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HANDBOOK

Point of Sales Person (POSP)

Non-Life & Health Insurance

as per IRDAI latest Syllabus - 16th March 2017

HRD Foundation - India®

5/7, Kalkaji Extension, New Delhi - 110019

Mobile: 9810500469 | **Email:** hrdfi@vsnl.com

Website: www.hrdfi.com

SYLLABUS

MODULE -1 INTRODUCTION TO INSURANCE

Topics Covered:

1. Concept of insurance
2. Purpose and need of insurance
3. Concepts of Risk, Peril and Hazard

1. Concept of Insurance:

Each asset has a financial value and is procured to provide certain benefits. The benefit can be in the form of direct income or comfort and convenience. Assets may be 'tangible' or 'intangible'. Human beings, house, furniture, vehicle, property etc. are tangible assets. Liability, goodwill, fair deal, voice of a singer, employee's honesty etc. are examples of intangible assets. Insurance covers both tangible and intangible assets.

> Insurance is a system by which risk is transferred by a person, business or an organization to an insurance company, which reimburses the insured for the covered losses.

A few insured who suffer losses are paid out of the premiums paid by the many. Thus spreading of risks or pooling of risks is the basis of insurance operations.

How insurance works?

Persons exposed to the same risk come together and agree that if anyone of them suffers a loss the others will share the same.

Example: if one farmer's cow dies due to accident or sickness, all the farmers in the village contribute to share the loss and help the farmer financially to purchase another cow.

Different type of risks can be identified and a sufficiently large group of similar risks can be formed. A fund can be created out of contributions by the members of this group.

In practice this fund is managed by an **Insurance Company (Insurer).** The amount an insurance company collects as expected contribution from the group members **(Insured)** in advance to create the fund is called **Premium**. From this fund, they pay to the person who suffers a loss.

2. Purpose and need of insurance

The purpose of Insurance is to create a system through which a fund is created. This fund is based on the pooling principle. The fund is utilized for providing compensation to the few who suffer losses.

- An office manager may suffer loss due to fire in his house. He needs insurance for his house and household goods.
- A shopkeeper may need insurance for his shop
- A family needs insurance on the life of its breadwinner.
- A teacher may need insurance for medical expenses.
- A farmer needs insurance for his crop.

3. Concepts of Risk, Peril and Hazard

Risk:

The term 'risk' refers to a situation of uncertain possibility of loss or damage. Only uncertain risks are covered by insurance.

Peril:

Causes of loss is called "Peril". An asset is likely to be lost, destroyed or damaged due to certain accidental occurrences such as fire, floods, theft, earthquake and so many other mis-happenings like these. These likely mis-happenings are called ‘perils’.

Hazard:

Mere exposure to a peril need not cause a loss. Again, a loss need not be severe. The condition or conditions which increase the probability of a loss or its severity, and thus impact(s) the risk is known as hazard**.** When insurers make an assessment of the risk, it is generally with reference to the hazards to which the asset is subject.

Risk, Peril, Hazard — an Explanation:

RISK	PERIL	HAZARD
Loss due to death	Cancer	Excessive Smoking
Loss or damage to factory	Fire	Explosive material
Damage to car	Car accident	Careless driving
Loss of cargo at sea	Storm	Non-waterproof containers

Insurance does not guarantee that the peril will not happen. It can only provide compensation for the loss that comes as a result of the insured event happening.

Quiz Questions Module - 1

1. Risk transfer through risk pooling is called ___________
   (a) Savings
   (b) Insurance
   (c) Investments
   (d) Transfer
2. Which of the following statement is true?
   (a) Insurance protects the asset
   (b) Insurance prevents its loss
   (c) Insurance reduces possibilities of loss
   (d) Insurance pays when there is loss of asset
3. Which of the following statements is true?
   (a) Insurance is a method of sharing the losses of a "few" by the "many"
   (b) Insurance is method of transferring the risk of an individual to another individual
   (c) Insurance is a method of sharing the losses of "many" by a few
   (d) Insurance is a method of transferring the gains of a few to the many
4. Insurance works on the principle of
   (a) Sharing
   (b) Probabilities
   (c) Large numbers
   (d) All of the above
5. Insurance works on the principle of
   (a) Trust
   (b) Sharing
   (c) Randomness
   (d) All of the above

6. Which is correct?
   (a) Insurance is a kind of investment
   (b) Insurance is nothing but a gamble
   (c) Insurance is risk transfer of pooling of similar risks
   (d) Insurance is nothing but a savings scheme
7. The proposer pays a consideration to the insurance company for bearing the risk on his behalf. What is this consideration known as?
   (a) Enrolment fee
   (b) Premium
   (c) Instalment
   (d) Bonus
8. Which among the following is method of risk transfer?
   (a) Bank FD
   (b) Insurance
   (c) Equity Shares
   (d) Real Estate
9. Which among the following scenarios warrants insurance?
   (a) The sole bread winner of a family might die untimely
   (b) A person may lose his wallet
   (c) Stock prices may fall drastically
   (d) A house may lose value due to natural wear and tear
10. Chance of loss is referred to as _________.
   (a) Luck
   (b) Risk
   (c) Bad luck
   (d) Peril

MODULE -2 INDIAN INSURANCE MARKET

Topics Covered:

1. Insurance Regulatory and Development Authority of India (IRDAI)
2. Insurers
3. Insurance Intermediaries
4. Insurance Agents
5. Point of Sales Person (POSP)

Insurers:

The insurance industry of India consists of 54 insurance companies of which 24 are in life insurance business, 30 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company.

Out of 30 non-life insurance companies, there are six public sector insurers, which include two specialised insurers namely Agriculture Insurance Company Ltd for all kind of agriculture insurance like crop Insurance, plant and yield insurance and Export Credit Guarantee Corporation of India for Credit Insurance.

There are six (6) private sector insurers registered to underwrite policies exclusively in Health, Personal Accident and Travel insurance segments. These are:–

1. ***Star Health and Allied Insurance Company Ltd.***
2. ***Apollo Munich Health Insurance Company Ltd.***
3. ***Max Bupa Health Insurance Company Ltd.***
4. ***Religare Health Insurance Company Ltd.***
5. ***Cigna TTK Health Insurance Company Ltd.***
6. ***Aditya Birla Health Insurance Company Ltd.***

In addition to 54 insurance companies, there are two re-insurer, namely, General Insurance Corporation of India and ITI Reinsurance Limited.

Insurance Laws (Amendment) Act, 2015 provides for enhancement of the Foreign Investment Cap in an Indian Insurance Company from 26% to an Explicitly Composite Limit of 49% with the safeguard of Indian Ownership and Control.

State Insurance Funds not controlled by IRDAI:

1. Maharashtra State Insurance Fund
2. Gujarat State Insurance Fund
3. Kerala State Insurance Fund
4. Rajasthan State Insurance Fund

Postal Department also operates two Life Insurance Schemes which are not under IRDAI:

1. Postal Life Insurance (PLI) which is available to employees of Government, Semi Government and Public Sector Undertakings
2. Rural Postal Life Insurance (RPLI) to provide insurance cover to the Rural Public

Insurance Intermediaries:

An intermediary is a person or an agency who acts as a link between the insurance company and the policyholder. In Indian insurance market, the following intermediaries are operating in insurance sector:

1. Individual Agents
2. Corporate Agents
3. Bancassurance
4. Insurance Brokers

Micro Insurance Agents: Micro Insurance Agents are allowed to do only micro insurance business both in life and non-life insurance.

Village Level Entrepreneur (VLE): VLE is an individual registered and authorized to operate the Common Service Centre (CSC), and is in-charge of running the daily operations of the Centre under the Act started by the Department of Electronics & Information Technology (DeitY), Government of India.

Appointment of Point of Sales Person

1. An insurance company or an insurance intermediary can engage a Point of Sales Person to represent him.
2. A Point of Sales Person can represent an insurance company or an insurance intermediary

Role of Point of Sales Person (POSP)

POSP is an individual who possesses the minimum qualifications, has undergone training and passed the examination as specified in IRDAI guidelines and solicits and markets only certain pre-underwritten products approved by the IRDAI.

As per the regulator, products such as motor insurance, travel insurance and personal accident insurance require very little underwriting as they are based on information provided by the prospect. Also, such insurance policies are automatically generated by the system.

Therefore, the intervention required for such products is minimal and the training and exams for such persons could be of a lesser degree than those for a full-fledged distributor.

To start with, POSP Guidelines were issued by the IRDAI on 26th October 2015 to cover Point of Sales Persons - Non-Life and Health Insurance.

In November, 2016 IRDAI allowed the life insurance industry to use point of sales person to sell life insurance products also. It identified products that are simple to understand, and in which the benefits are stated upfront and they are fixed and predefined.

Accordingly, IRDAI identified pure-term insurance plans with and without return of premium, non-linked (non-participating) endowment plans that state the investment benefits upfront and immediate annuity as products that can be sold by the point of sales person.

In February, 2017 in order to ensure faster certification of point of sales person in the life insurance space, the regulator has relaxed the certification programme by allowing the insurers or intermediaries hiring them to train and examine these individuals in-house.

There are two types of persons who can solicit and market insurance policies namely:

1. Insurance agent or specified persons of corporate agent or broker trained persons for soliciting and marketing insurance policies or insurance sales persons of Insurance Marketing Firm or rural authorised persons of Common Service Centre (CSC) or authorised person of web aggregators who can solicit and market all types of insurance policies.

2. “Point of Sales Person” who can solicit and market only certain pre-underwritten products approved by the Authority.

Specialist Intermediaries:

1. Insurance Surveyors and Loss Assessors
2. Claim Investigators
3. Medical Examiners
4. Third Party Administrators (TPA)

Regulatory Bodies

1. Insurance Regulatory & Development Authority of India (IRDAI)

In India, the insurance industry is regulated by the Insurance Regulatory & Development Authority of India (IRDAI). It was set up as an autonomous body under the IRDA Act, 1999 to protect the interests of the policyholders and work for the orderly growth of the industry. Insurance sector was opened to private players in the Year 2000.

IRDAI Functions:

- Frames regulations for insurance industry under Insurance Act, 1938.
- From the year 2000 has registered new insurance companies in accordance with regulations.
- Monitors insurance sector activities for healthy development of the industry and protection of policyholders’ interests.

2. Insurance Councils

The Insurance Act, 1938 has a provision for setting up a Life Insurance Council and a General Insurance Council. These are advisory bodies to advice and provide inputs to IRDAI and the

Government on different issues. They work through various committees on the issues facing the insurance industry.

3. Insurance Ombudsman

Insurance Ombudsman is a non-judicial authority created by Central Government under "Redressal of Public Grievances Rules 1998".

Third Party Administrators – Health Services:

Third Party Administrators (TPAs) are service providers to insurance companies for processing health insurance claims and offering cashless settlement.

Referral Providers:

A referral entity provides data of its clients to an insurer who wishes to sell policies to them. It does not actually sell the policies.

Web Aggregators:

Web Aggregators compile and provide information about insurance policies of various companies on a website.

Insurance Marketing Firm (IMF):

Insurance Marketing Firm is a new distribution channel to solicit or procure insurance products, to distribute other financial products by employing individuals licensed to market, distribute and service such other financial products.

Insurance Repositories:

Insurance Repositories maintain data of insurance policies in electronic form on behalf of Insurance Companies.

Quiz Questions Module - 2

1. Which among the following is the regulator of Insurance Industry in India?
   - (a) Insurance Authority of India
   - (b) Insurance Regulatory & Development Authority of India
   - (c) Life Insurance Corporation of India
   - (d) Ministry of Finance
2. Which of the following are the functions of IRDAI:
   1. to regulate the rates of premium offered by insurers
   2. to regulate investment of funds by insurance companies
   - (a) 1 only
   - (b) 2 only
   - (c) both are true
   - (d) neither
3. As per IRDAI Regulations which of the following is **not** a function of Third Party Administrators.
   - (a) collection of premium
   - (b) collection of claims documents
   - (c) claims scrutiny and processing
   - (d) claims payment
4. Third Party Administrator's "cashless" services mean:
   - (a) admission to a specified hospital without admission fees payment
   - (b) admission to a specified hospital without deposits
   - (c) discharge from specified hospital without payment of covered expenses of treatment
   - (d) all the above

5. Bancassurance means:
   (a) Banks selling insurance products
   (b) Insured has taken loan from the Bank
   (c) Insured is an employee of a Bank
   (d) Insurer has FD with the Bank
6. POSP can solicits and market:-
   (a) all insurance products
   (b) only certain pre-underwritten products
   (c) only health insurance
   (d) only motor insurance
7. Which of the following is outside the jurisdiction of IRDAI
   (a) LIC of India
   (b) National Insurance Company Limited
   (c) Postal Life Insurance
   (d) Bajaj Allianz Life Insurance Company Limited
8. In India national reinsurer is:
   (a) IRDAI
   (b) GIC
   (c) GIPSA
   (d) LIC
9. An Insurance Agent may be:
   (a) Individual
   (b) Banking Company
   (c) Co-operative Society
   (d) All of the above
10. What is IMF?
   (a) International Monetary Fund
   (b) Indian Mutual Fund
   (c) Insurance Marketing Firm
   (d) Insurance Mutual Fund

MODULE-3 PRINCIPLES AND PRACTICE OF INSURANCE

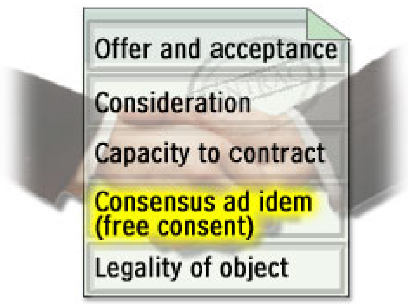
Topics Covered:

1. Offer (Proposal) and Acceptance
2. Consideration (Premium)
3. Insurable Interest - Utmost Good Faith - Indemnity - Subrogation - Contribution - Proximate Cause
4. Proposal Form - Sales Literature - Payment of premium - Section 64VB of Insurance Act - Premium Receipt - Insurance Policy-Endorsements - Warranties - Section 41 of Insurance Act (Rebating)
5. Intimation of claim - appointment of surveyor - survey report - assessment of loss - settlement of loss - discharge voucher - payment of claim

An Insurance Policy is a contract between the insurer and the insured and fulfils the requirements enshrined in the Indian Contract Act, 1872.

Elements of a valid contract:

Offer and Acceptance



Offer is made by the prosper and acceptance is made by the insurer. If any condition is put it becomes a counter offer. The policy bond becomes the evidence of the contract.

Consideration (Premium)

Premium is the consideration from the insured, and the promise to indemnify, is the consideration from the insurer.

Same mind (Consensus ad-idem)—Both insurer and insured must agree on the same thing in the same manner.

Free Consent— There should be free consent while entering into a contract. Consent is said to be free if it is not caused by coercion, undue influence, fraud, misrepresentation or mistake. When consent to an agreement is caused by coercion, fraud or misrepresentation, the agreement is voidable.

Consent is said to be free if it is not caused by:

(a) Coercion — It applies pressure applied through criminal means.
(b) Undue influence—when a person who is able to dominate the will of another uses his position to obtain an undue advantage over the other.
(c) Fraud—when a person induces another to act on a false belief that is caused by a representation he does not believe to be true. It can arise either from deliberate concealment of facts or through misrepresenting them.
(d) Mistake—Error in one's knowledge or belief or interpretation of a thing or event. This can be lead to an error in understanding and agreement about the subject matter of contract.

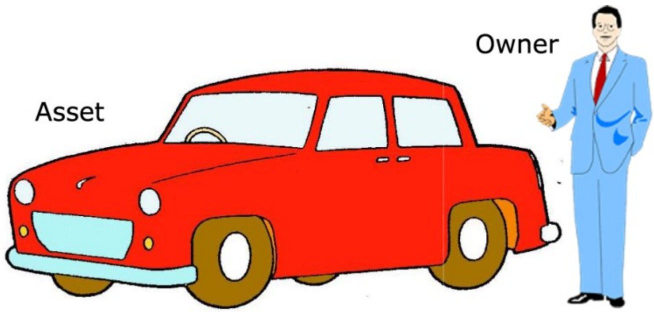
Capacity of the parties — The policyholder should be major and of sound mind and not disqualified under law. Both the parties should be legally competent.

Legality— The object of the contract must be legal.

Special features of Insurance Contracts:

Insurable interest

Insurable interest — is an essential ingredient of every insurance contract and is considered as legal pre-requisite for insurance. It relates to the financial interest in the property to be insured. One's insurable interest can be in self (one life), Spouse's life, Children life and Assets owned.



In life insurance insurable interest must be present at the time of taking the policy. In general insurance insurable interests should be present at the time of taking the policy as well as at the time of claim except for marine cargo policies, where it must be present at the time of loss

Uberrima Fides or Utmost Good Faith

It means every party to the contract must disclose all material facts relating to the subject matter of insurance.

It is defined as involving "a positive duty to voluntarily disclose, accurately and fully, all facts material to the risk being proposed,

whether requested or not." If utmost good faith is not observed by either party, the contract may be avoided by the other.

Material Facts — It has been defined as a fact that would affect the judgment of an insurance underwriter in deciding whether to accept the risk and if so, the rate of premium and the terms and conditions.

Facts that need not be disclosed - It is also held that unless there is a specific enquiry by underwriters, the proposer has no obligation to disclose the following facts:

1. Measures implemented to reduce the risk. *Example:* The presence of a fire extinguisher.
2. Facts which the insured does not know or is unaware of Example: An individual, who suffers from high blood pressure but was unaware about the same at the time of taking the policy, cannot be charged with nondisclosure of this fact.
3. Which could be discovered, by reasonable diligence (Common Knowledge) Example: It is not necessary to disclose every minute material fact. The underwriters must be conscious enough to ask for the same if they require further information.
   It is also held that unless there is a specific enquiry by underwriters, the proposer has no obligation to disclose.

4. **Matters of law:** Everybody is supposed to know the law of the land. Example: Municipal laws about storing of explosives.
5. About which insurer appears to be indifferent (or has waived the need for further information). The insurer cannot later disclaim responsibility on grounds that the answers were incomplete.

Indemnity: The object of the principle of indemnity is to place the insured after a loss in the same financial position, as far as possible, as he occupied immediately before the loss. The effect of the principle is to prevent the insured from making a profit out of his loss.

Subrogation: The principle of subrogation may be defined as the transfer of rights and remedies of the insured to the insurer who has indemnified the insured in respect of the loss.

Contribution: The principle of contribution is defined as the right of insurers who have paid a loss under a policy to recover a proportionate amount from other insurers who are liable for the same loss.

It is important to note that the principles of ‘subrogation‘ and ‘contribution‘ do not apply in personal accident policies as these are not contracts of indemnity

According to IRDAI Health Insurance Regulations 2013, insurers can not insist on contribution clause before settling a claim.

Proximate Cause: ‘Proximate Cause‘refers to the event that proves to be the dominant cause and there is a direct link between it and the resultant loss. Proximate Cause is important because when it comes to establishing the cause of a loss, and whether it is covered under the insurance contract, we need to look at the dominant cause of the loss.

Proposal Form:

The proposal form contains questions designed to elicit all material information about the particular risk proposed for insurance.

- ✓ who he/she is
- ✓ what kind of insurance he/she needs
- ✓ details of what he/she wants to insure and
- ✓ for what period of time
- ✓ details of previous insurance and claims

Details would mean the monetary value of the subject matter of insurance and all material facts connected with the proposed insurance.

The proposal form includes a Declaration where the insured declares that the answers are true and accurate and that he agrees that the proposal form shall be the basis of the insurance contract. Any wrong answer will give the right to the insurer to avoid the contract.

Sales Literature:

As per IRDAI, specific disclosures have to be made in sales literature, especially features like there are two insurers involved, that each risk is distinct from the other, who will settle claims, matters relating to renewability of both or only one of the covers at the option of the insured, servicing facilities etc.

Insurers have also to clearly draw the attention of the policyholder in the policy contract and sales literature that:

(a) All health insurance policies are portable;
(b) Policyholder should initiate action to approach another insurer, to take advantage of portability, well before the renewal date to avoid any break in the policy coverage due to delays in acceptance of the proposal by the other insurer.

IRDAI has cautioned members of the public not to get carried away by unapproved sales presentations being circulated in the market. They may take an informed decision while purchasing a policy, on the basis of proper disclosures by the licensed representatives of the insurer.

Renewal Notice:

Most of the non-life insurance policies are issued on annual basis. There is no legal obligation on the part of insurers to advise the insured that his policy is due to expire on a particular date.

However, as a matter of courtesy and healthy business practice, insurers issue a renewal notice in advance of the date of expiry, inviting renewal of the policy. It is also the practice to include a note advising the insured that he should intimate any material alterations in the risk.

Premium Payment Options:

Non-life policies are generally issued for one year and full premium is to be paid in advance before commencement of risk.

Premium payment to an insurer by a person seeking insurance or by the policyholder may be made in any one or more of the following methods –

1. Cash
2. Any recognised banking negotiable instrument such as cheques, demand drafts, pay order, banker's cheques drawn on any schedule bank in India;
3. Postal money order;
4. Credit or debit cards;
5. Net Banking / E-transfer
6. Direct credits via standing instruction of proposer or the policyholder or the insured through bank transfers;

As per IRDAI Regulations, in case the proposer / policyholder opts for premium payment through net banking or credit / debit card, the payment must be made only through net banking account or credit / debit card issued in the name of such proposer / policyholder.

Section 64VB the Insurance Act, 1938:

No risk to be assumed unless premium is received in advance:—

1. No insurer shall assume any risk in India in respect of any insurance business on which premium is not ordinarily payable outside India unless and until the premium payable is received by him or is guaranteed to be paid by such person in such manner and within such time as may be prescribed or unless and until deposit of such amount as may be prescribed, is made in advance in the prescribed manner.
2. Where the premium is tendered by postal money order or cheque sent by post, the risk may be assumed on the date on which the money order is booked or the cheque is posted, as the case may be.
3. Any refund of premium which may become due to an insured on account of the cancellation of a policy or alteration in its terms and conditions or otherwise shall be paid by the insurer directly to the insured by a crossed or order cheque or by postal money order and a proper receipt shall be obtained by the insurer from the insured, and such refund shall in no case be credited to the account of the agent.
4. Where an insurance agent collects a premium on a policy of insurance on behalf of an insurer, he shall deposit with, or despatch by post to, the insurer, the premium so collected in full without deduction of his commission within twenty-four hours of the collection excluding bank and postal holidays.

Policy Terms and Conditions:

Conditions:
A condition is a provision in an insurance contract which forms the basis of the agreement. Breach of a condition makes the policy voidable at the option of the insurer.

For example –

One of the standard conditions in most insurance policies states –
If the claim be in any respect fraudulent, or if any false declaration be made or used in support thereof or if any fraudulent means or devices are used by the Insured or any one acting on his behalf to obtain any benefit under the policy or if the loss or damage be occasioned by the Wilful Act, or with the connivance of the Insured, all benefits under this policy shall be forfeited.

The Claim Intimation condition in a Health policy may state –
Claim must be filed within certain days from date of discharge from the Hospital. However, waiver of this Condition may be considered in extreme cases of hardship where it is proved to the satisfaction of the Company that under the circumstances in which the insured was placed it was not possible for him or any other person to give such notice or file claim within the prescribed time-limit.

Warranties:

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

Warranty is not a separate document. It is part of the policy document. It is a condition precedent to (which operates prior to other terms of) the contract. It must be observed and complied with strictly and literally, whether or not it is material to the risk.

With a warranty, the insured undertakes certain obligations that need to be complied within a certain period of time and also during the policy period. Liability of the insurer depends on the insured's compliance with these obligations. Warranties play an essential role in managing and improving the risk.

Warranties are meant to limit the liability of the insurer under certain circumstances. Insurers also include warranties in a policy to reduce the hazard.

Endorsement:

Endorsements are meant to effect amendments / changes in policy document. If certain terms and conditions of the policy need to be changed at the time of issuance, it is done by way of endorsement. It is attached to the policy and forms a part of it. The policy and the endorsement together make up the contract.

Endorsements may also be issued during the currency of the policy to record changes / amendments.

Section 41 of Insurance Act, 1938:

Prohibition of Rebates:

(1) No person shall allow or offer to allow, either directly or indirectly, as an inducement to any person to take out or renew or continue an insurance in respect of any kind of risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing or continuing a

policy accept any rebate, except such rebate as may be allowed in accordance with the published prospectuses or tables of the insurer;

(2) Any person making default in complying with the provisions of this section shall be punishable with fine which may extend to five hundred rupees.

Intimation of claim - appointment of surveyor - survey report - assessment of loss - settlement of loss - discharge voucher - payment of claim

Claim Intimation:

When the insured event occurs, a claim for payment of loss arises. While in few policies, there is a specific time limit for intimating the claim, all policies state that intimation be sent to the insurer immediately.

There are two stages of claim settlements:

a) Claims Investigation and
b) Claim Assessment

Investigation tries to determine the validity of the claim whereas assessment is more concerned with the cause and extent of the loss.

Survey Report:

As laid down in the Insurance Act, 1938, if the amount of loss is Rs 20,000/- or more, a licensed Surveyor is to be appointed to assess the loss. Surveyor has to be appointed within 72 hours by the insurance company. Surveyor would visit the site of happening and submit his report to the insurer including therein –

- Cause of loss
- Quantum of the loss
- Comments about policy conditions to be followed
- Comments about admissibility of claim and compliance of terms and conditions of the policy by the insured.

In marine branch, the Surveyor's fee is initially borne by the insured. It is reimbursed if the insurer accepts the claim.

First Information Report (FIR):

First information report is information to police authorities generally regarding –

- Theft, burglary or housebreaking cases
- Major vehicular accident injuring third parties or damaging their properties
- Fire incident involving injuries to any persons or causing major property loss
- Cases involving financial frauds by employees or others cause of loss to the insured
- Death of an individual due to accident

From the insurer's point, FIR is the document which gives information about the intimation of crime, circumstances and likely cause of loss and likely persons involved and approximate value of loss.

Death Certificate and Post Mortem Report:

Death Certificate is required for claim under personal accident and health insurance policies. It is also required in case of cattle or other animal insurances. Death certificate relating to humans is issued by Municipality or Gram Panchayat of the area in which the deceased was residing or died. For cattle and animals, it is issued by a veterinary surgeon treating the animal or who attended it at the time of the death. Post Mortem Report (PMR) is examination of dead body, generally conducted in accidental or doubtful deaths, for testing various organs to find out the cause of death. The post mortem is performed at government or local body's hospital. In case of insurance of animals post mortem report is required, which is conducted by a veterinary surgeon.

Specific Documents in addition the claim form:

Motor Insurance Claims:

- Estimate of repairs, repair bills
- Survey report
- Vehicle documents
- FIR in case of theft of vehicle or injury or damage to a third party/ property

Cattle Insurance claims:

- Death Certificate on insurance company's form.
  In case of death of animal insured under Integrated Rural Development Programme (IRDP) or other similar scheme, death certificate may be issued by Panchayats.
- Post mortem report.
- Ear tag.
- Valuation certificate by veterinary doctor.
- In case of claims for disablement veterinary doctor's certificate with treatment details.

Poultry Insurance:

- Veterinary doctor post mortem report of sample birds
- Daily records of mortality, feeding etc.
- Purchase invoice for birds
- Photographs, medical bills etc.

KYC Documents:

In order to avoid money-laundering, KYC norms are carried out at settlement stage where pay-out amount is more than one lakh. In case where payments are made to service providers such as hospitals/garages/repairers etc. the KYC norms are applied on the customers on whose behalf they act. Documents relevant to KYC are:—

- Proof of Identity – any one out of the specified list for this purpose
- Proof of Residence – any one out of the specified list

For Micro insurance policies, bank passbook or bank statement giving name and residence may be acceptable.

Quiz Questions Module - 3

1. Which among the following is an example of coercion?
   (a) Ramesh signs a contract without having knowledge of the fine print
   (b) Ramesh threatens to kill Mahesh if he does not sign the contract
   (c) Ramesh uses his professional standing to get Mahesh to sign a contract
   (d) Ramesh provides false information to get Mahesh to sign a contract
2. When there is a fraudulent non-disclosure of material facts the insurance contract becomes.
   (a) Voidable
   (b) Void
   (c) Illegal
   (d) Unenforceable
3. The legal right to insure means:
   (a) Consideration
   (b) utmost good faith
   (c) competence to enter into contract
   (d) insurable interest
4. Insurable Interest is not always required at the time of taking of the policy.
   (a) fire insurance
   (b) marine hull insurance
   (c) marine cargo insurance
   (d) burglary insurance
5. Read the two statements below:
   Statement A: The existence of other insurance must be disclosed; Statement B: insurance is an instrument of social security

(a) Both are true
(b) Only A is true
(c) Only B is true
(d) Neither of the two

6. Insurable interest can be created:
   (a) by contract
   (b) by common law
   (c) All
   (d) by statue
7. Which of the following falls under voidable contract?
   (a) Misrepresentation, without malafied intention
   (b) Lack of insurance interest
   (c) Fraud
   (d) None of the above
8. Law of large numbers is worked out by which of the following?
   (a) Pooling of risk
   (b) Maintaining insurable interest
   (c) With utmost good faith
   (d) Randomness
9. Which of the following are material facts? The fact that previous insurers
   (a) had rejected the proposal
   (b) charged extra premium
   (c) had refused to renew the policy
   (d) all three a b and c
10. Which one of the following does not represent an insurable risk?
    (a) Fire
    (b) stolen goods
    (c) Burglary
    (d) loss of goods due to ship capsizing

MODULE-4

POS GENERAL INSURANCE PRODUCTS INCLUDING HEALTH INSURANCE

Topics Covered:

1. POS – General Insurance including Stand - Alone Health Insurance
2. POS – Categories of POS Products and Salient Features of POS Products

Guidelines on Point of Sales Person - Non Life and Health Insurers:
In order to facilitate the growth of insurance business in the country and to enhance insurance penetration and insurance density, the IRDAI as part of its developmental agenda issued guidelines on "Point of Sales Person" on 26th October, 2015.

These guidelines apply to point of sales person and those engaging the "Point of Sales Person".

Every policy sold through the point of sales person is separately identified and prefixed by the name - POS - (Name of Product).
Initially, the Point of Sales Person was authorised to sell the following five (5) pre-underwritten products:

1. Motor Comprehensive Insurance Package Policy for Two-wheeler, private car and commercial vehicles
2. Third Party liability (Act only) Policy for Two-wheeler, private car and commercial vehicles
3. Personal Accident Policy
4. Travel Insurance Policy
5. Home Insurance Policy

Subsequently, the following products have been added to be marketed by the POSP.

1. Crop Insurance with a sum insured limit of Rs.1 lakh per acre for all kinds of crops
2. Hospital cash policy where a fixed benefit in the form of cash for every day of hospitalization with a limit of Rs.1 lakh per individual.
3. Critical illness policy which covers 8-9 critical illnesses with the maximum sum insured limit of Rs.3 lakhs per individual.
4. Pradhan Mantri Fasal Bima Yojana (PMFBY)
5. Weather Based Crop Insurance Scheme (WBCIS)
6. Coconut Palm Insurance Scheme (CPIS)
7. Cattle / Live Stock
8. Agricultural Pump Set Insurance

(There is no cap on sum insured for item no. 4, 5, 6 Government sponsored Crop Insurance Schemes)

Motor Insurance

Must be taken by a vehicle owner of a vehicle plying on public roads whose vehicle is registered in her / his name with the Regional Transport Authority in India;

Under The Motor Vehicles Act, 1988, it is mandatory for every owner of a vehicle plying on public roads, to take an insurance policy, to cover the amount, which the owner becomes legally liable to pay as damages to third parties as a result of accidental death, bodily injury or damage to property.

A certificate of Insurance must be carried in the vehicle as a proof of such insurance.

Third - Party Insurance:

An insurance policy purchased for protection against the legal actions of another party. Purchased by the insured (first party) from an insurance company (second party) for protection against another party's claims (third party) for liability arising out of the action of the insured is called "Liability Insurance" as well as two popular and important types of covers:

Act [Liability] Only Policy:

As per Motor Vehicles Act, it is mandatory for any vehicle plying in public place to insure liabilities towards third parties and passengers in Public Service Vehicle for example: bus, taxi etc.

Package Policy/Comprehensive Policy:

Package Policy/Comprehensive Policy: [own damage + third party liability]. The sum insured of a vehicle in a motor policy is referred to as Insured's Declared Value (IDV).

Rating / premium calculation depends on factors like the insured's declared value, cubic capacity, geographical zone, age of the vehicle etc.

Personal Accident Insurance

If a person dies or is disabled totally or partially his earnings would completely stop or will reduce to a great extent. This will have adverse effect on insured as well as his family. The policy is available –

- For individuals,
- For a family consisting of spouse and dependent children only (NOT PARENTS)

- When a person meets with an accident and sustain bodily injury may result into death, loss of limbs or disability, P.A. policy provides benefits as given in the table here below:

Benefit description	**Claim amount – as % of sum insured**
1. Death	100%
2. Loss of 2 limbs, both eyes, 1 limb and 1 eye	100%
3. Loss of 1 limb or 1 eye	50%
4. Permanent total disablement	100%
5. Permanent partial disablement	% as per type of loss e.g. little finger 4%, thumb 25%, loss of hearing of 1 ear 30%
6. Temporary total disablement	@1% of sum insured per week but not exceeding Rs.5000 per week and for not more than 104 weeks.

The contingencies 1 to 4 above are called Capital Benefits and in the event of any of these losses the claim is paid inclusive of Cumulative Bonus earned; and policy is called back duly discharged for cancellation.

In addition to the above benefits, if death occurs, the insurer provides for the following benefits without charging any extra premium:

- Expenses for carriage of dead body for a fixed amount as stated in the policy

- **Education Fund:** If the insured had minor dependent children upto the age of 25 years a sum of Rs. 5000 per child for maximum 2 children as Education Fund is also paid.

Medical expense reimbursement can also be taken as an add-on benefit with extra premium. The amount payable will be 25% of the admissible claim amount or 10% of the sum insured or actual whichever is lowest.

Exclusions:

(a) Claim for injury or death due to self injury, suicide or attempted suicide

(b) Under the influence of intoxicating liquor or drugs

(c) Participating in hazardous sports

(d) Travelling as crew in an aircraft or as passenger in unscheduled aircraft

(e) Service in armed forces

(f) By venereal disease or insanity or childbirth or pregnancy

(g) War, civil war and similar situations.

Death/Permanent Total Disability/Permanent Partial Disability must occur within 12 months of accident. The policy is 24x7 and covers accident anywhere in the world; but claim is payable in India in Indian currency.

Eligibility:

- The premium is charged on the basis of the occupation of the proposer and the contingencies opted for.
- Eligibility age 5 to 70 years depending upon company to company.
- Policy for a family can also be taken. Family means husband, wife and dependent children. Family discount is given on the premium.

Janata Personal Accident Policy:

The policy is similar to PA above, with following differences:

(a) The minimum sum insured is Rs. 25,000

(b) Maximum Rs, 1,00,000 in multiples of Rs 25,000.

(c) Education Fund and medical expenses are not covered

(d) Cumulative Bonus is not available

(e) The policy can be taken for a maximum of 5 years at a time.

Gramin Personal Accident Policy:

(a) Applicable to all persons residing in rural areas only.

(b) One policy per person. However person having a Gramin Policy may also take one Janata Policy

(c) No medical examination

(d) Age group: 10 to 70 years

Government Schemes:

Sometimes covers are issued by the insurance companies based on schemes drafted by the Government. Pradhan Mantri Suraksha Bima Yojana sum insured Rs.2,00,000. Premium per year Rs. 12 only paid through their bank account. Cover in respect of Death Rs.2,00,000, Loss of 2 limbs, both eyes, 1 limb and 1 eye Rs.2,00,000. Loss of 1 limb or 1 eye Rs.1,00,000. Cover is available for bank account holders. Aadhaar Card is necessary as part of KYC validation. Cover given by nationalized insurance companies and also by other insurance companies who agree to follow applicable rules and regulations for issuance of such covers. Standing instruction could be given to the bank for debiting their account to pay Annual renewal premium.

Overseas Travel Insurance

- The policy is available to persons travelling overseas.
- The cover is for emergency medical treatment that may be needed when on tour.
- Persons between the ages of 5 years to 70 years can be covered. Children from 3 years onward can be covered, if accompanying parents.
- Premium is payable in Rupees but cover is in US dollars. Age and duration of trip are factors deciding the premium.
- The cover given is either worldwide excluding USA and Canada or including USA and Canada.

Coverage:

(a) Medical expense and Repatriation. An excess of US $100 is applicable for each and every claim

(b) Personal Accident US $50000. For children restricted to US $2000. Only death and permanent total disability are covered

(c) Loss of checked baggage. Excess is applicable for the claim

(d) Delay of checked baggage. Delay should exceed 12 hours from scheduled date of arrival at final overseas destination (not applicable to return journey home)

(e) Loss of passport limited amount and subject to an excess for the claim

(f) Personal Liability

The journey must commence within 14 days of the date of commencement of the policy.

Special Conditions:

As this is a medical and PA cover, the terms of Mediclaim and PA apply with following modifications:

(a) The policy is for emergency medical treatment and not for planned hospitalization

(b) In a medical emergency, the claim settling agency mentioned in the policy is to be contacted immediately and assistance sought for the treatment. All other claims to be filed on return to India.

(c) Existing health conditions are not covered. Travel against medical advice is also not covered.

Health Insurance

The Insurance Laws (Amendment) Act, 2015 defines the "health insurance business as contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, whether in-patient or out-patient, travel cover and personal accident cover."

Each insurance company has designed products of its own to meet the customer demand. Uniformity therein may not be possible, but the coverage and main features are similar.

Hospitalization Insurance Policy:

Popularly known as 'Mediclaim', the hospitalization policy covers medical expenses of treatment of in-patients (persons hospitalized for minimum 24 hours) with some additional features.

Coverage:

- Room and board charges
- Consultants', surgeons', anaesthetists' fees, including that of nurses etc.
- Blood transfusion, medicines, lab tests and other investigations
- Operation theatre, anaesthesia, artificial limbs etc.
- Ambulance Charges for a specified amount

Special Features of the Policy:

24 hours hospitalization in the Hospital:

To avail the claim, the insured has to stay in a registered nursing home/ hospital for a minimum of 24 hours.

Day Care Treatment:

There are certain diseases like cataract, dialysis, chemotherapy, radiotherapy etc. the treatment of which does not require 24 hours hospitalization. These come under 'Day care treatment'.

Domiciliary Hospitalization:

According to this feature, the insured can get the claim while being treated at home, provided the following conditions are met;

- The Patient is so critical that he cannot be taken to a hospital
- No bed is available in the hospital where the treating doctor is visiting. However, there is a 'waiting period' of 3 days for this feature.

Pre and Post Hospitalization Charges:

- Pre hospitalization expenses could be in the form of tests, medicines, doctors' fees etc. Such expenses are relevant and pertaining to the hospitalization are covered under the health policies.
- Post hospitalization expenses: After stay in the hospital, in most cases there would be expenses related to recovery and follow-up.

Generally 30 days pre hospitalization and 60 days post hospitalization are covered. However, this may vary from company to company.

Cumulative Bonus:

Cumulative Bonus means an increase in the sum assured granted by the insurer without an associated increase in premium.

It was the practice to provide incentive to clients to renew the policy for which purpose the insurance company would give additional sum insured of 5% free of cost at the time of claim free renewal upto certain maximum say 30% or 50%.

Health Insurance Regulations 2013 provide that insurers may offer cumulative bonus on indemnity based health insurance policies, which shall be stated explicitly in the Prospectus and the Policy document.

If a claim is made in any particular year, the cumulative bonus accrued may be reduced at the same rate at which it is accrued.

Cumulative Bonus is not allowed on benefit based policies.

Who can take the Policy?

- Individuals
- Members of a family on a floater basis (spouse, two children below the age of 25 years and parents)
- Groups: This policy can also be taken by a group owner provided who could be an employer, an association, a bank's credit card division, where a single policy covers the entire group of individuals.

Age Limit:

The eligibility varies from insurer to insurer, from as young as 3 months to 80 years and above. Some companies have no limit for age at entry. All companies have to provide lifelong renewals as per IRDA Regulations.

Exclusions:

1. Pre existing conditions/diseases that the proposer is suffering from even prior to cover being obtained for the first time—(but the exclusion period not to exceed 48 months)
2. 30 days waiting period in general for other than accidents
3. 24 months waiting period for certain specific diseases like cataract, hernia, hydrocele, piles, gout etc.
4. War and allied perils, nuclear weapon /ionizing radiation
5. Plastic /cosmetic surgery unless medically recommended
6. Preventive measures like vaccination inoculation
7. Cost of spectacles, contact lens, hearing aid

8. Dental treatment unless requiring hospitalization
9. Congenital diseases, defects, anomalies
10. Psychiatric psychosomatic disorders
11. HIV/AIDS
12. Participation in hazardous sports
13. Hospitalisation primarily for diagnostic purposes, lab examinations, unrelated to any illness disease requiring hospitalization
14. Pregnancy child birth any complications thereof
15. Naturopathy treatment

This list is only illustrative. Actual exclusions may vary from product to product and company to company.

Critical Illness Policy:

- The policy covers specified dreaded diseases like cancer, kidney failure, stroke, multiple sclerosis, heart valve replacement etc.

- The special feature being that the sum insured is fully paid if during the currency of the policy insured suffers from one of the covered diseases and survives for 30 days after confirmation of existence of such disease, irrespective of actual amount spent on the treatment of the said disease.

- This cover is also given as an add-on cover under hospitalization policy and is also available separately.

- It is a Benefit Policy and not an indemnity policy.

- The waiting period is 90 days from inception of policy for any benefit.

Hospital Daily Cash Benefit:

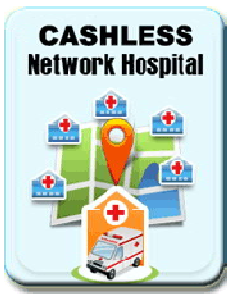
- The policy pays at agreed rate per day of hospitalization, say Rs. 500 or 1,000 or 2,000 per day.
- Upto certain specific number of days say 30 or 60 during a policy period.
- Policy is usually issued as a complementary, to the “hospitalization” type of policy, but could be issued independently also.

Cashless facility provided and smart card is issued.

Portability:

- Portability means transfer of the credit gained by the insured for pre-existing conditions and time bound exclusions if the policy holder chooses to switch from one insurer to another or from one plan of the same insurer, provided the previous policy has been maintained without any break.
- A break in policy occurs when the premium due on a given policy is not paid on or before the premium renewal date or within 30 days thereof.
- Portability ensures that when a policyholder changes his health insurance policy from one insurance company to another, he does not lose the benefits he has accumulated.

Cashless Facility:



Insurance Companies have tie up arrangements with network of hospitals. If a policyholder takes treatment in any of these hospitals, there is no need for the insured person to pay the hospital bills. The insurance company through its Third Party Administrator (TPA) will arrange direct payment to the hospital.

Health insurance of life insurers:

The product is similar with regard to the cover, exclusions and conditions of the Mediclaim Policy the only exception being the cash component is provided for surgeries and illnesses basis.

Free Look Period

As per IRDAI Regulations issued in February 2013, all health insurance policies are required to have a Free Look Period or Cooling Period of 15 days from the date of receipt of policy document.

During this period, if the policyholder has bought a policy and disagrees to any terms and conditions of the policy, he/she can return it and get a refund subject to some deductions for expenses.

Home Insurance Policy

- Home/householder's insurance policy provides coverage on losses incurred to the insured's property from hazards or events named in the policy. The perils covered will be clearly spelt out.
- Home/Householder's insurance covers the house structure and its contents against fire, riots, bursting of pipes, earthquakes

etc. apart from the structure, it covers the contents excluding money against burglary, housebreaking, larceny and theft.

- Methods of fixing the Sum Insured; Market Value (MV) and Reinstatement Value (RIV)

Crop Insurance

Agriculture sector is demographically the most significant and broadest economic sector in India. Even a marginal dip in the agricultural production has trickled down effect on the whole economy. The variation in production is directly affected by many unfavourable conditions such as pest attacks, variations in weather conditions such as rainfall, temperature, humidity, etc. Thus, the need of the hour is to secure the yield and yield-based losses.

Who can take this policy?

- Farmers
- Banks
- Financial Institutions / Companies extending credit facility for Agricultural Operations, whose repayments are affected by yield factors.

What is covered under this policy?

- This policy covers
- Any shortfall in yield resulting due to Natural Fire and lightning, Storm, Hailstorm, cyclone, Typhoon, Tempest,

Hurricane, Tornado, Flood, Inundation, Landslide, Drought, Dry spells, Pests/ Diseases, etc.

- Any loss due to prevented sowing / planting risk due to deficit rainfall or adverse seasonal conditions
- Any post harvest Losses
- Premium chargeable depends on various factors such as the type of crop, location, historical yield data, calamity years in the specified area and the indemnity level of yield crop.
- Claims are paid for loss of average yield due to the risks covered. Crop insurance does not cover fidelity guarantee.

Pradhan Mantri Fasal Bima Yojana (PMFBY):

(Launched 13th January 2016)

This scheme is implemented in association with respective State Governments. The scheme is administered under the Ministry of Agriculture and Farmers Welfare, Government of India.

- There is a uniform premium of only 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial and horticultural crops, the premium to be paid is only 5%.
- The premium rates to be paid by farmers are very low and balance premium will be paid by the Government to provide full insured amount to the farmers against crop loss in any natural calamities.
- There is no upper limit on Government subsidy. Even if balance premium is 90%, it will be borne by the Government.
- Earlier, there was a provision of capping the premium rate which is low claims being paid to farmers. Now this is removed and farmers will get claim against full sum insured without any reduction.

- The use of technology will be encouraged to a great extent. Smart phones, Remote sensing drone and GPS technologies will be used to capture and upload data of crop cutting to reduce the delays in the claim payment.
- Allocation of the scheme presented in budget 2016-2017 is Rs.5,550 crores.
- The insurance plan will be handled under s single insurance company, Agriculture Insurance Company of India (AIC).
- PMFBY is a replacement scheme of National Agriculture Insurance Scheme (NAIS) and Modified National Agriculture Insurance Scheme (MNAIS) and hence exempted from the service tax.

Objectives of the Scheme:

i. to provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests and diseases;
ii. to stabiles the income of farmers to ensure their continuous process in farming;
iii. to encourage farmers to adopt innovative and modern agricultural practices;
iv. to ensure flow of credit to the agriculture sector.

Coverage of Risk:

Following states of the crop and risks leading to crop loss are covered under the scheme.

- **Prevented Sowing / Planting Risk**: insured area is prevented from sowing planting due to deficit rainfall or adverse seasonal conditions;
- **Standing Crop (Sowing to Harvesting)**: comprehensive risk insurance is provided to cover yield losses due to non-preventable risks, viz. drought, dry spells, flood, inundation, pests and diseases, landslides, natural fire and lightening,

storm, hailstorm, cyclone, typhoon, tempest, hurricane and tornado.

- **Post-Harvest Losses**: coverage is available only up to a maximum period of two weeks from harvesting for those crops which are allowed to dry in cut and spread condition in the field after harvesting against specific perils of cyclone and cyclonic rains and unseasonal rains.
- **Localized Calamities**: Loss/damage resulting from occurrence of identified localized risks of hailstorm, landslide and inundation affecting isolated farms in the notified area.

Area Approach Basis:

The scheme shall be implemented on an "Area Approach Basis" (i.e. defined areas) for each notified crop for widespread calamities. The assumption that all the insured farmers, in a Unit of Insurance, should be defined as "Notified Area" for a crop, face similar risk exposures, incur to a large extent, identical cost of production per hectare, earn comparable farm income per hectare, and experience similar extent of crop loss due to the operation of an insured peril, in the notified area. The unit of insurance can be demographically mapped with region having homogenous risk profile for the notified crop.

For risks of localized calamities and post-harvest losses on account of defined peril, the unit of insurance for loss assessment shall be the affected insured field of the individual farmer.

Weather Based Crop Insurance Scheme (WBCIS):

Who can take this policy?

- Farmers
- Banks

- Financial institutions / companies extending credit facility for agricultural/ non agricultural seasonal operations, whose repayments are affected by weather conditions

What is covered under this policy?

Policy covers

- Cost of input - Covers the diminished agricultural output/yield resulting due to deviation from optimum weather requirement of a crop within a specific geo graphical location and specified time period
- Increased operational costs of agricultural or non-agricultural economic activity resulting from deviation of Observed Weather index from Strike index
- Premium chargeable depends on various factors such as the type of crop, location, historical weather data, cost of cultivation in the specified area and the acreage under cultivation

Documents required:

i. Land record document (for the standing crop against which insurance is taken)
ii. Photo ID proof

Coconut Palm Insurance Scheme (CPIS):

1. In collaboration with Coconut Development Board, a comprehensive coconut life insurance product.

2. Insurance based on Named perils leading to death / permanent damage to coconut palm

3. Maximum liability is based on age of coconut palm and discounted future value

Coconut Palm Insurance Scheme is a mechanism for providing effective risk management aid to those growers who are likely to be impacted by non-preventable natural factors, pests & diseases, etc.

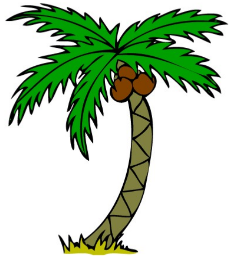
Coverage:

The insurance cover shall cover damage / losses to coconut palm and / or nut yield arising out of non-preventable natural factors.

Insurance of Nut Yield:

The insurance compensates the insured against the likelihood of diminished nut output/ yield resulting from non-preventable natural factors, such as Natural Fire & Lightning, Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Flood, Inundation, Landslide and Pests/Diseases etc.

Insurance of Coconut Palm

The insurance compensates the insured in the event of total loss of the individual palm/tree in the insured plantation from the 4th year to the 60th year. In the first year, a waiting period of three months from the date of transplanting shall apply. The insurance coverage and claim assessment shall be on individual tree basis. The insurance is against perils like Storm, Hail storm, Cyclone, Typhoon, Tornado, Heavy rains, Flood, Inundation, severe Drought, Fire, Lightning, Earthquake, Landslide, Riot, Strike and Pests & Diseases of widespread incidence.

Sum Insured: For section – 1 (nut yield), Sum insured shall vary from Block to Block and is determined by the Guaranteed Yield of the Block multiplied by the previous year's average nut price in the respective district.

For section – 2, Sum insured is based on the average input cost of the plantation according to the age of the plantation.

Premium:

The premium is determined on the basis of variability in the historical Block level nut yield and age of the palm.

Cattle / Live Stock:

The term 'Livestock' refers to the domesticated animals raised in an agricultural setting to produce commodities such as food, fibre and labour. 'Livestock Insurance' includes insurance of cattle, poultry and fisheries etc.

Insurance of animals covered on the similar lines are cattle, sheep & goat, hen, rabbits, camels, horses, elephants etc.

Cattle Insurance: The word "Cattle" refers to:

- Milch cows and buffaloes (2 to 12 years)
- Calves / Heifers
- Stud Bulls
- Bullocks [castrated bulls] and castrated male buffaloes, whether indigenous, exotic or cross-bred

Explanation:-

1. Exotic animal means an animal with both parents of foreign breed. This includes animals born in India as well as those born abroad.
2. Cross-bred animal means an animal with one parent of foreign breed.

Coverage: Only Death of the animal is covered due to Act of God (AOG) Perils (natural calamities), Disease occurring during the Policy period, Surgical operations & Riot and Strike. Theft of the animal is not covered. There is a waiting period of 15 days under the Cattle Policy.

Poultry Insurance:

Poultry means birds like chicken, hen etc. they are categorized as [a] layers [b] broilers [c] parent stock (hatchery). Under Poultry insurance, 'Good Features' discount of 5% is allowed for farms having good features like having own veterinary officer, dead birth disposal system and sophisticated equipments etc.

The insurance is on flock/lot basis and not single bird basis. No identification of individual bird is required.

Insurance is similar to cattle insurance i.e. death is covered due to accident or diseases only.

Exclusions include transport by any means, natural mortality or unknown causes, improper management or overcrowding.

Agricultural Pumpset Insurance

The insurance is for centrifugal pump sets of upto 25 HP (electrical or diesel) of approved makes used for agricultural purpose.

The policy covers loss due to unforeseen and sudden physical damage by the perils of: fire, lightning, riot strike, malicious damage, terrorism, mechanical or electrical breakdown, burglary [by violent forcible entry and provided the pump set is kept in a locked enclosure]

- Claim intimation letter to insurer
- Repair estimate on bills (in case of damage)
- Police Report (in case of burglary)
- Survey report

Quiz Questions Module - 4

1. Which of the below statement is correct with regards to a householder's insurance policy?
   (a) A named peril policy may be purchased as a less expensive alternative to a comprehensive coverage policy that tends to offer coverage to most perils
   (b) A comprehensive policy that tends to offer coverage to most perils; may be purchased as a less expensive alternative to a named peril policy
   (c) A named peril policy or comprehensive policy comes at the same price
   (d) With regards to a householder's policy, only a named peril policy can be bought and comprehensive policies are not available
2. Motor insurance should be taken in whose name?
   (a) In the name of the vehicle owner whose name is registered with Regional Transport Authority
   (b) If the person who will be driving the vehicle is different from the owner, then in the name of the person who will be driving the vehicle, subject to approval from Regional Transport Authority
   (c) In the name of any family member of the vehicle owner, including the vehicle owner, subject to approval from the Regional Transport Authority
   (d) If the person who will be driving the vehicle is different from the owner, then primary policy should be in the name of the vehicle owner and add-on cover in the name of the person who will be driving the vehicle.

3. In householder’s insurance:
   (a) Gold and silver ornaments are covered
   (b) Content’s of one’s shop is covered
   (c) Cars owned by the family are covered
   (d) Parcels sent by post are covered during transit
4. Householder’s insurance covers:
   (a) Only the structure of the home
   (b) Only the Contents of the home
   (c) Both the structure and contents
   (d) Both Structure and contents only when insured is not at home
5. Which of the following does not fall under ‘miscellaneous’ classification of motor vehicles.
   (a) Ambulance
   (b) Mobile dispensaries
   (c) Motorised rickshaws
   (d) Cinema, Film Recording vans
6. Under Motor Vehicles Act, liability under Workmen’s Compensation Act towards which of the following is compulsorily insurable.
   (a) Paid driver of vehicle
   (b) Conductor (public service vehicle)
   (c) Ticket examiner (public service vehicle)
   (d) All the above
7. The liabilities which require compulsory insurance under Motor Vehicles are for death or bodily injury
   (a) of any third party
   (b) of any passenger of a public service vehicle
   (c) damage to any property of a third party
   (d) All the of above

8. Under the Motor Vehicles Act the limit of liability for death or bodily injury of a passenger in a public service vehicle is________________.
   (a) Rs. 25,000
   (b) Rs. 50,000
   (c) Rs. 1,00,000
   (d) Unlimited
9. Under the Motor Vehicles Act, the fixed compensation for death in 'hit and run' motor accident is Rs. _______.
   (a) Rs. 12,500/-
   (b) Rs. 25,000/-
   (c) Rs. 50,000/-
   (d) Rs. 1,00,000/-
10. Personal Accident cover for owner-driver under Liability only Motor Policy applies only if the
   (a) Owner-driver is the registered owner of the insured vehicle.
   (b) Owner-driver is the insured named in the policy.
   (c) Owner-driver holds an effective licence.
   (d) All the above
11. Which of the following is not a "Livestock"?
   (a) cattle
   (b) sheep
   (c) hen
   (d) tractor
12. Which of the following is not covered under cattle insurance?
   (a) floods
   (b) surgical operations
   (c) theft of the animal
   (d) riot and strike

13. Under Agriculture Pump set policy the pump should be of not more than ____________ HP?
    (a) 50
    (b) 75
    (c) 25
    (d) 20
14. Crop Insurance does not cover:
    (a) Hailstorm
    (b) Cyclone
    (c) Flood inundation
    (d) Fidelity guarantee
15. To avail of a claim under a Health Policy ________ hours of hospitalization is a must.
    (a) 24
    (b) 10
    (c) 2
    (d) 3
16. Under a family floater, who among the following generally are not covered?
    (a) Spouse
    (b) Uncle
    (c) Housewife
    (d) Children
17. _____________ is an insured who undergoes treatment after getting admitted in a hospital?
    (a) Inpatient
    (b) Outpatient
    (c) Day patient
    (d) House patient

18. __________ refers to a hospital/health care provider enlisted by an insurer to provide medical services to an insured on payment by a cashless facility?
   (a) day care centre
   (b) network provider
   (c) third party administrator
   (d) domiciliary

19. Which of the following is true in relation to personal accident insurance.
   1. the cover is on a 24-hour basis
   2. the geographical area of cover is India

   (a) 1 is true
   (b) 2 is true
   (c) both are true
   (d) both are false

20. Under critical illness policy which of the following is not specified as critical illness.
   (a) Cancer
   (b) Paralysis
   (c) Tuberculosis
   (d) Parkinson's disease

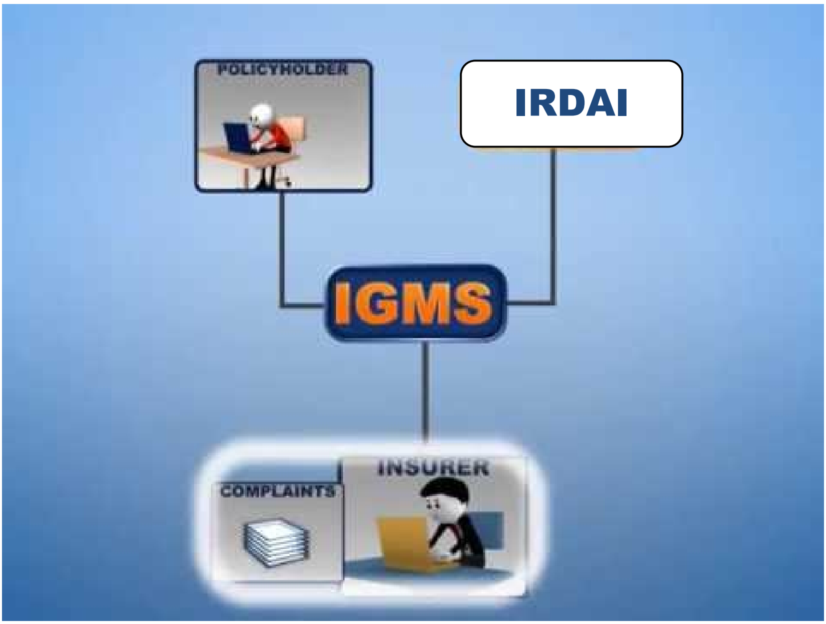
MODULE-5 MISCELLANEOUS

Topics Covered:

1. Grievance Redressal Mechanism
2. Protection of Policyholders' Interest Regulations
3. Anti Money Laundering (AML) /Know Your Customer (KYC)
4. Dos and Don'ts for POS Person

Grievance Redressal Mechanism:

IRDAI's Integrated Grievance Management System (IGMS):



- The System facilitates online registration of policyholders' complaints and helps track status of the complaint at http://www.igms.irda.gov.in/

- The Complaint Registration Process supports registering a new complaint and view status of complaint already register
- Complaints can be made only after having exhausted the complaint mechanism of the insurer.
- IRDAI follows the complaints with the Insurance Company, till the matter is resolved as per laws and rules.

The Consumer Protection Act, 1986:

This Act was passed "to provide for better protection of the interest of consumers and to make provision for the establishment of consumer councils and other authorities for the settlement of consumer's disputes". The Act has been amended by the Consumer Protection (Amendment) Act, 2002.

Consumer Disputes Redressal Agencies:

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

i. District Forum

- The forum has jurisdiction to entertain complaints, where value of the goods or services and the compensation claimed is up to Rs.20 lakhs.
- The District Forum is empowered to send its order/decree for execution to appropriate civil court.

ii. State Commission

- This redressal authority has original, appellate and supervisory jurisdiction.
- It entertains appeals from the District Forum.
- It also has original jurisdiction to entertain complaints where the value of goods/service and compensation, if any claimed exceeds Rs. 20 lakhs but does not exceed Rs. 100 lakhs.
- Other powers and authority are similar to those of the District Forum.

iii. National Commission

- The final authority established under the Act is the National Commission.
- It has original, appellate as well as supervisory jurisdiction.
- It can hear the appeals from the order passed by the State
- Commission and in its original jurisdiction it will entertain disputes, where goods/services and the compensation claimed exceeds Rs.100 lakhs.
- It has supervisory jurisdiction over State Commission.
- All the three agencies have powers of a civil court.

The Insurance Ombudsman:

The Central Government under the powers of the Insurance Act, 1938 made Redressal of Public Grievances Rules, 1998 by a notification published in the official gazette on November 11, 1998. These rules apply to life and non-life insurance, for all personal lines of insurances, that is, insurances taken in an individual capacity.

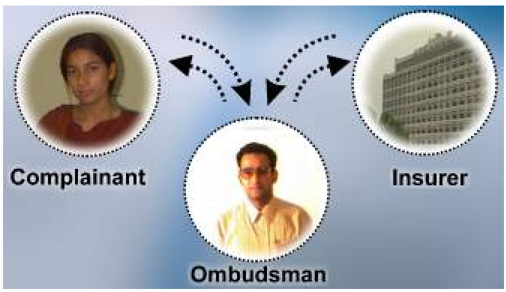
The objective of these rules is to resolve all complaints relating to settlement of claim on the part of the insurance companies in a cost effective, efficient and impartial manner.

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

The decision of the Ombudsman, whether to accept or reject the complaint, is final.

(A) Complaint to the Ombudsman:

Any complaint made to the Ombudsman should be in writing, signed by the insured or his legal heirs, addressed to an Ombudsman within whose jurisdiction, the insurer has a branch/ office, supported by documents, if any, along with an estimate of the nature and extent of loss to the complainant and the relief sought.



Complaints can be made to the Ombudsman if:

i. The complainant had made a previous written representation to the insurance company and the insurance company had:

- Rejected the complaint or
- The complainant had not received any reply within one month after receipt of the complaint by the insurer
- The complainant is not satisfied with the reply given by the insurer

ii. The complaint is made within one year from the date of rejection by the insurance company

iii. The complaint is not pending in any court or consumer forum or in arbitration

(B) Recommendations by the Ombudsman:

There are certain duties/protocols that the Ombudsman is expected to follow:

Recommendations should be made within one month of the receipt of such a complaint. The copies should be sent to both the complainant and the insurance company.

Recommendations have to be accepted in writing by the complainant within 15 days of receipt of such recommendation. A copy of acceptance letter by the insured should be sent to the insurer and his written confirmation sought within 15 days of his receiving such acceptance letter.

(C) Awards by Ombudsman:

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

The awards by Ombudsman are governed by the following rules:

The award should not be more than Rs.20 lakhs (inclusive of ex-gratia payment and other expenses)

The award should be made within a period of 3 months from the date of receipt of such a complaint, and the insured should acknowledge the receipt of the award in full as a final settlement within one month of the receipt of such award

The insurer shall comply with the award and send a written intimation to the Ombudsman within 15 days of the receipt of such acceptance letter.

If the insured does not intimate in writing the acceptance of such award, the insurer may not implement the award.

Protection of Policyholders' Interest Regulations, 2002:

Claims procedure in respect of a general insurance policy is prescribed by Regulations nine (9) as follows:

1. An insured or the claimant shall give notice to the insurer of any loss arising under contract of insurance at the earliest or within such extended time as may be allowed by the insurer. On receipt of such a communication, a general insurer shall respond immediately and give clear indication to the insurer on the procedure that he should follow. In cases where a surveyor has to be appointed, it shall be so

done within **72 hours** of the receipt of intimation from the insured.

2. The surveyor shall communicate his findings to the insurer within **30 days** of his appointment with a copy of the report being furnished to the insured, if he so desires.

3. On receipt of the survey report, an insurer shall within a period of 30 days offer a settlement of the claim to the insured. If the insurer, for any reasons to be recorded in writing and communicated to the insured, decides to reject a claim under the policy, it shall do so within a period of 30 days from the receipt of the survey report.

4. Upon acceptance of an offer of settlement by the insured, the payment of the amount due shall be made within 7 days from the date of acceptance of the offer by the insured. In the cases of delay in the payment, the insurer shall be liable to pay interest at a rate which is 2% above the bank rate prevalent at the beginning of the financial year in which the claim is reviewed by it.

The various aspects of policyholders' servicing are dealt with by Regulation 10 as follows:—

1. An insurer carrying on life or general business, as the case may be, shall at all times, respond within 10 days of the receipt of any communication from its policyholders in all matters, such as—

   - ✓ recording change of address;
   - ✓ issuance of duplicate policy;
   - ✓ issuance of an endorsement under the policy; noting a change of interest or sum assured or perils insured, financial interest of a bank and other interests; and

- ✓ guidance on the procedure for registering a claim and early settlement thereof.

The final regulation under the heading general provides as the requirements of disclosure of 'material information' regarding a proposal or policy apply.

Anti Money Laundering (AML):

Money laundering is the process of bringing illegal money into an economy by hiding its illegal origin so that it appears to be legally acquired. The Government of India launched the PMLA, 2002 to rein in money-laundering activities.

The Prevention of Money Laundering Act (PMLA), 2002 came into effect from 2005 to control money laundering activities and to provide for confiscation of property derived from money-laundering. It mentions money laundering as an offense which is punishable by rigorous imprisonment from three to seven years and fine upto Rs. 5 lakhs.

Each insurer is required to have an AML policy and accordingly file a copy with IRDAI. The AML program should include:

i. Internal policies, procedures and controls
ii. Appointment of a principal compliance officer
iii. Recruitment and training of agents on AML measures
iv. Internal audit/control

Know Your Customer (KYC):

Know your customer is the process used by a business to verify the identity of their clients. Banks and insurers are increasingly demanding their customers provide detailed information to prevent identity theft, financial fraud and money laundering.

The objective of KYC guidelines is to prevent financial institutions from being used by criminal elements for money laundering activities.

Insurers, hence, need to determine the true identity of their customers. Agents should ensure that proposers submit the proposal form along with the following as part of the KYC procedure:

i. Photographs
ii. Age proof
iii. Proof of address–driving license, passport, telephone bill, electricity bill, bank passbook etc.
iv. Proof of identity–driving license, passport, and voter ID card, PAN card, etc.
v. Income proof documents in case of high-value transactions

Illustrative list of Suspicious Transactions:

1. Customer insisting on anonymity, reluctance to provide identifying information, or providing minimal, seemingly fictitious information;
2. Cash based suspicious transactions for payment of premium and top ups over and above Rs.5 lakh per person per month;
3. Frequent free look cancellations by customers;
4. Assignments to unrelated parties without valid consideration;
5. Request for purchase of a policy in amount considered beyond apparent need;
6. Policy from a place where customer does not reside or is not employed;
7. Unusual terminating of policies and refunds;
8. Frequent request for change in address;
9. Borrowing the maximum amount against a policy soon after buying it;

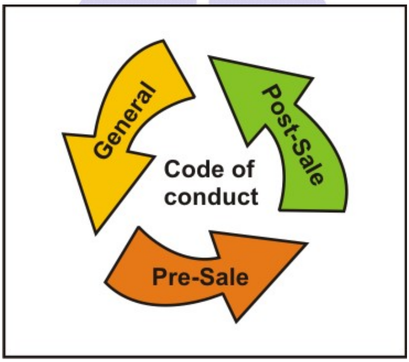
10. Inflated or totally fraudulent claims e.g., by arson or other means causing a fraudulent claim to be made to recover part of the invested illegitimate funds.
11. Overpayment of premiums with a request for a refund of the amount overpaid.
12. Multiple DD each of denomination for less than Rs.50,000/- for payment of premium and top ups over and above Rs.2 lakhs per person per month.
13. Media reports about a customer
14. Information sought by Enforcement agencies;

Vulnerable Features / Products:

- Single premium products-where the money is invested in lump sum and surrendered at the earliest opportunity;
- free look cancellations - especially the big ticket cases;

Do's and Don'ts for POS Person:

Do's for POS Person



i. Identify himself and the insurer/ intermediary whom he represents

ii. Show the appointment letter to the prospect on demand;

iii. Disseminate the requisite information in respect of insurance products offered for sale by his insurer/ intermediary and take into account the needs of the prospect while recommending a specific insurance plan;

iv. Where the POSP represents more than one insurer offering same line of products, he should dispassionately advice the policyholder on the products of all Insurers whom he is representing and the product best suited to the specific needs of the prospect;

v. Disclose the scales of commission in respect of the insurance product offered for sale, if asked by the prospect;

vi. Indicate the premium to be charged by the insurer for the insurance product offered for sale;

vii. Explain to the prospect the nature of information required in the proposal form by the insurer, and also the importance of disclosure of material information in the purchase of an insurance contract;

viii. Bring to the notice of the insurer every fact about the prospect relevant to insurance underwriting, including any adverse habits or income inconsistency of the prospect, within his knowledge in his Report to the insurer/intermediary, and any material fact that may adversely affect the underwriting decision of the insurer as regards acceptance of the proposal, by making all reasonable enquiries about the prospect;

ix. Obtain the requisite documents at the time of filing the proposal form with the insurer; and other documents subsequently asked for by the insurer for completion of the proposal;

x. Advise every prospect to effect nomination under the policy

xi. Inform promptly the prospect about the acceptance or rejection of the proposal by the insurer;

xii. Render necessary assistance and advice to every policyholder introduced through him/her on all policy servicing matters including assignment of policy, change of address or exercise of options under the policy or any other policy service, wherever necessary;

xiii. Render necessary assistance to the policyholders or claimants or beneficiaries in complying with the requirements for settlement of claims by the insurer;

Don'ts for POS Person:

a. POSP has to conduct business with utmost good faith and integrity, with due care and diligence.

b. Identify himself and show the licence if a prospect demands it.

c. He has to provide information about insurance products, on sale. While advising the prospect to purchase a specific insurance policy, he has to take into account needs of the prospect.

d. He has to keep all information given by the prospect, confidential.

e. He has to disclose the commission he earns, if asked by prospect.

f. He has to indicate premium that will be charged.

g. He has to explain the prospect the information and other details, and its importance that will be required for insurance / intermediary.

h. He has to inform insurance company / intermediary about any adverse health conditions, personal habits or income inconsistencies of their prospect in a confidential report, along with every proposal.

i. He has to inform the consequences of non-disclosure and inaccuracies to prospect.

J. He has to communicate promptly to prospect about acceptance / rejection of a proposal.

k. He has to advice policyholder to effect nomination or assignment or change of address or exercise of option, as the case may be, and provide necessary assistance in these matters.

l. He has to provide assistance to the policyholders/ claimants / beneficiaries in submitting requirements for the settlement of claims to the insurance company / intermediary.

m. He has to forward the information received from the policyholder regarding claim or any event likely to cause claim, without delay.

n. He has to communicate the insurance company / intermediary decision regarding claim to the claimant without delay.

o. He has to provide all reasonable assistance to claimant in pursuing the claim.

p. He has to ensure compliance of
   - Section 64-VB of Insurance Act, 1938
   - Section 41 of the Insurance Act, 1938 by the drawing attention of the prospect
   - Anti Money Laundering [AML] and Know Your Customer [KYC] guidelines

Quiz Questions Module - 5

1. Expand the term IGMS:
   (a) Insurance General Management System
   (b) Indian General Management System
   (c) Integrated Grievance Management System
   (d) Intelligent Grievance Management System
2. Which of the below consumer grievance redressal agencies would handle consumer disputes amounting between above Rs.20 lakhs and upto Rs.100 lakhs?
   (a) District Forum
   (b) State Commission
   (c) National Commission
   (d) Zilla Parishad
3. Which among the following cannot form the basis for a valid consumer complaint?
   (a) Shopkeeper charging a price above the MRP for a product
   (b) Shopkeeper not advising the customer on the best product in a category
   (c) Allergy warning not provided on a drug bottle
   (d) Faulty products
4. Which of the below statement is correct with regards to the territorial jurisdiction of the insurance Ombudsman?
   (a) Insurance ombudsman has national jurisdiction
   (b) Insurance ombudsman has state jurisdiction
   (c) Insurance ombudsman has district jurisdiction
   (d) Insurance ombudsman operates only within the specified territorial limits

5. How is the complaint to be launched with an insurance Ombudsman?
   (a) The complaint is to be made in writing
   (b) The complaint is to be made orally over the phone
   (c) The complaint is to be made orally in a face to face manner
   (d) The complaint is to be made through newspaper advertisement
6. What is the time limit for approaching an insurance Ombudsman?
   (a) Within two years of rejection of the complaint by the insurer
   (b) Within three years of rejection of the complaint by the insurer
   (c) Within one year of rejection of the complaint by the insurer
   (d) Within one month of rejection of the complaint by the insurer
7. Which of the below will be the most appropriate option for a customer to lodge an insurance policy related complaint?
   (a) Police
   (b) Supreme court
   (c) Insurance ombudsman
   (d) District court
8. Which among the following is not a pre-requisite for launching a complaint with the Ombudsman?
   (a) The complaint must be by an individual on a 'personal lines' insurance
   (b) The complaint must be lodged within 1 year of the insurer rejecting the complaint
   (c) Complainant has to approach a consumer forum prior to the ombudsman
   (d) The total relief sought must be within an amount of Rs.20 lakhs

9. Are there any fee/ charges that need to be paid for lodging the complaint with the Ombudsman?
   (a) A fee of Rs.100 needs to be paid
   (b) No fee or charges need to be paid
   (c) 20% of the relief sought must be paid as fee
   (d) 10% of the relief sought must be paid as free
10. Can a complaint be launched against a private insurer?
   (a) Complaints can be launched against public insurers only
   (b) Yes, complaint can be launched against private insurers
   (c) Complaint can be launched against private insurers only in the life sector
   (d) Complaint can be launched against private insurers only in the non-life sector
11. As per the Consumer Protection Act, 1986 who cannot be classified as a consumer?
   (a) hires goods / services for personal use
   (b) a person who buys goods for resale purpose
   (c) buys goods and services for a consideration and uses them
   (d) uses the services of another for a consideration
12. A customer having complaint regarding his insurance policy can approach IRDAI through
   (a) District Consumer
   (b) Forum
   (c) Ombudsman
   (d) IGMS
13. Consumer Protection Act deals with:
   (a) Complaint against insurance companies only
   (b) Complaint against shopkeepers only
   (c) Complaint against brand only
   (d) Complaint against insurance companies, brand and shopkeepers

14. The ___________ has jurisdiction to entertain matters where value of goods or services and the compensation claim is up to 20 lakhs.
    (a) High Court
    (b) District Forum
    (c) State Commission
    (d) National Commission
15. Money Laundering is a process by which:
    (a) Criminals disguise the illegal origin of their money
    (b) Dirty currency notes are cleaned
    (c) Paying of tax is avoided
    (d) Non-convertible currencies are changed to convertible currencies
16. As per IRDAI Regulations a surveyor has to be appointed within ____________ hours / days of receipt of claim intimation from the insured.
    (a) 24 hours
    (b) 72 hours
    (c) 7 days
    (d) 15 days
17. As per IRDAI Regulations Surveyor shall submit the survey report within ______ days of his appointment.
    (a) 15 days
    (b) 30 days
    (c) 45 days
    (d) 60 days
18. Insurer shall, within a period of ______ days of receipt of survey report, offer a settlement of claim to the insured.
    (a) 15 days
    (b) 30 days
    (c) 45 days
    (d) 60 days

19. On acceptance of offer of settlement by the insured, insurer shall make the payment within _____ days from the date of acceptance of offer.
    (a) 7 days
    (b) 10 days
    (c) 15 days
    (d) 30 days
20. An insurer shall respond within ______ days of receipt of communication from policyholders in matters of servicing under the policy.
    (a) 3 days
    (b) 7 days
    (c) 10 days
    (d) 15 days

QUIZ ANSWERS

Module - 1

1	2	3	4	5	6	7	8	9	10
[b]	[d]	[a]	[d]	[d]	[c]	[b]	[b]	[a]	[b]

Module - 2

1	2	3	4	5	6	7	8	9	10
[b]	[c]	[a]	[d]	[a]	[b]	[c]	[b]	[d]	[c]

Module - 3

1	2	3	4	5	6	7	8	9	10
[b]	[b]	[d]	[c]	[a]	[b]	[a]	[a]	[d]	[b]

Module - 4

1	2	3	4	5	6	7	8	9	10
[a]	[a]	[a]	[c]	[c]	[d]	[d]	[d]	[b]	[d]
11	12	13	14	15	16	17	18	19	20
[d]	[c]	[c]	[d]	[a]	[b]	[a]	[b]	[a]	[c]

Module - 5

1	2	3	4	5	6	7	8	9	10
[c]	[b]	[b]	[d]	[a]	[c]	[c]	[c]	[b]	[b]
11	12	13	14	15	16	17	18	19	20
[b]	[d]	[d]	[b]	[a]	[b]	[b]	[b]	[a]	[c]