenly and at a definite place.
- **Accident Cover**- Provides benefits in the event of an accident occurring during the period of cover. Usually refers to insurance covering injury or death arising out of violent, accidental, external and visible means.
- **Act of God**- An event or occurrence due to natural causes which occurs independently of human intervention and either could not be foreseen, or if foreseen, could not be reasonably guarded against. (e.g. storm, flood, earthquake, cyclone).
- **Actual total loss**- Where the property insured is completely destroyed or so badly damaged that it ceases to be a thing of the kind insured, or where the insured is irretrievably deprived of it. Also called "constructive total loss".
- **Adjuster**- Also known as an assessor is a representative of the insurer who seeks to determine the extent of the company's liability for loss when a claim is submitted.
- **Advice**- (in relation to Financial Services) A statement made which influences, or is intended to influence, a person to purchase a particular financial product or service. Advice can be personal or general: Personal advice is advice which takes one or more of a person's individual circumstances into account. General advice is advice which is not personal—i.e. does not fulfil this individual circumstances test.
- **Agent**- A person holding an agency agreement with an insurer and who, for reward, carries on the business of arranging contracts of insurance as agent for one or more insurers. Such an agent is referred to as an Authorised Representative.
- **Aggrieved party**- A party who has been wronged. A person who is a victim is said to be aggrieved.
- **Agreed Value**- (Usually associated with motor vehicle insurance) A car's agreed value is set at the beginning of each period of cover. It is based on the fair value given then for the cars make and model in the motor trade's most commonly accepted price handbook. The value doesn't change for the period of cover.
- **Amount covered**- The current amount covered is shown on the most recent of the insurance schedule and the renewal notice. It is the most the insurer will pay, less any excess, for a claim that is covered by the policy. The amount covered includes GST.
- **Arbitration**- A system of deciding legal disputes between an insured and an insurer by use of a private tribunal outside of the court system.
- **Arson**- Any unlawful setting fire to property
- **Australian Financial Services Licensee**- A person who holds an Australian Financial Services licence.
- **Binder**- An authority given by an insurer to an intermediary to enter into, as agent for the insurer, contracts of insurance on behalf of the insurer. Some binders give an intermediary authority to deal with and settle claims against the insurer, as agent for the insurer.
- **Broadform**- A form of liability wording that extends the cover for personal injury beyond physical injury, disease or death to include other causes including mental injury or anguish, fright, false arrest, malicious prosecution, libel, slander, defamation, wrongful entry, eviction or other invasion of the right of private property, assault and battery which occurs during the period of the policy.
- **Broker**- An intermediary, who acts on behalf of a person who is applying for insurance. They earn a commission from the insurer; however, they have a responsibility to obtain cover appropriate to the needs of the insured. In certain circumstances a broker can also act as an agent for the insurer in terms of issuing a policy or collecting a premium.
- **Burglary**- Theft following forcible and violent entry to the premises. Note: this term may not apply for some states of Australia.

- **Business pack**- A number of policies typically required by a business are combined into one policy or package—e.g. fire damage to property, burglary, liability, etc. Business packs are sometimes tailored to cover the risks of a particular industry or business—e.g. motor dealers, builders, etc.
- **Cancellation**- The termination of a policy before the expiry date.
- **Captive insurance company**- An insurance company that is wholly owned by one or more entities, the main purpose of which is to insure the risks of its parent Companies. Several large Australian companies and organisations have their own captive insurers.
- **Catastrophe reinsurance**- A form of reinsurance whereby the reinsured is protected against an accumulation of losses from the same event—e.g. a cyclone.
- **Caveat emptor**- Let the buyer beware. Insurance contracts are NOT Caveat emptor (buyer beware) contracts. They are Uberrima Fidei Utmost Good Faith) contracts.
- **Cedant**- An insurer who transfers all or part of a risk to a reinsurer.
- **Cede**- To transfer risk from an insurer to a reinsurer. A 'cession' is a particular reinsurance transaction. Normally, this refers to the proportional insurance of a risk.
- **Ceding insurer**- The original insurer. It is the company which deals with the client, and reinsures part or all of the risk.
- **Certificate of Insurance**- A certificate that acts as proof that a policy has been issued.
- **Cession**- The portion of the sum insured of a risk ceded to a reinsurer. A Cession is a particular reinsurance transaction.
- **Claim**- Notification by or on behalf of a claimant that an event likely to be covered by a policy has occurred, or is likely to occur, and giving formal notice to the insurer accordingly. Usually a claim will be accompanied by a request for indemnification under the policy.
- **Claimant**- The party asserting a right of recovery under a contract of insurance.
- **Claims history**- The history of losses suffered by an insured which have been covered by insurance. Some claims histories also record events notified to the insurer which did not result in actual claims pay-outs—e.g. events below the policy excess.
- **Claims Ratio**- The ratio of the cost of claims to earned premiums.
- **Closing**- The document sent by a broker to an insurer confirming and finalising an insurance cover arranged by the broker.
- **Commission**- A fee charged by a broker or agent for services in the sale of an insurance contract.
- **Common Law**- The principles of law arising from court decisions.
- **Comprehensive Insurance**- (Usually associated with motor vehicle insurance) Provides specified cover for damage to insured car as well as damage the insured car may cause to the property of others.
- **Contract**- An agreement between two or more parties which is enforceable by law.
- **Contribution**- Where an insured has two or more insurance policies which are covering the same interest against the same peril, the insured can make his/her claim in full against one or other of the insurers. The chosen insurer can then require the other insurers to make a proportional contribution towards that loss. (Given that the insurance policies are subject to the rule of indemnity, the insured is prevented from recovering from all the insurers and therefore making a profit from his/her claims).
- **Coverage**- The scope of the protection provided under a contract of insurance.
- **Damages**- Compensation for loss suffered, which is awarded by courts and endeavours to place a person in the position where they would have been had the loss not been suffered.
- **Decline**- To refuse. For example, the insurer may decide not to accept a proposal for insurance or perhaps decline to accept a claim.
- **Deposit premium**- Amount paid by a client as an initial premium under a policy. The deposit premium is subject to adjustment at the end of the policy period based on, for example, claims experience. After adjustment, the insured receives a refund or is required to pay extra premium, as the case may be.
- **Depreciation**- A decrease in the value of any type of property over a period of time resulting from use, wear and tear, or obsolescence.
- **Direct insurer**- Is an insurer which deals direct with the consumer rather than through an intermediary or agent.
- **Direct policy**- The parties to a direct insurance contract are the insurer and the original insured. The term is used to differentiate the direct policy contract from any reinsurance contract that may be arranged as a result of the direct policy contract.

- **Disaster**- A disaster is said to have occurred when the normal community and organisational arrangements cannot cope with a hazard impact.
- **Disclaimer**- A person may make a statement to the effect that they will not accept any responsibility for certain things which may (or may not) happen. For example, disclaimers are used to try and avoid or limit a person's liability for breach of duty of care.
- **Due date**- The date a policy is in force to and by when a renewal premium must be paid.
- **Earned Premium**- Insurance policies usually run for a period of 12 months. An insured can cancel a policy at any time and request a refund of premium. Therefore, insurers must only take into the books of account that portion of premium which corresponds to actual elapsed time on risk. That portion of premium which can be taken up in the accounts is called earned premium. That portion of premium yet to expire is termed unearned premium.
- **Endorsement**- Any writing appearing on a policy, or additional documentation attaching to a policy, whereby the printed terms of the policy, the parties to it, or other particulars, are varied.
- **Expiry date**- The date upon which a policy ends. Conventionally, 4.00 pm is the normal time of expiry, although this varies by type of policy and by insurer.
- **Financial Ombudsman Service**- Any policyholder who is dissatisfied with the outcome of his or her dealings with the insurer can contact the Insurance Ombudsman Service on 1300 780 808.
- **First party**- The first and second parties are simply the parties to an insurance contract. A third party is not a party to the contract but a party who seeks to be compensated for some injury or loss caused by the insured. A first party policy may also refer to insurance for the policyholder's own property or person.
- **Gross Premium**- The net premium plus operating expenses, commissions and other expenses.
- **Insolvency**- A situation where a person is unable to pay debts as and when they fall due for payment.
- **Insolvent**- A company may not be able to settle debts in full because its assets are worth less than the liabilities that must be paid off.
- **Insurance**- A device for transferring specified risks of individual persons to an insurer. The insurer agrees, for consideration (usually payment of a premium), to assume, to a specified extent, certain losses that may be suffered by the insured.
- **Insurance schedule**- Sets out the information given to an insurer upon which the decision to offer cover is made. It also displays the individual details of a policy.
- **Insured**- The party to an insurance arrangement to whom the insurer agrees to provide cover against specified losses, or to render services, subject to the terms of the insurance contract.
- **Insurer**- The party to an insurance arrangement who undertakes to provide cover or to render services, on the happening of specified events.
- **Liability Insurance**- A form of general insurance that provides cover in regard to the insured's legal obligation for loss or damage to another person.
- **Market value**- The fair price for which something can be sold in its current condition.
- **Open policy**- Provides cover for all risks of a certain type during a set period of time. The sum insured is then adjusted for the actual total sum insured. Commonly used for marine cargo policies and construction policies.
- **Outstanding claims**- The aggregate liabilities (total case reserves less amounts paid) faced by an insurer under lodged claims that at any point in time have not been finalised.
- **Peril**- The cause of a possible loss. Not to be confused with hazard.
- **Policy**- Means the Product Disclosure Statement and the policy schedule.
- **Policy schedule**- A notice showing the particular details of a policy.
- **Policyholder**- Generally use to describe the policy owner and/or insured.
- **Reinsured**- An insurance company or Lloyd's syndicate who buys reinsurance. This term is the preferred usage to "cedant" in non-proportional reinsurance contracts as risks are not ceded to these contracts— losses exceeding the deductible being payable by the Reinsurer.
- **Risk**- General meaning is a thing or person insured.
- **Third party**- A person or entity who is not a party to an insurance contract but who has an alleged or actual right of action for injury or damages against an insured under a contract of insurance.
- **Umbrella Cover**- Reinsurance protection for several classes of business, usually arranged by combining the retentions and/or deductibles of the different classes and protecting them by one excess of loss contract.
- **Written premiums**- The total premiums on all policies written by an insurer during a specified period of time, regardless of what proportion has been earned. See earned premiums.

Abbreviation Related to Insurance Industry

- IRDAI- Insurance Regulatory and Development Authority of India
- NCLT- National Company Law Tribunal
- TPA - Third Party Administration
- TRAI- Telecom Regulatory Authority of India
- FDA- Food and Drug Administration
- FII- Foreign Institutional Investor
- TRIM- Trade Related Investment Measures
- NSDL- National Security Depository Limited
- NAV- Net Asset Value
- SEBI- Securities and Exchange Board of India
- NASSCOM- National Association of Software and Services
- NDS- Negotiated Dealing System
- CRISIL- Credit Rating Information Services of India Limited
- IPO- Initial Public Offer
- SEZ- Special Economic Zone
- GIPSA- General Insurance Public Sector Association Of India
- BIFR- Board for Industrial and Financial Reconstruction
- FDI- Foreign Direct Investment
- GNP- Gross National Product
- PLI- Public Liability Insurance
- EEI- Electronic Equipment Insurance
- ULIP- Unit Linked Insurance Plan
- LIC- Life Insurance Corporation
- GBIC- Governing Body of Insurance Council
- IIB- Insurance Information Bureau of India
- IGMS- Integrated Grievance Management System
- IBAI- Insurance Brokers Association of India
- IIRM- Institute of Insurance and Risk Management
- UHIS- Universal Health Insurance Scheme
- PLCS – Personal Lines Coverage Specialist
- REBC – Registered Employee Benefits Consultant
- ARM – Associate in Risk Management
- AIAF – Associate in Insurance Accounting and Finance

Other Important Topics Related to Insurance Awareness

Elimination period in insurance- In the disability income insurance or loss of income insurance, the elimination period is the amount of time you have to wait before benefits are paid. In other words, it is a time-period between the beginning of the injury and the benefits you are paid off. Longer the Elimination period lower the premium and vice versa.

Endowment Policy- An endowment policy is a combination of saving along with risk cover. This type of policy is specially designed to accumulate wealth and at the same time cover your life. In this type of policy the insured will pay a regular premium for specific time period. And in case of death the money will be paid to beneficiary but, if you outlive the policy tenure, you will receive the sum assured along with accumulated bonus.

No physical exam- Such insurance company that says,"No physical exam" gives freedom to the policyholder to take policy and exempt the physical test that is mandatory by certain life insurance company. Normally, such insurance company is more expensive and the insured has to pay a higher premium on their policy.

Group Life insurance- Group life insurance is a single policy that covers an entire group. Such policy is taken by an employer for the bigger organization to cover their employee, as an individual policy holder, it may cost more than a group policy.

Third party Insurance- An insurance policy that covers the damage caused by another person or party is known as third party Insurance. In this type of insurance, the insured is the first party, insurance company is the second party while the damage done by another is referred as the third party. This type of Insurance policy is purchased for vehicles, so that in case of the accident they can claim it.

Gap insurance- GAP insurance is also known as Guaranteed Auto Protection. It covers the difference between the actual cash value of the vehicle and the balance still owed on financing like loan. GAP insurance amount is generally paid up front.

Schedule of loss' in home insurance- Schedule of loss is a document submitted to the insurance company to claim the policy; it gives the information of damaged or lost items like model number, when it was purchased, cost of the item etc.

Insurance Ombudsman

The Insurance Ombudsman scheme was created by the **Government of India** for individual policyholders to have their complaints settled out of the courts system in a cost-effective, efficient and impartial way. There are at present **17 Insurance Ombudsman** in different locations and any person who has a grievance against an insurer, may himself or through his legal heirs, nominee or assignee, make a complaint in writing to the Insurance ombudsman within whose territorial jurisdiction the branch or office of the insurer complained against or the residential address or place of residence of the complainant is located.

You can approach the Ombudsman with complaint if:

- You have first approached your insurance company with the complaint and
  - They have rejected it
  - Not resolved it to your satisfaction or
  - Not responded to it at all for 30 days
- Your complaint pertains to any policy you have taken in your capacity as an individual and
- The value of the claim including expenses claimed is not above Rs 30 lakhs.

Your complaint to the Ombudsman can be about:

(a) Delay in settlement of claims, beyond the time specified in the regulations, framed under the IRDAI Act, 1999.

(b) Any partial or total repudiation of claims by the Life insurer, General insurer or the Health insurer.

(c) Any dispute about premium paid or payable in terms of insurance policy

(d) Misrepresentation of policy terms and conditions at any time in the policy document or policy contract.

(e) Legal construction of insurance policies in so far as the dispute relates to claim.

(f) Policy servicing related grievances against insurers and their agents and intermediaries.

(g) Issuance of life insurance policy, general insurance policy including health insurance policy which is not in conformity with the proposal form submitted by the proposer.

(h) Non issuance of insurance policy after receipt of premium in life insurance and general insurance including health insurance and

(i) Any other matter resulting from the violation of provisions of the Insurance Act, 1938 or the regulations, circulars, guidelines or instructions issued by the IRDAI from time to time or the terms and conditions of the policy contract, in so far as they relate to issues mentioned at clauses (a) to (f)

The settlement process-

Recommendation:

- The Ombudsman will act as mediator and
- Arrive at a fair recommendation based on the facts of the dispute
- If you accept this as a full and final settlement, the Ombudsman will inform the company which should comply with the terms in 15 days

Award:

- If a settlement by recommendation does not work, the Ombudsman will:
- Pass an award within 3 months of receiving all the requirements from the complainant and which will be binding on the insurance company

Once the Award is passed-

- The Insurer shall comply with the award within 30 days of the receipt of award and intimate the compliance of the same to the Ombudsman.

Bancassurance

Bancassurance is a French term referring to the selling of insurance through a bank's established distribution channels. In other words, we can say Bancassurance is the provision of insurance (assurance) products by a bank. The usage of the word picked up as banks and insurance companies merged and banks sought to provide insurance, especially in markets that have been liberalised recently. It is a controversial idea, and many feel it gives banks too great a control over the financial industry. In some countries, bancassurance is still largely prohibited, but it was recently legalized in countries like USA when the Glass Steagall Act was repealed after the passage of the Gramm Leach Bililey Act.

Bancassurance is the selling of insurance and banking products through the same channel, most commonly through bank branches. Selling insurance means distribution of insurance and other financial products through Banks. Bancassurance concept originated in France and soon became a success story even in other countries of Europe. In India a number of insurers have already tied up with banks and some banks have already flagged off bancassurance through select products.

Bancassurance has become significant. Banks are now a major distribution channel for insurers, and insurance sales a significant source of profits for banks. The latter partly being because banks can often sell insurance at better prices (i.e., higher premiums) than many other channels, and they have low costs as they use the infrastructure (branches and systems) that they use for banking. Bancassurance primarily rests on the relationship the customer has developed over a period of time with the bank. And pushing risk products through banks is a much more cost-effective affair for an insurance company compared to the agent route, while, for banks, considering the falling interest rates, fee based income coming in at a minimum cost is more than welcome.

Advantages of Bancassurance:

The following factors have mainly led to success of bancassurance-

- **(a)** Pressure on banks' profit margins. Bancassurance offers another area of profitability to banks with little or no capital outlay. A small capital outlay in turn means a high return on equity.
- **(b)** A desire to provide one-stop customer service. Today, convenience is a major issue in managing a person's day to day activities. A bank, which is able to market insurance products, has a competitive edge over its competitors. It can provide complete financial planning services to its customers under one roof.
- **(c)** Opportunities for sophisticated product offerings.
- **(d)** Opportunities for greater customer lifecycle management.
- **(e)** Diversify and grow revenue base from existing relationships.
- **(f)** Diversify risks by tapping another area of profitability.
- **(g)** The realisation that insurance is a necessary consumer need. Banks can use their large base of existing customers to sell insurance products.
- **(h)** Bank aims to increase percentage of non-interest fee income
- **(i)** Cost effective use of premises

Status of Bancassurance in India-

Reserve Bank of India (RBI) has recognized "bancassurance" wherein banks are allowed to provide physical infrastructure within their select branch premises to insurance companies for selling their insurance products to the banks' customers with adequate disclosure and transparency, and in turn earn referral fees on the basis of premia collected. This would utilize the resources in the banking sector in a more profitable manner. Bancassurance can be important source of revenue. With the increased competition and squeezing of interest rates spreads profit are likely to be under pressure. Fee based income can be increased through hawking of risk products like insurance.

There is enormous potential for insurance in India and recent experience has shown massive growth pace. A combination of the socio-economic factors are likely to make the insurance business the biggest and the fastest growing segment of the financial services industry in India. However, before taking the plunge in to this new field, banks as insurers need to work hard on chalking out strategies to sell risk products especially in an emerging competitive market. However, future is bright for bancassurance. Banks in India have all the right ingredients to make Bancassurance a success story. They have large branch network, huge customer base, enjoy customer confidence and have experience in selling non-banking products. If properly implemented, India could take leadership position in bancassurance all over the world

Government of India Notification dated **03rd August 2000,** specified 'Insurance' as a permissible form of business that could be undertaken by banks under **Section 6(1)(o)** of the **Banking Regulation Act, 1949.** Then onwards, banks are allowed to enter the insurance business as per the guidelines and after obtaining prior approval of Reserve Bank of India.

Employee State Insurance Scheme

The Employees' State Insurance Scheme is an integrated measure of Social Insurance embodied in the Employees' State Insurance Act and it is designed to accomplish the task of protecting 'employees' as defined in the Employees' State Insurance Act, 1948 against the impact of incidences of sickness, maternity, disablement and death due to employment injury and to provide medical care to insured persons and their families. The ESI Scheme applies to factories and other establishment's viz. Road Transport, Hotels, Restaurants, Cinemas, Newspaper, Shops, and Educational/Medical Institutions wherein 10 or more persons are employed. However, in some States threshold limit for coverage of establishments is still 20. Employees of the aforesaid categories of factories and establishments, drawing wages upto Rs.15,000/- a month, are entitled to social security cover under the ESI Act. ESI Corporation has also decided to enhance wage ceiling for coverage of employees under the ESI Act from Rs.15,000/- to Rs.21,000/-.

ESI Corporation has extended the benefits of the ESI Scheme to the workers deployed on the construction sites located in the implemented areas under ESI Scheme w.e.f. 1st August, 2015. The ESI Scheme is financed by contributions from employers and employees. The rate of contribution by employer is 4.75% of the wages payable to employees. The employees' contribution is at the rate of 1.75% of the wages payable to an employee. Employees, earning less than Rs. 137/- a day as daily wages, are exempted from payment of their share of contribution.

When and how ESIC started?

ESIC scheme was inaugurated in Kanpur on 24th February 1952 (ESIC Day) by then Prime Minister Pandit Jawahar Lal Nehru. The venue was the Brijender Swarup Park, Kanpur and Panditji addressed a 70,000 strong gathering in Hindi in the presence of Pt. Gobind Ballabh Pant, Chief Minister Uttar Pradesh, Babu Jagjivan Ram, Union Labour Minister, Raj Kumari Amrit Kaur, Union Health Minister, Sh.Chandrabhan Gupt, Union Food Minister and Dr.C.L.Katial, the first Director General of ESIC.

ESIC scheme was simultaneously launched at Delhi as well and the initial coverage for both the centers was 1,20,000 employees. Our first Prime Minister was the first honorary insured person of the Scheme. The promulgation of Employees' State Insurance Act, 1948 (ESI Act), by the Parliament was the first major legislation on social Security for workers in independent India. It was a time when the industry was still in a nascent stage and the country was heavily dependent on an assortment of imported goods from the developed or fast developing countries.

Coverage-

In the beginning, the ESI Scheme was implemented at just two industrial centers in the country in 1952, namely Kanpur and Delhi. There was no looking back since then in terms of its geographic reach and demographic coverage. Keeping pace with the process of industrialization, the Scheme today, stands implemented at over 843 centres in 33 States and Union Territories. The Act now applies to over 7.83 lakhs factories and establishments across the country, benefiting about 2.13 crores insured persons/family units. As of now, the total beneficiary stands at over 8.28 crores.

Government Sponsored Socially Oriented Insurance Schemes

The main schemes related to Insurance sector are:-

- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)
- Varishtha Pension Bima Yojana (VPBY)
- Pradhan Mantri Fasal Bima Yojana (PMFBY)
- Pradhan Mantri Vaya Vandana Yojana (PMVVY)
- Restructured Weather Based Crop Insurance Scheme (RWBCIS)

1. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)-
The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join/enable auto-debit. Aadhar would be the primary KYC for the bank account. The life cover of Rs. 2 lakhs shall be for the one year period stretching from 1st June to 31st May and will be renewable. Risk coverage under this scheme is for Rs. 2 Lakh in case of death of the insured, due to any reason. The premium is Rs. 330 per annum which is to be auto-debited in one installment from the subscriber's bank account as per the option given by him on or before 31st May of each annual coverage period under the scheme. The scheme is being offered by Life Insurance Corporation and all other life insurers who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

2. Pradhan Mantri Suraksha Bima Yojana(PMSBY)-
The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join/enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. Aadhar would be the primary KYC for the bank account. The risk coverage under the scheme isRs.2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. The premium of Rs. 12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one installment. The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

3. Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)-

The Hon'ble Prime Minister in his Independence Day Speech announced a comprehensive program of Financial Inclusion targeting a large number of people who are currently deprived of even rudimentary financial services. In this direction, the Pradhan Mantri Jan DhanYojana (PMJDY) sets out to provide a basic Bank account to every family who till now had no account. The bank account comes with a RuPay debit card with a built-in accidental insurance cover of Rs. 1 lakh. During the launch on 28.08.14 in New Delhi, Hon'ble Prime Minister also announced a life cover of Rs. 30,000/- for those subscribing to a bank account with a RuPay debit card before 26th January, 2015 to complement the Rs. 1 lakh accident insurance cover. This life insurance cover of Rs. 30,000/- under Pradhan Mantri Jan DhanYojana, gives life insurance cover on death of the life assured, due to any reason, to the deceased's family. The scheme aims to provide security to families from economically weaker sections who cannot afford direct purchase of such insurance. The premium subscription for the life cover under PMJDY is borne by the Government of India.

4. Varishtha Pension Bima Yojana-

The NDA Government during its last term in office had introduced the Varishtha Pension BimaYojana (VPBY) as a pension scheme for senior citizens. Under the scheme a total no. of 3.16 lakh annuitants are being benefited and the corpus amounts to Rs. 6,095 crore. For the benefit of citizens aged 60 years and above, the Hon'ble Finance Minister in his Budget Speech for the year 2014-15 proposed to revive the scheme for a limited period from 15 August, 2014 to 14 August, 2015. Accordingly, the revived Varishtha Pension BimaYojana (VPBY) was formally launched by the Finance Minister on 14.08.2014 and has been opened during the window stretching from 15th August, 2014 to 14th August, 2015. Thus all those who subscribe to the VPBY during this period will receive an assured guaranteed return of 9% under the policy. The scheme is administered through Life Insurance Corporation of India (LIC). Under the Scheme the subscribers on payment of a lump sum amount get pension at a guaranteed rate of 9% per annum (payable monthly). Any gap in the guaranteed return over the return generated by the LIC on the fund is compensated by Government of India by way of subsidy payment in the scheme. The scheme allows withdrawals of deposit amount by the annuitant after fifteen years of purchase of the policy.

5. Pradhan Mantri Fasal Bima Yojana (PMFBY)-

The Pradhan Mantri Fasal Bima Yojna was launched on 18th February 2016 by Prime Minister Shri Narendra Modi. PMFBY provides a comprehensive insurance cover against failure of the crop thus helping in stabilising the income of the farmers. The Scheme covers all Food & Oilseeds crops and Annual Commercial/Horticultural Crops for which past yield data is available and for which requisite number of Crop Cutting Experiments (CCEs) are conductedbeing under General Crop Estimation Survey (GCES). The scheme is implemented by empanelled general insurance companies. Selection of Implementing Agency (IA) is done by the concerned State Government through bidding. The scheme is compulsory for loanee farmers availing Crop Loan /KCC account for notified crops and voluntary for other others. The scheme is being administered by Ministry of Agriculture.

6. Pradhan Mantri Vaya Vandana Yojana(PMVVY)-

Based on the success and popularity of Varishtha Pension Bima Yojana 2003 (VPBY-2003), Varishtha Pension Bima Yojana 2014 (VPBY-2014) schemes, and to protect elderly persons aged 60 years and above against a future fall in their interest income due to the uncertain market conditions, as also to provide social security during old age, it is decided to launch a simplified scheme of assured pension of 8% called the 'प्रधानमंत्रीवयवन्दनायोजना'. 'प्रधानमंत्रीवयवन्दनायोजना' ' is being implemented through Life Insurance Corporation (LIC) of India. As per the scheme, on payment of an initial lump sum amount ranging from a minimum purchase price of Rs. 1, 50,000/- for a minimum pension of Rs 1000/- per month to a maximum purchase price of Rs. 7, 50,000/- for maximum pension of Rs. 5,000/- per month, subscribers will get an assured pension based on a guaranteed rate of return of 8% per annum, payable monthly.

7. Restructured Weather Based Crop Insurance Scheme (RWBCIS)-

The RWBCIS was launched on 18th February 2016 by Hon'ble Prime Minister.

Weather Based Crop Insurance Scheme (WBCIS) aims to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of anticipated crop loss resulting from adverse weather conditions relating to rainfall, temperature, wind, humidity etc. WBCIS uses weather parameters as "proxy for crop yields in compensating the cultivators for deemed crop losses. Pay-out structures are developed to the extent of losses deemed to have been suffered using the weather triggers.

Weather Station (RWS) or Backup Weather Station (BWS) as the case may be, and the claims process shall commence once the weather data is received. Claims processing are strictly as per the insurance term sheets, payout structure and the Scheme provisions. All standard Claims are processed and paid within 45 days from the end of the risk period. The scheme is being administered by Ministry of Agriculture.

INSURANCE ACT & LAWS

INSURANCE ACT, 1938

The provisions of the Act may be briefly described as follows

i. Registration: - To obtain the certificate of registration is compulsory for every insurance company. The Registration should be renewed annually. The paid-up capital must be Rs. 100 crores for life insurance or general and Rs. 200 crores for reinsurance business.

ii. Licensing of surveyors and loss assessors: - No insurer can settle any claim equal to or exceeding Rs. 20000/- without the report on the loss from a licensed surveyor.

iii. Payment of premium before assumption of risk: - A risk can be assumed by the insurance company after receiving the premium or a guarantee that the premium will be paid within the prescribed time. Sometimes agents collect the premium amount and dispatch or deposited it to the insurance company. They have to deposit the money within 24 hours except for the bank and postal holidays.

Life Insurance Corporation Act, 1956

An Act to provide for the nationalization of life insurance business in India by transferring all such business to a corporation established for the purpose and to provide for the regulation and control of the business of the Corporation and matters connected therewith or incidental thereto.

The Life Insurance Act, of 1956 was passed by the Parliament on 18th June 1956 and came into effect on 1st July 1956.

Important Provisions under the Life Insurance Corporation Act, of 1956 are as follows:

i. **Section 4 of the Life Insurance Act, 1956 deals with the Constitution of the Corporation:** The Corporation shall consist of a such number of persons not exceeding sixteen as the Central Government may think fit to appoint thereto and one of them shall be appointed by the Central Government to be the Chairman thereof.

ii. Section 5 of the Life Insurance Act, 1956 deals with the Capital of the Corporation: 100 crores

iii. Section 6 of the Life Insurance Act, 1956 deals with the Functions of the Corporation

iv. Section 6A of the Life Insurance Act, 1956 deals with the Power to impose conditions

v. Section 18 of the Life Insurance Act, 1956 deals with the offices, branches, and agencies

vi. **Section 19 of the Life Insurance Act, 1956 deals with the Committee of the Corporation**

vii. **Section 20 to 23 of the Life Insurance Act, 1956 deals with the Authorities under the Act**

viii. **Section 25 to 29 of the Life Insurance Act, 1956 deals with the Finance Accounts and Audit**

ix. Section 30 of the Life Insurance Corporation Act, 1956 deals with the exclusive privilege of carrying on life insurance business

x. Section 32 of the Life Insurance Corporation Act, 1956 deals with the Power of a Corporation to have an official seal in certain cases

xi. Section 33 of the Life Insurance Corporation Act, 1956 deals with the requirement of foreign laws to be complied with in certain cases

xii. Section 37 of the Life Insurance Corporation Act, 1956 deals with the Policies to be guaranteed by Central Government

xiii. <u>Section 38 of the Life Insurance Corporation Act, 1956 deals with the Liquidation of a Corporation</u>
xiv. <u>Section 39 of the Life Insurance Corporation Act, 1956 deals with the winding up of certain insurers</u>
xv. <u>Section 40 of the Life Insurance Corporation Act, 1956 deals with the Penalty for Withholding Property</u>
xvi. <u>Section 41 of the Life Insurance Corporation Act, 1956 deals with the Tribunal to have exclusive jurisdiction in certain matters</u>

The General Insurance Business Nationalization Act

The General Insurance Business Nationalization Act was passed in 1972 to set up the general insurance business. It was the nationalization of 107 insurance companies into one main company called General Insurance Corporation of India and its four subsidiary companies with exclusive privileges for transacting general insurance business.

Classification of the Indian General Insurance Industry

PSUs (Public Sector Undertakings):-

- National Insurance Company Ltd-Head Office-Kolkata
- Oriental Insurance Company Ltd- Head Office- New Delhi
- The New India Assurance Company Ltd- Head Office-Mumbai
- United India Insurance Company Ltd- Head Office-Chennai

Private Insurance companies: -

- Apollo DKV Health Insurance Ltd
- Bajaj Allianz General Insurance Co. Ltd
- Cholamandalam MS General Insurance Co. Ltd
- Future General Insurance Company Ltd
- HDFC Ergo General Insurance Co Ltd
- ICICI Lombard General Insurance Ltd
- Iffco Tokio General Insurance Pvt Ltd
- Reliance General Insurance Ltd
- Royal Sundaram General Insurance Co Ltd
- Star Health and Allied Insurance
- Tata AIG General Insurance Co Ltd
- Universal Sompo General Insurance Pvt Ltd

Insurance Regulatory and Development Authority (IRDA)-1999

Malhotra Committee recommended private companies' participation and thus Insurance Regulatory Authority (IRA) was set up in 1996 to show the path for privatization of the insurance Industry.

The Insurance Regulatory and Development Authority (IRDA) is a national agency of the Government of India, based in Hyderabad. It was formed by an act of the Indian Parliament known as the IRDA Act 1999, which was amended in 2002 to incorporate some emerging requirements. The mission of IRDA as stated in the act is "to protect the interests of the policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto."

i. Section 4 of IRDAI, 1999 deals with the composition of authority.
ii. Section 5 of IRDAI, 1999 deals with the tenure of members of authority.
iii. Section 6 of IRDAI, 1999 deals with the removal of members of the authority.
iv. Section 7 of IRDAI, 1999 deals with salaries & allowances of members of authority.
v. Section 8 of IRDAI, 1999 deals with Bar on member for future employment.
vi. Section 9 of IRDAI, 1999 deals with Superintendence & Direction.
vii. Section 10 of IRDAI, 1999 deals with Meeting of Authority.
viii. Section 11 of IRDAI, 1999 deals with Invalidation of proceedings of Authority.
ix. Section 12 of IRDAI, 1999 deals with Officers & Employees of Authority.
x. Section 13 of IRDAI, 1999 deals with the Transfer of Assets, Liabilities etc
xi. Section 14 of IRDAI, 1999 deals with Duties, Powers & Functions of Authority.
xii. Section 15 of IRDAI, 1999 deals with Grants from the Central Government.
xiii. Section 16 of IRDAI, 1999 deals with the Constitution of Funds.
xiv. Section 17 of IRDAI, 1999 deals with Accounts and Audits.
xv. Section 25 of IRDAI, 1999 deals with the Establishment of the Insurance Advisory Committee.

The main aim to form IRDA is to create a regulator which will regulate and develop the insurance sector in the country and control all individuals or organizations who are directly or indirectly involved with the insurance sector. The Authority has the powers to issue regulations related to insurers, insurance intermediaries, surveyors, third party administrators for their registration, renewal of their license and review their workings for smooth functioning of insurance sector. The Authority also protects the interest of the policyholders for whom the insurers are issuing the policies. With this the Authority does not become supreme as it is accountable to the Central Government **mittee**

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