

Big Investment *Consultants*

Insurance Basics

Introduction of Insurance

- Life Insurance is a contract between two parties called the **Insured** and the **Insurer**.
- The Insurer agrees to pay a specified sum of money upon the occurrence of insured's death or any other event specified in the policy.
- The consideration from the insured is that he or she agrees to pay an agreed amount (premium) at specified time periods to the insurer.

How Insurance Works?

- The underlying concept behind insurance is sharing of risks by pooling of funds.
- Groups of people sharing similar risk come together and make contribution towards a pool and the money so collected is used towards compensating for any losses suffered by members of the pool.

How Insurance Works?

- When the pool is managed by the **Individuals** it is called **Mutual Insurance**.
- When pool is managed by a **Company** it is called **Life/General Insurance**.

What is Underwriting?

● Underwriting refers to the insurer's decision as to whether to :

a) Accept a Risk

b) Rate,

c) Terms and Condition subject to which the risk is to be accepted.

Type of Insurance

- Life Insurance

- Non-Life or General Insurance

Type of Life Insurance

- Term Insurance
- Endowment Insurance-Traditional Plan
 - Whole Life Insurance
 - Children's Plan
 - ULIPs (Unit Linked Insurance Plans)
- Annuities: Immediate-Deferred-Guaranteed

Type of Term Life Insurance

- Yearly Renewable Term insurance
- Level Term Life Insurance
- Decreasing Term Life Insurance
- Increasing Term Life Insurance

Type of Endowment Life Insurance

- Joint Life Endowment Policy
- Double Endowment Policy
- Children's Policies

Type of Whole Life Insurance

- Limited payment whole life insurance

- Types of Whole Life Insurance

 - Single Premium

 - Continuous Premium

 - Modified whole life insurance

Type of Children Insurance

- Fixed Term (Marriage) Endowment
- Educational Annuity Assurance
- Children's deferred Assurance

Type of General Insurance

- Property Insurance
- Personal Insurance
- Liability Insurance

Type of Property Insurance

- Fire Insurance
- Various types of Engineering Insurance
- Marine Insurance
- Motor Insurance
- Burglary Insurance
- Money Insurance, Etc.

Type of Personal Insurance

- Mediclaim Policy
- Personal Accident Policy
- Group Mediclaim Policy

Type of Liabilities Insurance

- Employers Liability Insurance
- Public Liability Insurance
- Professional Indemnity Insurance-Errors and Omissions Insurance
- Product Liability Insurance

What is Principle of UGF?

- The Insurer does not have adequate information about the insured.
- Hence, it becomes imperative for the proposer to disclose to the insurer all material facts regarding the proposed insurance.
- This duty is not limited to facts known to Insured but also to facts which Insured is expected to know.

What is Insurable Interest?

- The proposer should have insurable interest in the life of the assured.
- Insurable interest exists when the proposer derives financial benefit from the continuous existence of the assured or suffers financial loss by the death of the assured.
- Every person has insurable interest in his own life as he can protect his estate from loss of future earnings by insuring his life.

What is Insurable Interest?

- Spouse has insurance interest in the life of his wife/husband.
- Parents has insurance interest in the life of Child.
- But Children have no Insurable interest in Parents.
- Others who are said to have insurable interest are
 - Employer in the name of the employee
 - Creditor in the name of the debtor
 - Partner in the life of his partner etc...

What is Indemnity?

- As per this principle, the insured should neither be better off nor worse after the claim is settled.
- This principle requires that the financial loss is measurable.
- The insured should neither profit nor suffer a loss.

What is the Settlement Process of LIP?

- Submission of Primary Documents to Insurer.
- Process of claim by Insurer in 15 Days.
- Payout of claim within 30 days.
- If problem in Identification of Payee, interest at the savings bank account with a scheduled bank after 30 Days to be paid.
- If problem is in the part of Insurer, claim amount at a rate which is 2% above the bank rate to be paid.

What is the Settlement Process of GIP?

- Notice to the Insurer.
- Furnishing of particulars required by the Surveyor for survey report.
- Submission of original survey report by Surveyor to Insurer.
- Settlement within 7 days from the date of acceptance of the offer by the insured.

Key Points while Taking Insurance

- Claim Settlement Ratio of Insurance Company
- SA (Sum Assured)
- Premium Payable
- PPT (Premium Paying Term)
- Grace Period
- Implications of Discontinuation of Premium
- Date of Commencement of Risk

Key Points while Taking Insurance

- Maturity Date
- Risk Cover
- Types of coverage
 - Permanent Total Disablement (PTD)
 - Permanent Partial Disablement (PPD)
 - Temporary Total Disablement (TTD)

Key Points while Taking Insurance

- Riders available (DAB, Critical Illness, PWB)
- Surrender Value
- Available benefits
- Key Points to be Disclosed
- Contingencies excluded from the scope of the cover, both in respect of the main policy and the riders.

Key Points while Taking Insurance

- Entry Age and Maximum Age Allowed
- The policy requirements for
 - Conversion of the policy into paid up policy
 - Surrender
 - Non-forfeiture
 - Revival of Lapsed Policies

Key Points while Taking Insurance

- The Provisions for
 - Nomination
 - Assignment
 - Loans on security of the policy
 - A statement that the rate of interest payable on such loan amount shall be as prescribed by the insurer at the time of taking the loan.

Key Points while Taking Insurance

- Any special clauses or conditions
 - First Pregnancy Clause
 - Suicide Clause, etc.
 - Any special clauses or conditions
- The Address of the insurer for communications
- The Documents required for Claim Settlement.

Thank You