

# ***Insurance Sem. I Summary***

## **Unit I Introduction to Insurance**

### **Meaning of Insurance:**

Insurance is a scheme - It is a contract - Insurance is a social fund.

### **Nature or characteristics of insurance:**

1. Cooperative device
2. Sharing of Risks
3. Contract of security
4. Valuation of risk
5. Payment of Claim
6. Contingent contract
7. Not a wagering contract
8. Large number of persons involved
9. Insurance is a business
10. Provision for old age
11. Provision against death

### **Need and significance of insurance (Role or Importance of Insurance):**

#### **I Economic and Commercial Significance of Insurance:**

1. Insurance encourages savings
2. Insurance promotes the development of trade and industry
3. Increase in the efficiency of business
4. Generation of employment
5. Development of Infrastructure
6. Development of agriculture
7. Increase in the exports
8. Accelerates the economic development
9. Indemnification of Key Personnel

#### **II Social significance of Insurance:**

1. Insurance provides the satisfaction and comfort to the people:
  2. Security from unexpected death
  3. Provision for old age
  4. Respectful life
  5. Provision for the personal responsibilities
  6. Increase in labor welfare:
1. **Social Security tool of Government:** Life Insurance Corporation of India helps the government to promote the social welfare of masses through the various schemes mentioned below:
    - i) Social Insurance
    - ii) Social Security Group Insurance Scheme
    - iii) Rural Group Life Insurance Scheme
    - iv) Jan Shree Bima Yojana
    - v) Swarna Jayanti Gram Swarojgar Yojana
    - vi) Krishi Shramik Samajik Suraksha Yojana
    - vii) Shiksha Sahayog Yojana

## **Unit II - Insurance Contract**

According to the Indian Contract Act (Section 10) *“A Contract is an agreement made by the free consent of the parties competent to contract, for a lawful consideration and with a lawful object and which are not declared to be void”*. As per this definition a valid contract needs the following features: 1) An agreement 2) Proposal and acceptance 3) Free consent of parties 4) Parties competent to contract 5) Lawful consideration 6) Lawful object and 7) Not declared as void.

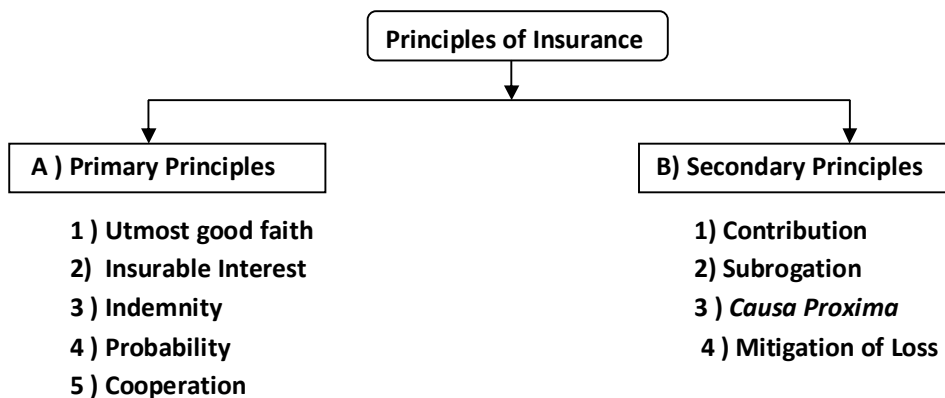
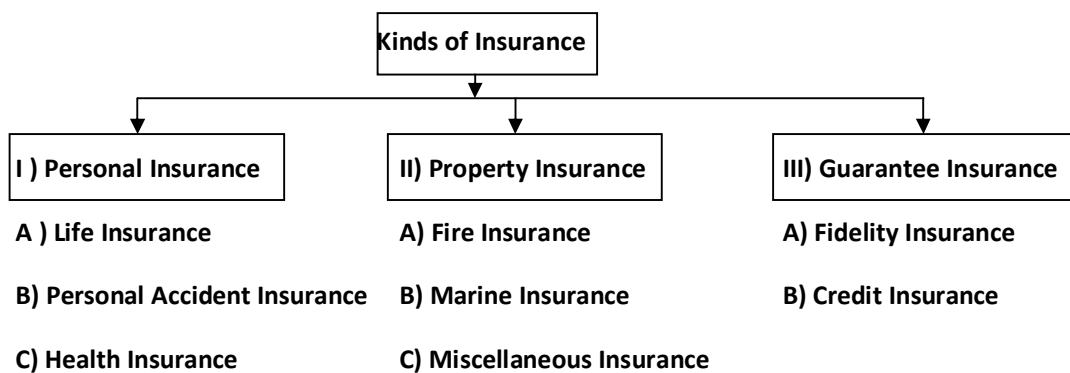
As per the above definition insurance is a contract as it has the following features:

1. **Written Agreement**
2. **Competency of parties**
3. **Consideration**
4. **Lawful object**
5. **Agreement not declared void**
6. **Free Consent**

**Difference between Insurance and wagering contract:**

1. **Meaning**
2. **Insurable interest**
3. **Objective**
4. **Enforcement by law**
5. **Scientific base**
6. **Consideration**
7. **Risk Involved**
8. **Utmost good faith**

**Types of Insurance or kinds of insurance:**



## **Unit III Life Insurance**

**Meaning of Life Insurance:** *“Life Insurance is an agreement according to which the insurance company in return of premium paid regularly agrees to pay the sum assured either on death of insured or on maturity of policy whichever is earlier to the beneficiary of the policy”*

**Security plan and Investment plan- Provision for old age and future responsibilities**

## Features of Life Insurance:

1. Contract
2. Promise to pay a sum
3. Consideration
4. Payment of sum assured
5. Not a contract of indemnity
6. Life Assurance
7. Principles:

## Importance or Significance of Life Insurance:

- A) From Individual Point of View:** 1. Protection to family 2. Savings for old age 3. Encourages savings habit 4. Provision for future responsibilities 5. Provides peace of mind: 6. Tax Relief 7. Protection against creditors: 8. Loan facility
- B) Importance of Life Insurance to business:** 1. Business Continuation 2. Insurance of Key Men 3. Increase in labor welfare 4. Contributes the economic growth 5. Increase in the business reputation

### Procedure for taking Life Policy

1. Selection of Insurance Company
2. Filling in Proposal Form
3. Proof of Age
4. Medical Examination
5. Confidential Report of Agent
6. Scrutiny of Proposal
7. Acceptance of Proposal
8. Payment of Premium
9. Issue of Policy

## Life Insurance Policy – Conditions

1. Commencement of Risk:
2. Days of Grace:
3. Revival of lapsed policy:
4. Suicide Clause
5. Paid up value
6. Nomination
7. Assignment:
8. Surrender Value:

## Settlement of Life Insurance Claim – Procedure

- (I) Settlement of Claim on Maturity :** 1. Pr-intimation to Policy holder: 2. Proof of Age 3. Discharge form: 4. Payment of claim:
- (II) Procedure of Settling Death Claim:** 1. Intimation of death 2. Completion of Documents: a) Insurance Policy b) Proof of age c) Claimant's statement about the cause of death, nature of last illness, treatment given, burial or cremation etc. d) Extract of death from local authority e) Proof of the title of claimant f) Discharge form duly completed g) Assignment deed 3. **Payment of Claim**

## Unit IV- Life insurance Agent

**Meaning of Insurance Agent:** Life insurance agent is a person who is authorized under license issued by Life Insurance Corporation to act as an agent on its behalf. He has to work as per the guidelines of LIC and follow its code of conduct. His main duty is to explain the various schemes of LIC to the customers motivate and guide them in selecting the proper policy. He receives commission and other remuneration for doing the work of selling the policies to the people, continuance, renewal and revival of policies.

## **Appointment of Life Insurance Agent:**

**(i) Qualification of Agents:** 1. Citizen of India 2. At least 18 years of age 3. At least 10<sup>th</sup> pass for small place with population below 5000 and at least 12<sup>th</sup> pass for big place 4. Complete a training program of at least 100 hours for working as LIC Agent or GIC agent and 150 hours if he has to work for both LIC and GIC.

**(ii) Disqualifications:** A person cannot become an insurance agent :

(i) If he is of unsound mind or (ii) if he is found guilty misappropriation, fraud, cheating, or breach of trust,

## **Procedure of becoming an Agent:**

1. Contact with LIC
2. Application for agency
3. Scrutiny and selection
4. Interview
5. Training
6. License and induction

## **Commission Structure of LIC Agents (Compensation or Remuneration to Agents) :**

1. Authorized Agent
2. Minimum Business
3. Commission
4. Permanent Commission

## **Code of conduct for Agents: Or Functions of Insurance Agent**

1. Give Introduction: Show License 2. Provide necessary information 3. Disclose premium and commission 4. Fill the correct information in the proposal form 5. Collect confidential information 6. Obtain the documents 7. Help in assignment of policy 8. Advise for nomination 9. Help in settlement of claim

Acts not to be done by an agent: 1. Business without license 2. Inducement to conceal important information 3. Inducement to give false information 4. Signatures on the blank form 5. Interference 6. Offering different terms to customers 7. Improper behavior with customer