

INSURANCE POWER CAPSULE FOR NICL AO & ASSISTANT EXAM 2015

Insurance Sector in India

Insurance is an agreement in which a person makes regular payments to a company and the company promises to pay money if the person is injured or dies, or to pay money equal to the value of something (such as a house or car) if it is damaged, lost, or stolen or a risk-transfer mechanism that ensures full or partial financial compensation for the loss or damage caused by event(s) beyond the control of the insured party. Under an insurance contract, a party (the insurer) indemnifies the other party (the insured) against a specified amount of loss, occurring from specified eventualities within a specified period, provided a fee called premium is paid. In general insurance, compensation is normally proportionate to the loss incurred, whereas in life insurance usually a fixed sum is paid.

Some types of insurance (such as product liability insurance) are an essential component of risk management, and are mandatory in several countries. Insurance, however, provides protection only against tangible losses. It cannot ensure continuity of business, market share, or customer confidence, and cannot provide knowledge, skills, or resources to resume the operations after a disaster.

Brief history of insurance sector

The insurance sector in India has completed all the facets of competition - from being an open competitive market to being nationalized and then getting back to the form of a liberalized market once again. The history of the insurance sector in India reveals that it has witnessed complete dynamism for the past two centuries approximately. With the establishment of the Oriental Life Insurance Company in Kolkata, the business of Indian life insurance started in the year 1818.

Important milestones in the Indian Life insurance business

- 1912: The Indian Life Assurance Companies Act came into force for regulating the life insurance business.
- 1928: The Indian Insurance Companies Act was enacted for enabling the government to collect statistical information on both life and non-life insurance businesses.
- 1938: The earlier legislation consolidated the Insurance Act with the aim of safeguarding the interests of the insuring public.
- 1956: 245 Indian and foreign insurers and provident societies were taken over by the central government and they got nationalized. LIC was formed by an Act of Parliament, viz. LIC Act, 1956. It started off with a capital of Rs. 5 crore and that too from the Government of India.

The history of general insurance business in India can be traced back to Triton Insurance Company Ltd. (the first general insurance company) which was formed in the year 1850 in Kolkata by the British.

Important milestones in the Indian General insurance business

- 1907: The Indian Mercantile Insurance Ltd. was set up which was the first company of its type to transact all general insurance business.

- 1957: General Insurance Council, an arm of the Insurance Association of India, framed a code of conduct for guaranteeing fair conduct and sound business patterns.
- 1968: The Insurance Act improved for regulating investments and set minimal solvency levels and the Tariff Advisory Committee was set up.
- 1972: The General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India. It was with effect from 1st January 1973.

107 insurers integrated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC was incorporated as a company.

Life Insurance Corporation -

Life Insurance in India was nationalised by incorporating Life Insurance Corporation (LIC) in 1956. All private life insurance companies at that time were taken over by LIC.

In 1993, the Government of India appointed RN Malhotra Committee to lay down a road map for privatisation of the life insurance sector.

Types of Life Insurance in India

Term Insurance Policies -

The policy holder does not get any monetary benefit at the end of the policy term except for the tax benefits he or she can choose to avail of throughout the tenure of the policy. In the event of death of the policy holder, the sum assured is paid to his or her beneficiaries.

Money-back Policies

Money back policies are basically an extension of endowment plans wherein the policy holder receives a fixed amount at specific intervals throughout the duration of the policy. In the event of the unfortunate death of the policy holder, the full sum assured is paid to the beneficiaries.

Unit-linked Investment Policies (ULIP)

Unit linked insurance policies again belong to the insurance-cum-investment category where one gets to enjoy the benefits of both insurance and investment. While a part of the monthly premium pay-out goes towards the insurance cover, the remaining money is invested in various types of funds that invest in debt and equity instruments.

Insurance industry, as on 1.4.2000, comprised mainly two players:

(1) Life Insurance Corporation of India (LIC) General Insurers:

(2) General Insurance Corporation of India (GIC) (with effect from Dec'2000, a National Reinsurer) GIC had four subsidiary companies, namely

- i. The Oriental Insurance Company Limited

- ii. The New India Assurance Company Limited
- iii. National Insurance Company Limited
- iv. United India Insurance Company Limited.

(With effect from Dec'2000, these subsidiaries have been de-linked from the parent company and made as independent insurance companies)

Insurance sector reforms

In 1993, Malhotra Committee, headed by former Finance Secretary and RBI Governor R.N. Malhotra, was formed to evaluate the Indian insurance industry and recommend its future direction.

Independent Regulatory Body - IRDAI

Insurance sector has been opened up for competition from Indian private insurance companies with the enactment of Insurance Regulatory and Development Authority Act, 1999 (IRDA Act). As per the provisions of IRDA Act, 1999, Insurance Regulatory and Development Authority (IRDA) was established on 19th April 2000 to protect the interests of holder of insurance policy and to regulate, promote and ensure orderly growth of the insurance industry.

Insurance Repository in India

The Insurance Repository in India is a database of insurance policies. It allows policy holders to make revisions to a policy with speed and accuracy. It launched on 16 September 2013. It is the world's first of its kind. India's Insurance Regulatory and Development Authority has issued licenses to five entities to act as Insurance Repositories:

- Central Insurance Repository Limited (CIRL)
- SHCIL Projects Limited
- Karvy Insurance repository Limited
- NSDL Database Management Limited
- CAMS Repository Services Limited

Public Sector Insurance Companies

- Life Insurance Corporation of India
- General Insurance Corporation of India
- National Insurance Co. Ltd.
- Oriental Insurance Co. Ltd.
- New India Assurance Co. Ltd.
- United India Insurance Co. Ltd.

Life Insurance Corporation of India

Headoffice - Mumbai

Chairman - Shri S. K. Roy

The Parliament of India enacted the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of Indian was established on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost

General Insurance Corporation

Headoffice - Mumbai

Chairman - A K Roy

General Insurance Corporation of India (GIC Re) was approved as 'Indian Reinsurer' on 3rd November, 2000. As an Indian reinsurer GIC has been giving reinsurance support to four public sector & other private general insurance companies.

The New India Assurance Co. Ltd.

Headoffice- Mumbai

Chairman - G.Srinivasan

It is the "largest general insurance company of India on the basis of gross premium collection inclusive of foreign operations". It was founded by Sir Dorabji Tata in 1919, and was nationalised in 1973.

National Insurance Company Limited (NICL)

Headoffice- Kolkata

Chairman - Shri A.V. Girija Kumar

It is a state owned general insurance company in India. The company was established in 1906 and nationalised in 1972. Its portfolio consists of a multitude of general insurance policies, offered to a wide arena of clients encompassing different sectors of the economy.[3] Apart from being leading insurance provider in India, NICL also serves Nepal.

United India Insurance Company Limited

Headoffice - Chennai

Chairman - Milind Kharat

Under Department of Financial Services, Ministry of Finance (India), is a public sector General Insurance Company of India and one of the top General Insurers in Asia. With the net worth of Rs 5407 crores and profit of Rs 528 crores, the company has collected gross premium of Rs 9709 crores as of in the financial year 2013-14. The company has more than seven decades of experience in Non-life Insurance business and was formed to its present form by the merger of 22 companies, consequent to the nationalisation of General Insurance companies in India.

Oriental Insurance Company Ltd

Headoffice - New Delhi

Chairman - Dr. A.K.Saxena

It was established on September 12, 1947 in the then Bombay. It was a completely owned subsidiary of Oriental Government Security Life Assurance Company Ltd. It was created with the mandate of executing its parent body's general insurance operations.

Insurance Concepts

What is Insurance?

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

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

What is Bancassurance?

Bancassurance means selling of insurance products through banks. The insurance companies and the banks come up in a partnership wherein the bank sells the tied insurance company's insurance products to its clients.

Bank Insurance Model is also termed as Bancassurance.

Who is an Actuary?

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

A professional statistician working in an insurance company is an Actuary.

What is an Actuarial Science?

Actuarial science is the discipline that applies mathematical and statistical methods to assess risk in insurance, finance and other industries and professions.

Actuarial science includes a number of interrelated subjects, including probability, mathematics, statistics, finance, economics, financial economics, and computer programming.

Who are Third Party Administrators?

Third Party Administrators or TPAs are a vital link between health insurance companies, policyholders and health care providers.

The TPAs maintain databases of policy holders and issue them identity cards with unique identification numbers and handle all the post policy issues including claim settlements.

What is Mortality Charge?

Mortality Charge is the amount charged every year by the insurer to provide the life cover to the policyholder on the life of the Life Insured. It is also called as Cost of Insurance.

What is Maturity Date?

The date on which the principal amount of a note, draft, acceptance bond or other debt instrument becomes due and is repaid to the investor and interest payments stop.

The maturity date tells you when you will get your principal back and for how long you will receive interest payments.

Who is an Agent?

An Agent is a person who is licensed by state to sell Insurance. The Agents serve as an intermediary between the insurance company and the insured.

Agents are only responsible for the timely and accurate processing of forms, premiums, and paperwork.

- Captive Agent – Agent sell Insurance of a specific Company.
- Independent Agent – Agent who works independently and sells Insurance of many companies.

Who is a Broker?

An insurance broker is a specialist in insurance and risk management. Brokers act on behalf of their clients and provides advice in the interests of their clients.

Insurance brokers can be best described as a kind of super-independent agent.

What is Annuity?

A long-term contract sold by an insurance company designed to provide payments to the holder at specified intervals, usually after retirement.

What are Insurable and Uninsurable Risks?

A risk that conforms to the norms and specifications of the insurance policy in such a way that the criterion for insurance is fulfilled is called insurable risk.

In case of a scenario where the loss is too huge that no insurer would want to pay for it, the risk is said to be uninsurable.

What is AD&D in Insurance?

AD&D in Insurance refers to Accidental Death and Dismemberment Insurance.

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

What is Lapse in Insurance?

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

What is Surrender Value?

Surrender Value is the amount the policy holder will get from the insurance company if he decides to exit the policy before maturity. Surrender value is payable only after three full years premiums.

What is Maturity claim?

Maturity claim is a type of claim, wherein the insured fills a maturity claim form. It is sent along with the original policy document to the insurance company before the maturity date to get timely settlement from the insurance company as post dated cheque or ECS (Electronic Clearance Service) payment on the maturity date.

What is Death claim?

Death claim is a type of claim made by the nominee of the insured to the insurance company due to death of the insured, abiding to the policy terms and conditions.

What is Valid claim & Fraudulent claim?

An insurance company validates the authenticity and amount claimed by the insured in-order to prevent the insurer from exaggerating the claim amount & the claim fraudulently.

If it is a valid reason it is classified as valid claim or else it is classified as fraudulent claim, thereby if insurance suspects of fraudulence in the claim.

What do you mean by Policy not in force?

If the policy is lapsed i.e., the insured has not paid the policy amount before the grace period expires, then it is termed as policy not in force. The insured is not covered by the policy when it is termed as policy not in force.

What is Gratuity?

Gratuity is a part of salary that is received by an employee from his/her employer in gratitude for the services offered by the employee in the company.

According to Payments of Gratuity Act, 1972 with minimum of 5 years' service during exit is eligible to minimum of 15 days from the last drawn salary for each completed service year.

What is Void & Voidable contract?

Void contract cannot be enforced by law. It is also considered as void agreement and is not a contract et al. Any agreement which is illegal is considered as void contract.

An agreement between two parties that can be unenforceable for a number of legal reasons like failure or mistake by a party to disclose a fact leading to breach of contract. Then the other party terms it as voidable contract. He may also continue the contract making it a valid contract, as it is decided by both parties.

What is Paid up value?

The right to change the normal policy into paid up value is given to the insured by the insurance company, if the insured have paid premiums for minimum of three years.

The paid policy means, after the period if the insured cannot pay premium then the policy is not cancelled but the sum assured is reduced in proportion to the number of premiums paid by the insured.

What is Terminal bonus?

Terminal bonus is the loyalty bonus paid by the insurance company to the insured for maintaining the policy till the maturity date.

It is the bonus paid during the time of maturity and the value is not guaranteed by disclosed during the time of policy maturity only.

ACTUAL CASH VALUE ?

It is the cost of replacing damaged or destroyed property with comparable new property, minus depreciation and obsolescence. For example, a 10-year-old fan will not be replaced at current full value because of a decade of depreciation.

BCAR – BEST’S CAPITAL ADEQUACY RELATIVITY (BCAR) –

It is a percentage, which measures a company’s relative capital strength and it is compared to its industry peer composite. BCAR is an important component in determining the appropriateness of a company’s rating. BCAR is calculated by dividing a company’s capital adequacy ratio by the capital adequacy ratio of the median of its industry peer composite using Best’s proprietary capital mode.

ENCUMBRANCE

A claim on property, such as a mortgage, a lien for work and materials, or a right of dower. The interest of the property owner is reduced by the amount of the encumbrance.

LIQUIDITY

Liquidity is the ability of an individual or business to quickly convert assets into cash without incurring a considerable loss. There are two kinds of liquidity

QUICK LIQUIDITY –

Refers to funds, cash, short-term investments, and government bonds and possessions which can immediately be converted into cash in the case of an emergency.

CURRENT LIQUIDITY –

Refers to current liquidity plus possessions such as real estate which cannot be immediately liquidated, but eventually can be sold and converted into cash.

REINSURANCE

It is an insurance that an insurance company buys for its own protection. The risk of loss is spread so a disproportionately large loss under a single policy doesn’t fall on one company. Reinsurance enables an insurance company to expand its capacity; stabilize its underwriting results; finance its expanding volume; secure catastrophe protection against shock losses; withdraw from a line of business or a geographical area within a specified time period.

LAPSERATIO

The ratio of the number of life insurance policies that lapsed within a given period to the number in force at the beginning of that period.

IMPAIRED INSURER

An insurer which is in financial difficulty to the point where its ability to meet financial obligations or regulatory requirements is in question.

DIVIDEND

The return of part of the policy's premium for a policy issued on a participating basis by either a mutual or stock insurer. A portion of the surplus paid to the stockholders of a corporation.

COINSURANCE

In property insurance, requires the policyholder to carry insurance equal to a specified percentage of the value of property to receive full pay-ment on a loss. For health insurance, it is a percentage of each claim above the deductible paid by the policy-holder. For a 20 percent health insurance coinsurance clause, the policyholder pays for the deductible plus 20 percent of his covered losses. After paying 80 per-cent of losses up to a specified ceiling, the insurer starts paying 100 percent of losses.

CASUALTY INSURANCE

Casualty Insurance is primarily concerned with losses caused by injuries to persons and legal liability imposed upon the insured for such injury or for damage to property of others. It also includes such diverse forms as plate glass, insurance against crime, such as robbery, burglary and forgery, boiler and machinery insurance and Aviation insurance.

RETENTION

The amount of risk retained by an insurance company that is not re-insured.

INSURABLE RISK

Risks for which it is relatively easy to get insurance and that meet certain criteria. These include being definable, accidental in nature, and part of a group of similar risks large enough to make losses predictable. The insurance company also must be able to come up with a reasonable price for the insurance.

Important Indian Insurances Companies Taglines with Heads

Life Insurance Corporation of India (LIC)

- Tagline - Yogakshemam Vahamyaham
- CEO - S.K.Roy

Max Life Insurance Company Limited

- Tagline - Aapke Sachhe Advisor
- CEO - Rajesh Sud

New India Assurance Company Limited

- Tagline - India's premier general insurance company
- CEO- G. Srinivasan

SBI Life Insurance Company Limited

- Tagline - With Us, You're Sure
- CEO- Arijit Basu

United India Insurance Company Limited

- Tagline - Rest Assured with Us
- CEO - Milind A Kharat

Oriental Insurance Company Limited

- Tagline - Prithvi, Agni, Jal, Akash, Sabki Suraksha Hamare Paas
- Chairman - AK Saxena

Kotak Mahindra Old Mutual Life Insurance Limited

- Tagline - Faidey ka Insurance
- Chairman- Gaurang Shah

Max Newyork Life Insurance Company Limited

Tagline - Karo Zyada ka Iraada

Apollo Munich Health Insurance

- Tagline - We know Healthcare.
- CEO- Anthony Jacob and Chairman- Prathap C Reddy)

Future Generali Life Insurance

- Tagline - Ek Shagun Zindagi Ke Naam
- Chairman- G N Bajpai and CEO- Munish Sharda

Aviva India Life Insurance

- Tagline - Kal par Control
- CEO- T R Ramachandaran

Tata AIA Life Insurance Company Limited

- Tagline - You click, we cover
- Chairman- Ishaat Hussain

ICICI Prudential Life Insurance Company Limited

- Tagline - Zimmedari ka humsafar
- CEO- Sandeep Bakshi

HDFC Standard life Insurance Company Limited

- Tagline - Sar utha Ke Jiyo
- CEO - Amitabh Chaudhary, Vibha Padalkar

Bajaj Allianz Life Insurance Company Limited

- Tagline - Jiyo Befiqar
- CEO- Anuj Agarwal

Birla Sun Life Insurance Company Limited

- Tagline - Muskurate Raho
- CEO- Pankaj Razdan

Max Bupa Health Insurance

- Tagline - Your Health First
- Chairman- Anuroop Singh

Exide Life Insurance India Company (Earlier Known as ING Vysya Life Insurance India Company)

- Tagline - Adding Life to Insurance
- Chairman- Rajan Raheja and CEO- Kshitij Jain

PNB MetLife India Insurance Company Limited

- Tagline - Have you met life today?
- CEO- Tarun Chugh)

ALL THE BEST...!!!