BANKING AND INSURANCE

UNIT 5

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LIFE INSURANCE

A life insurance policy is essentially a contract between an individual and an insurance provider, where the company promises to pay a specified amount of money to the family or beneficiary of the individual, in return for regular payments over a period of time. These payments are known as premium and are usually paid on an annual basis. The individual who buys the insurance is known as the policy holder. Life insurance assures lump sum amount to be paid to the family if the policyholder passes away unexpectedly. Though money cannot make up the loss, it ensures no financial hiccups to the family even after the demise of the breadwinner.

The life insurance policy provides with the much-needed cover against risk and offers you opportunities to grow your savings. It is also an effective tool that enables you to save for future expenses that may occur, such as the higher education or marriage of children. Life insurance has meaning especially for those with minor children, children with special needs, those who wish to secure the financial future of their family or wish to build savings over the long term. It is best to buy a policy early, since the premium amount rises with age and if the individual is a smoker or has pre-existing medical conditions

Principles of Life Insurance

In India, we follow four basic principles of life insurance.

1. Insurable Interest: This principle has been put in place to protect insurance policies against any kind of misuse. It refers to the level of interest that the potential policy holder is estimated to have in the life insurance policy. This interest could be in the form of a personal relationship, family bond, etc. Based on this interest level, the insurance company approves or rejects the individual's application for a policy.

2. Minimal Risk: Any company that provides life insurance is taking on some level of risk, since they would need to pay the assured sum at some point of time. Therefore, the company would prefer to keep the level of risk as low as possible. To ensure this, the insurer might

check the applicant's medical status, smoking habits, etc. In addition, they might expect the policy holder to take good care of their health.

3. Good Faith: As mentioned earlier, a life insurance policy is essentially a contract between the insurer and the policy holder. This contract is entered into on good faith that both parties are providing accurate relevant information, without hiding anything. If any information is withheld, it could lead to serious consequences. For instance, if the insurance provider discovers that the policy holder had a pre-existing heart condition but did not divulge the fact at the time of policy purchase, they could reject the claim made by the beneficiary, following the demise of the policy holder.

4. Law of Large Numbers: This is a key principle of life insurance, which is based on a statistical theorem that states that with larger numbers, fluctuations tend to average out. This essentially means that since life insurance is a long-term investment, the losses and gains will average out over time, minimizing the risks for the policy holder

Benefits of life insurance

Here are some of the benefits of life insurance:-

• **Tax benefits:–** Enrolling for a life insurance policy can guarantee you tax benefits. The premiums you pay towards the policy make you eligible for tax exemptions of up to ₹1.5 lakhs of your taxable income, under Section 80C of the Income Tax Act. The death benefits are also fully tax exempt, under Section 10(10)D of the ITA.

• **Guarantee of fix returns:-** Life insurance policies guarantee that you get a fixed amount after a fixed timeline. You need to go through the structure of different life insurance products. Read through the structure and terms and conditions of different life insurance products to choose a policy that best suits your needs. Whatever you choose, you can rest assured that the promised death benefits will be disbursed to the beneficiary, if the information provided by you at the time of enrolling for the policy was accurate.

• **Risk mitigation and coverage:-** These policies provide the quintessential risk coverage in terms of monetary compensations to mitigate and cover risks after the policyholder's death. By enrolling for life insurance, you are protecting your family against financial risks that would occur if the primary breadwinner meets an untimely death.

• **Provision for loan:-** Certain policies provide the option of loan and allow to borrow a sum of money. This means that if you need to take on a loan, for instance, to fund the education or marriage of a child, you can use the life insurance policy as collateral.

• **Health expense coverage:-** Most of these policies cover the health and treatment expense that may occur, if the policy holder falls ill. You can also choose riders to increase the coverage of the insurance policy to protect your finances even while you are alive.

Life insurance contract terms and conditions

- **Indisputable Clause:** Your insurance company is entitled, usually during the first two years of the policy, to challenge the validity of your policy in case you hide any information from the insurer. If you are found guilty of concealment, your insurer could void the policy and return the premiums.
- **Suicide Provision:** The suicide clause in your policy specifies that the insurance company will not pay you the sum assured if the insured attempts or commits suicide within a specified period from the beginning of the coverage.
- **Reinstatement Clause:** If your policy has lapsed due to non-payment of premium, you can revive it by paying all the past outstanding premiums along with interest. However, you need to prove to your insurer that you continue to enjoy good health to qualify for this provision.
- **Settlement options:** You have the provision to collect the settlement proceeds as per the options offered by your company.
- **Excluded Risks:** Depending on the policy, death under circumstances like war or an aviation accident may or may not be covered.
- **Grace Period:** There are times when you are unable to pay premiums due to a financial crunch. Your insurance company provides a grace period within which you can make the necessary monetary arrangements and pay your premiums.

TRADITIONAL LIFE INSURANCE

Traditional products are low-risk insurance covers that offer guaranteed maturity returns for policyholders. These policies typically invest in bonds and other low-risk investment instruments to provide guaranteed maturity proceeds for policyholders. Some of the examples of traditional life insurance products include endowment policies, whole life insurance policies, retirement plans, money back plans, etc. Even term plans can be considered as traditional life insurance product as it offers pure life insurance coverage. These are called traditional plans because they are the conventional forms of life insurance covers that have been in existence for a long time.

Traditional life insurance policies can be further divided into participating and non-participating life insurance covers. Participating policies carry a certain level of uncertainty due to the nature of their investments. However, the risk associated with these policies is lower than that of non-traditional plans like ULIPs. Non-participating plans, on the other hand, do not carry any kind of uncertainty. These policies offer guaranteed maturity proceeds along with additional bonuses and profits.

NON-TRADITIONAL LIFE INSURANCE POLICIES

One of the major aspects of non-traditional life insurance coverage is the combination of insurance and investment under one single policy. These policies offer both components and appeal to customers who have the appetite for high-risk coverage. These plans invest in the market and there is a certain level of uncertainty associated with them. Due to the high-risk nature of these plans, there is a potential to earn higher returns from these plans as well. ULIPs are the most common form of non-traditional policies, and they are relatively new compared to other types of life insurance products. Most of the top companies in the market provide ULIPs to customers who look for high-risk, high-return insurance plans.

Compared to other insurance products, ULIPs have various flexible options for policyholders. For instance, policyholders can decide what types of investments can be made with their fund based on the level of risk they are willing to take. This is not possible in other life insurance products available in the market. Insurance companies in the market offer different types of ULIPs based on the specific requirements of policyholders.

Traditional Vs non-traditional life insurance policies

Features	Traditional plans	Non-traditional plans
Type of coverage	They are low-risk plans that offer insurance coverage and guaranteed maturity benefits.	They are high-risk plans that offer a combination of insurance as well as investment.
Maturity proceeds	The maturity proceeds are fixed at the predetermined sum assured amount. Additional bonuses and profits may vary from plan to plan.	The maturity proceeds are variable and they cannot be predetermined by the company. Any fluctuations in the market will have an impact on the fund value of these plans.

Flexibility	Investors cannot choose the specific funds in which their money is invested. Companies disclose the investment plan in the policy document and investments are made as per the company's discretion.	Investors can choose the avenues in which they can invest their funds. Based on their risk profile, investors can choose among debt, equity, or hybrid instruments in the market.
Transparency	Tracking individual portfolio is not possible in traditional plans. The accumulated fund value will be disclosed only at the end of the maturity term.	Investors can track and make changes to their portfolio anytime they want. If there are any fluctuations in the market, investors can transfer funds accordingly and prevent any losses to their funds.
Switching facility	Since investors do not have any control over the investments made under these plans, they cannot switch from one fund to another.	Since investors are allowed to track their funds, they can switch from one fund to another anytime.
Withdrawal	No partial withdrawal is allowed till the end of the lock-in period. The minimum policy term for most traditional policies is five years.	Most plans allow for partial withdrawal as long as the fund value does not drop below a certain minimum value.
Surrender	Endowment policies can be surrendered after three years of continuous premium payment. The surrender value obtained may differ based on the fund value and charges.	After the initial lock-in period, these plans can be surrendered anytime and the full fund value can be obtained by policyholders.

Different Types of Life Insurance Policies in India

Term Plan – pure risk cover

Unit linked insurance plan (ULIP) – Insurance + Investment opportunity

Endowment Plan – Insurance + Savings

Money Back – Periodic returns with insurance cover

Whole Life Insurance – Life coverage to the life assured for whole life

Child's Plan – For fulfilling your child's life goals like education, marriage, etc.

Retirement Plan - Plan your retirement and retire gracefully

1. Term Life Insurance

Term insurance is the simplest form of life insurance plan. Easy to understand and affordable to buy. A term insurance provides death risk cover for a specified period. In case the life assured passes away during the policy period, the life insurance company pays the death benefit to the nominee. It is a pure risk cover plan that offers high coverage at low premiums. There's an option to add riders to widen up the coverage. The death benefit is payable as lump sum, monthly pay-outs, or a combination of both. There's no pay-out if the life assured outlives the policy term. However, these days there are companies offering Term Plans with Return of Premiums (TROPS), where insurance companies payback all the paid premium amount in case the life assured outlives the term period. But, such plans are costlier than the vanilla term insurance plan.

Example: An individual non-smoker male who is looking for a term life plan of Rs.1 crore cover, will cost him approximately Rs.6, 800 to Rs.10, 500 per year.

AGE	TERM	SUM ASSURED	ANNUAL PREMIUM RANGE
25 years	40 years	Rs.1 Crore	Rs.6,800 – Rs.10,500

Best known for: High sum assured (coverage) at a low premium.

Benefit of Term Plan: In case of an untimely death of the breadwinner, family is supported with an enormous amount of money – sum assured, which helps them to replace the loss of the income caused due to the breadwinner's death. Moreover, the money could be utilized to pay off loan, monthly household expenses, child's education, child's marriage, etc.

2. Unit Linked Plans (ULIPs)

A unit linked plan is a comprehensive combination of insurance and investment. The premium paid towards ULIP is partly used as a risk cover (insurance) and partly is invested in funds. One can invest in different funds offered by the insurance company depending on his risk appetite. The insurance company then invests the accumulated amount in the capital market i.e. in bonds, equities, debts, market funds, or a hybrid funds...

Example:

TERM	SUM ASSURED	ANNUAL PREMIUM	FUND VALUE
20 years	Rs.2 lakh	Rs.20,000	Depending on the fund value at the time of maturity.

Best known for: Long-term investment option with much more flexibility to invest.

Benefit of ULIP: Invest money as per your risk appetite. You have the option to invest either in equity, debt or in hybrid funds through the life insurance company with complete transparency.

3. Endowment Plans

Endowment plan is another type of life insurance plan, which is a combination of insurance and saving. A certain amount is kept for life cover – insurance, while the rest is invested by the life insurance company. In an endowment plan, if the life assured outlives the policy term, the insurance company offers him the maturity benefit. Moreover, Endowment Plans may offer bonuses periodically, which are paid either on maturity or to the nominee under death claim. On death, the death benefit is payable to the nominee. Endowment plans are also commonly known as traditional life insurance, although, there is an investment component but the risk is lower than the other investment products and so are the returns.

Example:

TERM	SUM ASSURED	ANNUAL PREMIUM RANGE	BONUS
30 years	Rs.10 lakh	Rs.20,000 – Rs.25,000	Depending on the Bonus at the time of maturity.

Best known for: Long-term saving option for people with much lower risk appetite for investment.

Benefit of Endowment Plan: Long-term financial planning and an opportunity to earn returns on maturity.

4. Money Back Life Insurance

Money back plan is a unique type of life insurance policy, wherein a percentage of the sum assured is paid back to the insured on periodic intervals as survival benefit. Money back plans are also eligible to receive the bonuses declared by the company from time to time. This way, policyholder can meet short-term financial goals.

Example:

TERM	SUM ASSURED	ANNUAL PREMIUM RANGE	PERIODIC RETURNS	MATURITY BENEFIT
20 years	Rs.5 lakh	Rs.20,000 – Rs.25,000	A percentage of Sum Assured paid on regular intervals	Accrued bonuses/Guaranteed Money Back + Coverage

Best known for: Short-term investment product to meet short-term financial goals.

Benefit of Money Back Plan: Short-term financial planning and an opportunity to earn returns on maturity.

5. Whole Life Insurance

A whole life insurance policy covers the life assured for whole life, or in some cases, up to the age of 100 years. Unlike, term plans, which are for a specified term. The sum assured or the coverage is decided at the time of policy purchase and is paid to the nominee at the time of death claim of the life assured along with bonuses if any. However, if the life assured outlives the age of 100 years, the insurance company pays the matured endowment coverage to the life insured. The premiums are higher as compared to term plans. Whole life insurance plans also offer partial withdrawals after completion of premium payment term.

PREMIUM PAYING TERM	SUM ASSURED (WITH GUARANTEED MATURITY SUM ASSURED)	ANNUAL PREMIUM RANGE	MATURITY BENEFIT
20 years	Rs.3 lakh	Rs.10,000-Rs.15,000	Guaranteed Sum Assured + non-guaranteed bonus (if any) + non-guaranteed terminal bonus (if any)

Best known for: Life coverage for whole life.

Benefit of Whole Life Plan: Lifelong protection to the insured and an opportunity to leave behind a legacy for heirs.

6. Child Plan

Child plan helps to build corpus for child's future growth. Child plans help to build funds for child's education and marriage. Most of the Child Plan provides annual instalments or one time pay-out after the age of 18 years. In case of an unfortunate event, the insured parent passes away during the policy term - immediate payment is payable by the insurance company. Some child plans waive off the future premiums on death of the life insured and the policy continues till maturity.

TERM	SUM ASSURED	ANNUAL PREMIUM RANGE	PERIODIC RETURNS	MATURITY BENEFIT
20 years	Rs.18 lakh	Rs.1 lakh	Lump sum pay-outs on regular interval	Maturity benefit + guaranteed returns + non-guaranteed accumulated bonus (if any)

Best known for: Building funds for your child's future.
Benefit of Child Plan: Helps in fulfilling your child's dream.

7. Retirement Plan

Retirement plan helps to build corpus for your retirement. Helping you to live independently financially and without worries. Most of the child plans provide annual instalments or one time pay-out after the age of 60 years. In case of an unfortunate event, life assured passes away during the policy term - immediate payment is payable to the nominee by the insurance company. Death benefit will be higher of coverage or fund value or 105% of premiums paid. Vesting Benefit will be payable if the life assured survives the maturity age. In which case, pay-out will be fund value which has to be utilized for buying an annuity.

Best known for: Long-term savings and retirement planning.
Benefit of Retirement Plan: Helps in building corpus for retirement.

8. Group Insurance Plan

A group life insurance policy covers a group of people inside a single plan. Unlike individual life insurance policies, which cover one person for a period, group insurance covers a minimum of 10 members. Employers, banks, corporates, and other homogeneous groups of persons can buy group Life Insurance policies for their employees and customers. While employers would want to offer financial protection to their employees' families banks and lending institutions aim to keep the debt off the borrowers' family after their death.
a) The plan under which the group is covered is called the Master Plan.
b) The policy is issued to the manager of the group (master) but will remain in the name of the group only.
For example, Ram is the manager of a firm, to protect his employees, he has taken a group insurance policy. Now the policy will be issued to Ram in the name of the firm.

PENSION FUNDS

Pension funds are financial tools that help you in accumulating funds for your post-retirement years. By investing a certain amount regularly towards your pension fund, you will build up a considerable sum in a phase-by-phase manner. They generally have two stages–
Accumulation stage: You pay a specific amount regularly until you retire.

Vesting stage: Once you retire, you get a steady flow of income for life.

Types of Pension funds in India

1. NPS

The government of India introduced the National Pension Scheme (NPS) as a financial cushion for retired persons. Some of its features are as follows:

- You have to invest in this scheme until 60 years of age.
- The least sum you must invest is ₹ 1000/-. There is no upper limit.
- Your money will be invested in debt and equity funds based on your preference.
- The returns depend on the performance of the funds you choose.
- When you retire, you can withdraw 60% of your savings.
- You must use the remaining 40% to buy an annuity – a retirement plan offering periodic income.

2. Public Provident Fund (PPF)

PPF is a long-term investment scheme with a 15 years tenure. Thus, the impact of compounding is enormous, especially towards the end of the term.

Every year you can invest a maximum of ₹ 1.5 lakh in your PPF account. You can pay upfront or through twelve instalments staggered over the financial year. Your PPF investments are eligible for deductions* under Section 80C of the Income Tax Act, 1961(ITA).

The government sets the interest rate on PPF every financial quarter, based on the profits from government securities. The funds are not market-linked.

3. Employee Provident Fund (EPF)

EPF is a government savings platform for salaried employees. Both your employer and you have to make equal contributions towards your EPF account. Your share is removed from your salary every month. The Employees' Provident Fund Organisation (EPFO) sets the interest rate on the investment. On retirement, you receive the total funds contributed by you and your employer along with the accrued interests.

4. Annuity plans with life cover

Such plans provide a life cover along with a regular source of income. If an unfortunate event occurs while the plan is active, your family member receives a lump sum pay-out, however, there are other options too that do not offer this financial coverage. Annuity plans are of two types:

A. Deferred Annuity

It is a contract with an insurance provider helping you build a retirement corpus. You can make a single lump sum payment or pay regular premiums over a fixed time frame – the policy term. Thus, this scheme helps you invest as per your resources. When the policy period ends, your pension starts. If your retirement date is far in the future, this plan is suitable for you.

B. Immediate annuity

It is a contract between an individual and an insurance company, wherein the individual pays a lump sum amount and receives guaranteed~ income for a lifetime, starting almost immediately. It offers several benefits:

- A lifelong guaranteed~ income
- Eleven annuity options, including pension for your spouse/family member or return of purchase price to your nominee in your absence
- Options to avail income on a monthly, quarterly, half-yearly, or annual basis
- Top-up option to systematically increase your annuity income
- Attractive discounts for NPS subscribers or existing customers
- Tax benefits* on the premiums paid
- Option for lump sum pay-out on the diagnosis of critical illnesses or permanent disability is covered under the plan
- Options to get back the purchase price earlier in your lifetime

GROUP INSURANCE

Group insurance is a type of insurance plan that covers a number of people in the same contract. Such a plan provides the same level of insurance coverage to all members of a group irrespective of their age, gender, occupation or socio-economic status. Group insurance eliminates the need to buy a separate insurance plan for each member. Often, employers cover their employees with a group insurance plan as part of the pay-out benefits. Such a plan provides cover to group members and their spouses, children and dependent parents.

Group Insurance plans cover a defined group of people, for example, members of a professional association, or a society or employees of an organization. Such plans may offer life cover, health cover, and/or other types of personal insurance. Many insurance companies in India have introduced group insurance policies to meet the insurance needs of specific groups including professionals, employers-employees, co-operative societies, among others.

An individual can either become a master policyholder of a group insurance plan or be a member of a group plan if he or she is a working employee and aims for a product which would provide protection to the loved ones and keep their future secure even in their absence. Generally, the cost of insurance of a group is lower than what it would cost to insure the members individually. Hence group life insurance schemes are popular with companies as an incentive for their employees because they can then feel secure. Group health insurance has become an indispensable part of employee benefits. Organisations provide this to safeguard employees against unexpected health issues, accidents, mishaps, etc. It also plays a big role in motivating and incentivising employees.

Types of Groups

A group insurance plan provides cover to the below types of groups.

- **Formal group:** In a formal group, also known as employer-employee group, all members work for the same employer or group owner. A company, business organization and professional organization are examples of a formal group. The insurance plan is purchased by the employer.
- **Informal group:** The members of an informal group may belong to a society or cultural association. They may hold the same credit card or account. In such a group, the group owner or administrator purchases the policy on behalf of the group members.

INSURANCE FOR THE UNDERPRIVILEGED

The list of government health insurance schemes in India

- Ayushman Bharat: Based on the recommendations made by the National Health Policy, the government launched the Ayushman Bharat Yojana keeping in mind the objective of the Universal Health Coverage (UHC) initiative. The health plan, also known as the Pradhan Mantri Jan Arogya Yojana (PMJAY), aims to cater to society's poor and vulnerable sections. The plan offers coverage of up to Rs. 5 lakhs per family in a year for a premium of Rs. 30 per annum. And all pre-existing conditions are covered from day one.
- Rashtriya Swasthya Bima Yojana (RSBY): The RSBY health insurance scheme is primarily aimed at the people Below the Poverty Line, especially those in the unorganised sector. The scheme covers the workers and their families with coverage of up to Rs. 30,000 per family per annum. The policy's beneficiaries shall avail cashless hospitalisation, and pre-existing diseases are covered from day one. The government

shall contribute 75% of the annual premium rate, and the beneficiary shall pay Rs. 30 per annual as renewal or registration fee. The cost of the smart card and expenses related to administering the scheme shall be borne by the respective State Governments.

- Aam Admi Bima Yojana (AABY): This type of health insurance plan is a personal accident cover and covers rural households that don't own land. It caters to 45 occupational groups covered under the plan. The government pays the total premium, and the coverage is limited to one family member only (head of the family or an earning member). The payout under this plan is Rs. 30,000 for natural death and Rs. 75,000 in case of accidental death or permanent disability. In the case of partial permanent disability, the compensation is Rs. 37,500.
- Employment State Insurance Scheme (ESIS): The scheme covers workers employed in non-seasonal factories with an employee strength of at least 10. The plan provides coverage for self and dependents towards hospitalisation costs and cash benefits in case of disablement or sickness. If those workers die in an accident during their employment, the benefit is paid to the dependent, and a regular pension is paid.
- Awaz Health Insurance Scheme: The Government of Kerala has launched a specific health scheme for migrant workers working in the State. It provides hospitalisation coverage against accidental death and disablement. Those between 18 and 60 years are eligible for this scheme. The coverage is up to Rs. 15,000 for hospitalisation expenses, Rs. 1 lakh for accidental permanent disablement and Rs. 2 lakhs for accidental death.
- Universal Health Insurance Scheme (UHIS): The government launched the UHIS to cater to the lower-income sections of the society who fall Below and Above the Poverty Line. Beneficiaries can claim up to a maximum of Rs. 15,000 for a single illness and added benefits such as maternity cover of Rs. 2,500 for normal delivery and Rs. 5,000 for cesarean delivery. The scheme also provides accidental cover for the main earning member of the family and offers coverage of Rs. 25,000. The premium for the scheme starts from Rs. 100 per annum.
- Central Government Health Scheme (CGHS): The scheme caters to the Central Government employees, including present and retired employees. The health care facility is provided in 71 cities across India. The beneficiaries of the scheme have access to Wellness Centres, allopathy, Ayurveda, Unani, Homeopathy, Siddha and Yoga. The premium is based on the pay grade of an employee.

TAX BENEFITS OFFERED UNDER THE INCOME TAX ACT, 1961:

1. Section 80C:

You can claim deduction from your taxable income on account of premium paid towards life insurance for self, spouse or children. You will be allowed a maximum deduction of up to ` 1.5 lakh.

2. Section 10(10D):

The returns earned from Life Insurance policies are tax-free subject to conditions of Section 10(10D) of the Income Tax Act (1961).

3. Section 80CCC:

You can get tax benefits on premium paid up to 1,50,000/- towards pension/retirement policies. However, if you surrender the plan, the pension/annuity received will be taxed as per the existing tax laws.

4. Section 10(10A)*:

1/3rd of the payment that you receive under pension plan at the time of retirement is also tax-free*. This is known as commutation.

5. Section 80D:

You can get tax benefits on premiums paid in any mode, other than cash towards health insurance policies taken for yourself, your spouse, your dependent children and your parents. The maximum tax benefits under Section 80D are as follows:

Tax benefit on premium paid up to 25,000 for yourself, your spouse or your dependent children (Limit is 50,000 if the age of insured* is 60 years old or more)

There is an additional tax benefit on health insurance premium paid up to 25,000 for covering parents (Limit is 50,000 if the age of insured* is 60 years or more).

6. Section 80CCE:

Under this section, the overall limit of deduction from taxable income to get tax benefits under Sections 80C, 80CCC and 80CCD (1) is 1,50,000/-.

CLAIM SETTLEMENT

Claim settlement is the process by which an insurer pays money to the policyholder as compensation for an accident or vehicle injury. Claim settlement is one of the most important services that an insurance company can provide to its customers. Insurance companies have an obligation to settle claims promptly. You will need to fill a claim form and contact the financial advisor from whom you bought your policy. Submit all relevant documents such as original death certificate and policy bond to your insurer to support your claim. Most claims are settled

by issuing a cheque within 7 days from the time they receive the documents. However, if your insurer is unable to deal with all or any part of your claim, you will be notified in writing.

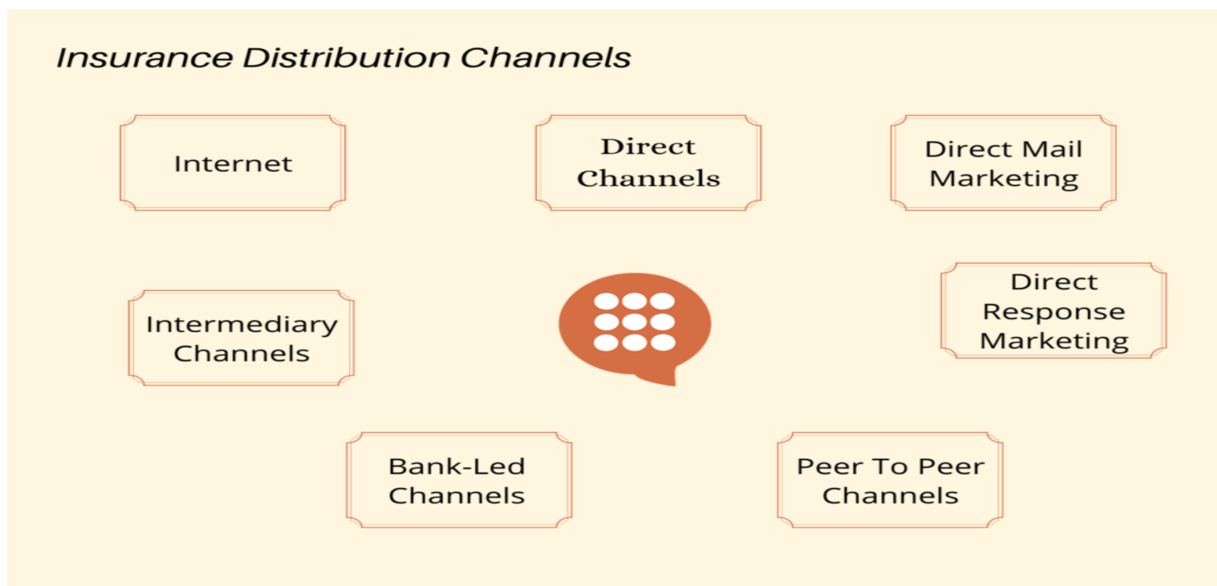
Types of claims

Maturity Claim- On the date of maturity life insured is required to send maturity claim / discharge form and original policy bond well before maturity date to enable timely settlement of claim on or before due dates. Most companies offer/issue post-dated cheques and/ or make payment through ECS credit on the maturity date. In case of delay in settlement kindly refer to grievance redressal.

Death Claim (including rider claim) - In case of death claim or rider claim the following procedure should be followed.

DIFFERENT TYPES OF INSURANCE DISTRIBUTION CHANNELS

Factors such as technological advancement and market pressures like new products, expense structures, buyer behaviour, new non-traditional products, etc., influence how insurance distribution channels operate. Depending on their goals, an insurance agency/company can explore different channels of distribution, both digital and offline, as listed below.



- **Direct channels:** Direct insurance distribution channels or self-directed channels allow insurance companies to sell their products without the interference of an intermediary. Operating through this channel is an advantage since no commissions need to be paid to insurance agents. Therefore, maximum profit. Insurance companies operate direct channels through e-commerce, internet, telesales, etc., and own sales force.

- **Intermediary channels:** As their name suggests, they bridge the gap between insurance companies and consumers. When using intermediary insurance distribution channels, there is no link between insurers and end consumers. Intermediary channels include agents, brokers, banks, retailers, broker networks, aggregators, peer-to-peer channels, and more.
- **Bank-led channels:** Popular in the U.S post the Financial Modernization Act of 1999, bank-led insurance distribution channels result from bank and insurance carriers joining forces. Since banks are already involved in a widely distributed financial market, they serve as the perfect channels to push forward insurance products.
- **Direct response marketing:** Unlike other distribution channels, direct response marketing does not require the interference of banks or intermediary channels. Instead, the insurers themselves use mass media to generate leads and sell their insurance policies and products. They deal directly with applicants and consumers through phone, text, or email.
- **Peer to peer channels:** Peer-to-peer channels are a type of social insurance that is relatively new in the market. It involves family, friends, and relatives with a similar mind-set who pool their premiums together to insure against risks.
- **Internet:** The latest but slowest growing distribution channel among insurers has been the internet. Often overlooked, it is the channel that customers are shifting towards. Many customers report going online to compare insurance products and make decisions independent of an agent or broker. While life and health insurance products might take some time to become popular as online products, motor or house insurance, for example, are already gaining traction online.
- **Direct mail marketing:** This insurance distribution channel reaps the most benefit. It does not involve intermediaries, so the profit is whole for the insurer to keep. They also have the highest response rate as compared to any other digital channel. Marketing tools such as postcards and letters, and more recently, email marketing, are used within the bounds of this insurance channel.

GENERAL INSURANCE

Insurance can be widely segregated in three categories–life, health and general. General insurance is insurance for valuables other than our life and health. General insurance covers the insurer against damage, loss and theft of your valuables. The premium and cover of general

insurance depends upon the type and extent of insurance. A general insurance policy typically has a period of a few years. In India, general insurance policies are of the following types:

1. Motor insurance

Insurance for the damage or theft of your motor vehicle, two-wheeler, three-wheeler or four-wheeler, is covered under this type of insurance. The damage caused to the vehicle can be caused natural or man-made circumstances, the extent of which would change from policy to policy. Under the Motors Vehicle Act, motor insurance is mandatory in India. New motor vehicles come with a third-party insurance right from the showroom itself.

2. Home insurance

Home and household insurance protects your home and the items inside it. A home insurance policy would also cover natural and man-made circumstances. The contents that are covered under a home insurance policy would depend on the type of policy you buy.

3. Travel insurance

Another popular type of general insurance is travel insurance, which covers your trips abroad. Travel insurance can be taken to cover loss or theft of your valuables as well as documents. Some travel insurance policies also cover flight delays and medical emergencies. Travel insurance can be taken for personal as well as business trips.

4. Marine insurance

Marine insurance refers to a contract of indemnity. It is an assurance that the goods dispatched from the country of origin to the land of destination are insured. Marine insurance covers the loss/damage of ships, cargo, terminals, and includes any other means of transport by which goods are transferred, acquired, or held between the points of origin and the final destination.

Commercial business insurance is coverage for businesses and corporations, generally designed to cover the business, its employees and ownership. Since there are so many types of businesses with different needs and situations, commercial insurance can come in many shapes, sizes and colours.

5. Commercial insurance

Commercial insurance helps businesses stay protected against risks that could impact their success. Some types of business insurance protect the organization's reputation and well-being, while others safeguard the financial aspects.

6. Rural Insurance

Rural Insurance is a type of insurance that has been specifically designed for the rural public. This plan ensures that families who are living in rural regions have a secure and safe future so

that they can live a comfortable and happy life. It helps them to cover risks associated with different aspects of their life.

Rural insurance includes a wide range of plans to cover various sections. Some of them are:

Plans	Definition
Motor Insurance	Comprehensive coverage for agricultural vehicles like tractors, cars, scooters, trailers and motorcycles
Property Insurance	Covers home, shops, retail outlets, schools and agricultural equipment
Accident Insurance	Covers accidental death, partial or total disability of the insured
Livestock Insurance	Insurance coverage for cattle against death or disability
Health Insurance	Personal accident insurance and Mediclaim for the insured
Poultry Insurance	Covers broilers and parent stock of chicken

7. Crop insurance

Crop insurance is a type of protection policy that covers agricultural producers against unexpected loss of projected crop yields or profits from produce sales at market. Crop insurance is divided into two categories: crop-yield and crop-revenue. Crop-yield insurance protects the expected revenue due to unexpected yields, which is the volume of a crop's harvest. Crop-revenue insurance covers expected revenue from loss owing to market fluctuations of crop selling prices. Both types of insurance are a means to aid in disaster recovery for producers due to unexpected events.

8. Credit insurance

Credit insurance is a form of insurance policy bought by a borrower which pays off one or more existing debts in case of the borrower's death, disability, or in rare cases, unemployment. Credit insurance often comes as a credit card feature, with the monthly cost charging a low percentage of the card's unpaid balance. Credit insurance can be a financial backup in the event of certain catastrophes. A lot of credit insurance policies are overpriced as compared to their benefits, as well as loaded with fine print that can make it hard to collect. Hence, borrowers must read the fine print carefully before buying credit insurance.

Types of Credit Insurance

There are generally five types of credit insurance. Four of these are designed for consumer credit products and the fifth type is for businesses.

- **Credit life insurance** – This type pays off your credit card balance in the event of your death. This keeps your loved ones from having to pay your outstanding credit card balance out of your estate or worse, out of their pocket.
- **Credit disability insurance** – This credit insurance pays your minimum payment directly to your credit card issuer if you become disabled. You may have to be disabled for a certain amount of time before the insurance pays out. There may be a waiting period before the benefit kicks in. So, you can't add the insurance policy and make a claim the same day.
- **Credit unemployment insurance** – This insurance pays your minimum payment if you lose your job through no fault of your own. If you quit, for example, the insurance benefit doesn't kick in. In some cases, you may have to be unemployed for a certain amount of time before the insurance pays your minimum payment.
- **Credit property insurance** – It protects any personal property you've used to secure a loan if that property is destroyed or lost in theft, accident, or a natural disaster.
- **Trade credit insurance** – This is a type of insurance that protects businesses that sell goods and services on credit. It protects against the risk of clients who don't pay because of insolvency and a few other events. Most consumers won't need this type of insurance.