



LIC – AAO

Assistant Administrative
Officer

Life Insurance Corporation of India (LIC)

Volume - 3

Insurance & Financial Market Awareness



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CHAPTER

Insurance Awareness

Insurance Definition:

- **Insurance** is a financial arrangement in which an individual or organization pays a regular amount of money (called a **premium**) to an insurance company in exchange for protection against potential future losses or risks.
- If a specified event occurs—such as an accident, illness, theft, or natural disaster—the insurance company provides financial compensation or coverage according to the terms of the policy.
- In simple terms, **insurance helps reduce the financial impact of unexpected events by spreading risk across many people.**

History of Insurance:

- Over 5,000 years ago, Chinese traders shared cargo among different ships so that if one ship was lost or attacked by pirates, the loss was reduced.
- The first written insurance policy appeared in Babylon on a monument with King Hammurabi's code, protecting traders against cargo loss.
- In 1666, the Great Fire of London destroyed over 13,000 houses, leading to the first fire insurance company, Fire Office, in 1680.
- London traders met at Lloyd's Coffee House to agree on sharing losses of goods caused by piracy or shipwrecks.

History of Insurance in India:

- **1800s:** Modern insurance in India began when foreign agencies started marine insurance.
- **1818:** First insurance company in India, **Oriental Life Insurance**, was established in Calcutta.
- **1870:** **Bombay Mutual Life Insurance Society**, the first Indian-owned insurance company, was founded.
- **1912:** **Indian Life Insurance Companies Act** was introduced to regulate life insurance business in India.
- **1938:** The **Insurance Act** amended earlier laws to protect the interests of insured people.
- **1956:** Life insurance was **nationalized**; **LIC Act** was passed.

Principles of Insurances:

- 1. Principle of Utmost Good Faith (Uberrima Fides):** Both the policyholder and insurer must provide complete and truthful information. The policyholder should disclose all facts related to the risk; hiding information can lead to policy cancellation. Similarly, the insurer must explain all features of the policy.
- 2. Principle of Insurable Interest:** You can insure only those lives or property in which you have a financial stake. You must stand to lose financially if the insured event occurs; otherwise, the insurance contract is invalid.

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3. **Principle of Proximate Cause:** Claims are settled based on the closest and most direct cause of the loss. This principle is critical in general insurance but is not applicable to life insurance.
 4. **Principle of Subrogation:** If a loss occurs due to a third party, the insurer has the legal right to claim compensation from that party after compensating the insured.
 5. **Principle of Indemnity:** Insurance reimburses only the actual financial loss suffered, aiming to restore the insured to their original financial position. This principle does not apply to life and critical illness insurance.
 6. **Principle of Contribution:** When multiple insurers cover the same risk, each insurer shares the loss proportionally. If one insurer pays fully, it can claim the proportional share from the others.
 7. **Principle of Loss Minimisation:** The insured must take all reasonable steps to prevent or reduce losses, even after obtaining insurance, to limit the impact of a claim.

Life Insurance Corporation of India (LIC):

- **LIC (Life Insurance Corporation of India)** is a government-owned life insurance and investment company.
- It was created on **1st September 1956** under the **Life Insurance Act**, which nationalized private insurance in India.
- LIC aims to provide customers better **economic security and higher returns** through its insurance and investment products.
- Headquarters is in **Mumbai, Maharashtra**.

LIC Insurance Plans:

Endowment Plans:

1. **LIC's Bima Jyoti:** Provides financial support to the family in case of the policyholder's death during the policy term and guarantees a lumpsum payment to the surviving policyholder at maturity.
2. **LIC's Bima Ratna:** Offers financial support to the family on the policyholder's death and provides periodic payments during the policy term to meet financial needs.
3. **LIC's Dhan Sanchay:** Provides family support in case of the life assured's death and guarantees an income stream during the payout period starting from maturity.
4. **LIC's Dhan Varsha:** Ensures financial support for the family on the life assured's death and a guaranteed lumpsum at maturity for the surviving life assured.
5. **LIC's Jeevan Azad:** Offers death benefit to the family, a guaranteed lumpsum at maturity, and liquidity through a loan facility.
6. **LIC's New Endowment Plan:** Provides family support on the policyholder's death, a lumpsum at maturity, and liquidity via loan facility.
7. **LIC's Single Premium Endowment Plan:** Offers protection against death during the term, lumpsum at the end of the policy in case of survival, and loan facility for liquidity needs.
8. **LIC's Jeevan Pragati Plan:** Features automatic increase in risk cover every five years during the policy term.
9. **LIC's Jeevan Labh:** Provides financial support on the policyholder's death before maturity and a lumpsum at maturity for the surviving policyholder.
10. **LIC's New Jeevan Anand Plan:** Ensures lifetime protection against death, with lumpsum payment at the end of the policy term in case of survival.

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- LIC's Jeevan Rakshak Plan:** Offers family support on death before maturity and a lumpsum at maturity for the surviving policyholder.
 - LIC's Jeevan Lakshya:** Participating non-linked plan providing annual income benefits to support family needs, especially children, on the policyholder's death, along with lumpsum at maturity irrespective of survival.

Whole life plans:

- LIC's Jeevan Umang Plan:** This plan combines financial protection with regular income for your family. It provides annual survival benefits from the end of the premium-paying term until maturity, along with a lumpsum payment either at maturity or in case of the policyholder's death during the policy term.

Money back plans:

- LIC's Dhan Rekha Plan:** Provides financial support to the family in case of the policyholder's death during the policy term. Offers periodic payments during the policy term and a guaranteed lumpsum at maturity for the surviving policyholder.
- LIC's New Bima Bachat Plan:** Participating, non-linked money-back plan with a single premium payment. Provides protection against death during the policy term, periodic survival benefits, and returns the single premium at maturity along with any Loyalty Addition.
- LIC's Jeevan Shiromani Plan:** Designed for High Net-Worth Individuals. Offers death benefits to the family, periodic survival payments, a lumpsum at maturity, and an additional 10% of the Basic Sum Assured on diagnosis of specified Critical Illnesses.
- LIC's Bima Shree Plan:** Also, for High Net-Worth Individuals. Provides death benefits, periodic survival payments, lumpsum at maturity, and liquidity support through a loan facility.
- LIC's Jeevan Tarun Plan:** Designed to meet children's educational and other needs. Provides annual survival benefits from ages 20 to 24 and a maturity benefit at age 25. The proposer can choose the proportion of survival benefits during the policy term.

Term Assurance Planes:

- LIC's New Jeevan Amar:** Provides financial protection to the insured's family in case of the policyholder's death during the policy term.
- LIC's Saral Jeevan Bima:** Offers financial protection to the insured's family in the event of the policyholder's death during the policy term.

General Insurance company:

The entire general insurance business in India was nationalised under the **General Insurance Business (Nationalisation) Act, 1972 (GIBNA)**.

➤ **General Insurance Corporation of India (GIC):**

- ✓ Formed under **Section 9(1) of GIBNA** and incorporated on **22 November 1972** under the Companies Act, 1956.
- ✓ Purpose: To supervise, control, and carry-on general insurance business.

-
- ✓ 107 insurers were merged into **four subsidiaries**:
 1. National Insurance Company Ltd.
 2. New India Assurance Company Ltd.
 3. Oriental Insurance Company Ltd.
 4. United India Insurance Company Ltd.
 - ✓ **Post-2000**: IRDA Act amendments renotified GIC as the **Indian Reinsurer**, ending its supervisory role over subsidiaries.

➤ **Subsidiary Companies**

1. Oriental Insurance Company Ltd:

- Incorporated: **12 September 1947**, Bombay.
- Specializes in large projects (power, petrochemical, steel, chemical plants).
- **Offices**: 31 regional offices, operations in **Nepal, Kuwait, Dubai**.

2. United India Insurance Company Ltd:

- Incorporated: 18 February 1938.
- Formed by merging 12 Indian insurance companies, 4 cooperative societies, 5 foreign insurers' operations, and LIC's southern region general insurance operations.

3. New India Assurance Company Ltd:

- Founded by Sir Dorabji Tata in 1919.
- First overseas office: London, 1920; representative office in Yangon, Myanmar.
- Co-promoter of Agriculture Insurance Company of India and GIC Housing Finance Ltd.
- Co-promoter of a common TPA in health insurance: Health India TPA Insurance Services Ltd.

4. National Insurance Company Ltd:

- India's oldest general insurance company, incorporated 5 December 1906.
- First Indian insurer to form strategic alliances with Maruti, Hero Moto Corp, and others.

➤ **Agriculture Insurance Company of India (AIC):**

- Incorporated: 20 December 2002, operations started 1 April 2003.

Liberalisation of the Indian Insurance sector:

- **Insurance Act, 1938** governs the insurance industry in India and has been amended over time.
- **IRDA Act, 1999** established the **Insurance Regulatory and Development Authority (IRDA)** as the regulator of insurance business.
- **2000**: Insurance sector was liberalized, allowing private companies to enter and FDI up to 26% in joint ventures with domestic insurers.
- Foreign partners brought expertise and capital, while domestic players contributed local knowledge.
- Liberalization led to innovative insurance products, wider reach, better competition, and improved customer service.

Insurance Regulatory Development Authority of India (IRDAI):

- **IRDAI (Insurance Regulatory & Development Authority of India)** was founded in 1999.
- It regulates the **insurance and reinsurance sectors** in India.
- IRDAI was established under the **Insurance Regulatory and Development Authority Act, 1999**.
- Headquarters is in **Hyderabad**.










Structure of IRDAI:

- IRDAI Structure is defined under Section 4 of the IRDAI Act, 1999.
- It is a 10-member body:
 - ✓ 1 Chairman
 - ✓ 5 Full-time Members
 - ✓ 4 Part-time Members
- All members are appointed by the Government of India.

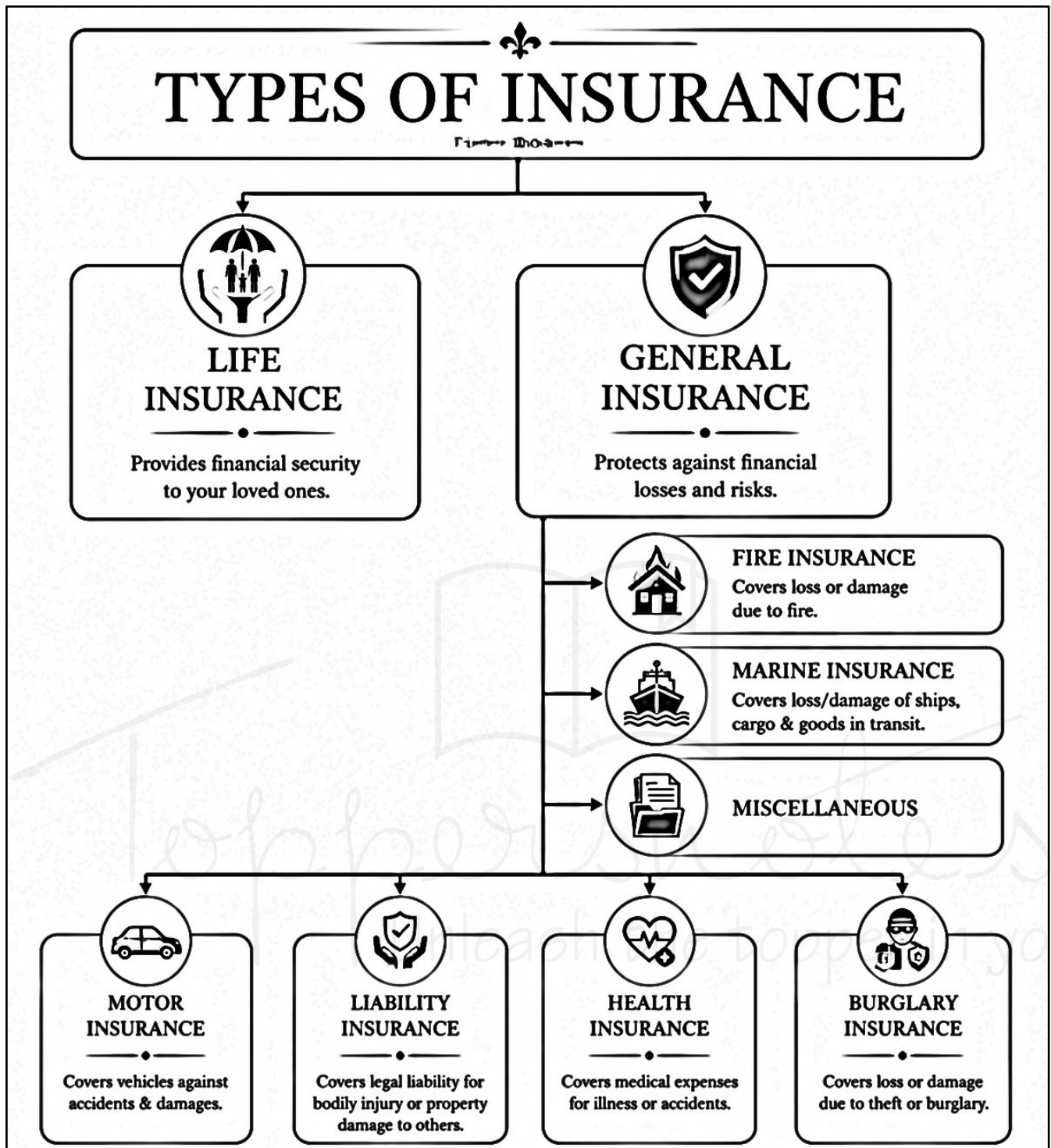
Role of IRDAI as a Business Facilitator:

- Helps insurance companies grow by regulating the industry and creating trust and goodwill in the market.
- Promotes the development of the insurance sector.
- Encourages foreign companies to participate, which benefits both the insurance sector and the economy.

Functions and Powers of IRDAI:

FUNCTIONS AND POWERS OF IRDAI		
1  Issue and manage registration certificates for insurance companies; can also renew, cancel, or modify them.	2  Protect policyholders in matters like assigning policies, nominations, insurable interest, and claim settlements.	3  Set rules and training for insurance agents, intermediaries, loss assessors, and surveyors.
4  Conduct investigations and audits of insurance companies and related organizations.	5  Regulate rates, terms, and conditions offered by insurers in general insurance.	6  Control record-keeping and accounts of insurance companies, including preparation of final accounts.
7  Regulate investments and solvency margins of insurance companies.	8  Resolve disputes involving insurance companies or intermediaries.	9  Oversee the Tariff Advisory Committee related to insurance companies.

Types of Insurance:



Life Insurance:

- Life insurance provides financial protection for human lives. In this type of insurance, the insured “asset” is the economic value of a person, which depends on their skills, knowledge, and abilities. Family members, employers, and indirectly the consumers of products created by this person benefit from this value.
- Human life is an income-generating asset, but it can be lost unexpectedly due to early death or rendered non-functional by illness or accidents. While death is inevitable, its timing is uncertain. If a person dies early in their career, life insurance helps support those who depend on their income.

General Insurance:

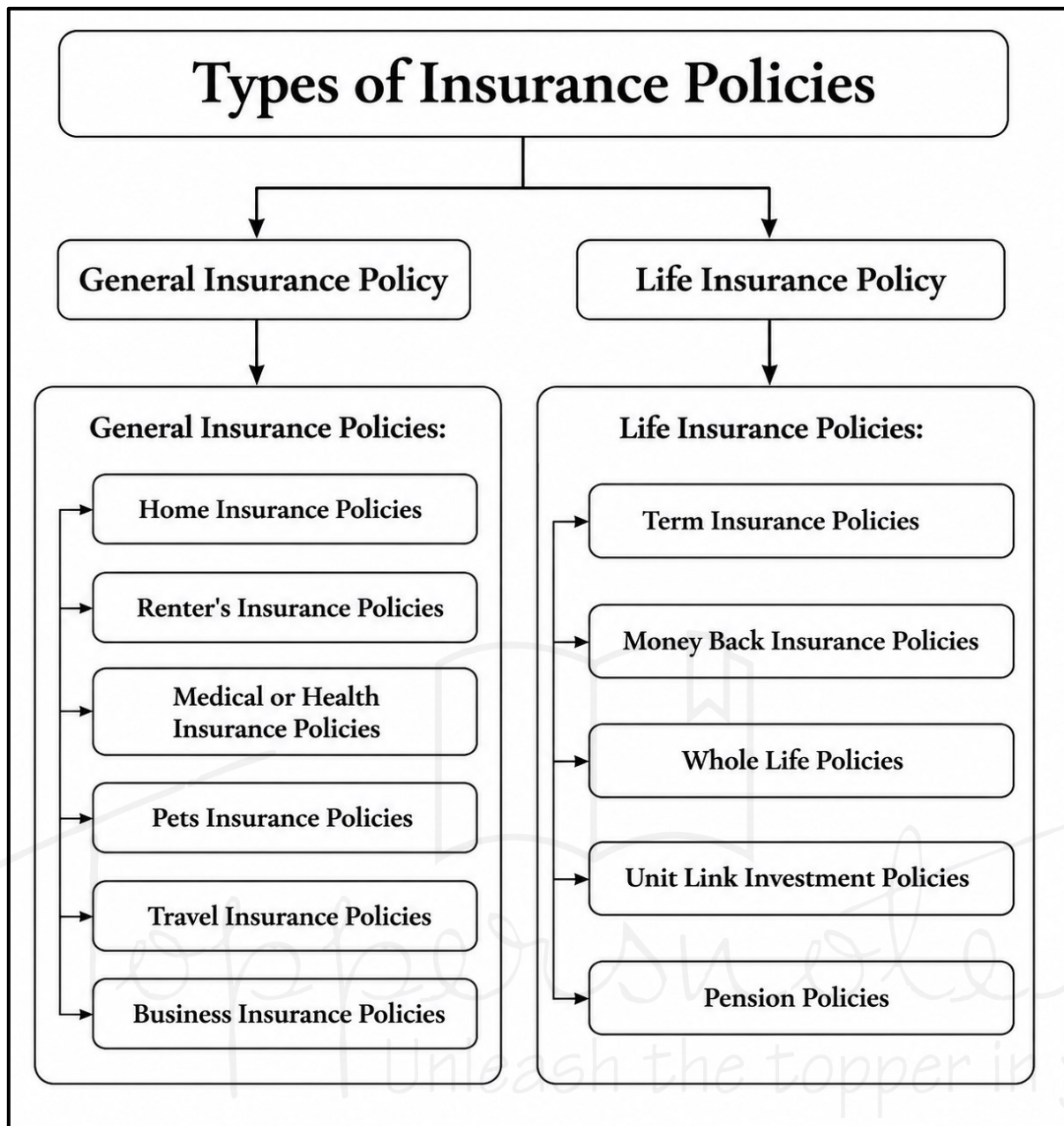
- General insurance, also known as non-life insurance, covers non-human assets such as animals, crops, goods, factories, vehicles, etc. In some regions, it is called Property and Casualty Insurance.
- This insurance also protects against losses from events like fraud, theft, breach of contractual obligations (e.g., loan repayments), or professional negligence. General insurance policies are typically valid for one year and are renewable.

Insurance Type	Description
Life Insurance	Provides financial support to beneficiaries upon the policyholder's death
Health Insurance	Covers medical costs for illnesses, surgeries, and hospital stays
Motor Insurance	Protects vehicles against damages and third-party liabilities
Travel Insurance	Covers travel-related risks such as cancellations, missed connections, and emergencies
Home Insurance	Safeguards homes and their contents from natural disasters, theft, and damage
Personal Accident Insurance	Provides compensation for death or disability due to accidents
Crop Insurance	Offers financial assistance to farmers in case of crop loss from natural calamities
Commercial Insurance	Protects businesses against losses from fire, theft, liability, and other risks
Marine Insurance	Covers ships and cargo against loss or damage during water transit
Fire Insurance	Compensates for fire-related damage to buildings or goods
Term Insurance	Life insurance with a fixed coverage amounts for a specified period

Types of Insurance Plans:

- **Endowment Insurance Plan:** A life insurance policy that combines insurance coverage with a savings/investment plan, providing both death benefits and maturity benefits.
- **Group Life Insurance Plan:** Covers members of a group, typically employees of a company or organization, often at reduced costs since the insurer's risk is shared across the group.
- **Micro Insurance Plan:** Designed for low-income individuals, offering protection against risks like accidents, illnesses, and natural disasters, with premiums tailored to income and risk levels.
- **Joint Life Insurance Plan:** Covers two or more people under a single policy, usually permanent types (whole or universal life) that accumulate cash value and earn interest.
- **Single Life Insurance Plan:** Covers one individual and pays the chosen sum to beneficiaries if the insured dies during the policy term.
- **Convertible Insurance Plan:** Allows policyholders to convert term insurance into whole life insurance without proving insurability.
- **Pure Endowment Plan:** Pays a fixed sum to the insured if they survive a specified period; no benefits are paid if the insured dies before the end of the term.

Types of Insurance Policies:



- **Home Insurance:** Protects your home and belongings from damages caused by natural or man-made disasters, such as fire, theft, earthquake, flood, or other contingencies.
- **Renter's Insurance:** Provides coverage for your personal belongings, liability protection, and additional living expenses if the rented home becomes temporarily uninhabitable.
- **Health Insurance:** Mitigates financial risk during medical emergencies. General plans cover hospitalization up to the sum insured. Family floater plans cover all family members, while critical illness plans pay a lump sum upon diagnosis, covering pre- and post-hospitalization costs for serious ailments.
- **Pet Insurance:** Covers veterinary expenses for injured or sick pets and, in some plans, also provides coverage for the death or loss of the insured pet.
- **Travel Insurance:** Protects against travel-related losses such as baggage loss, flight delays, trip cancellations, and in some cases, provides cashless hospitalization abroad.
- **Business Insurance:** Safeguards businesses from losses during normal operations, including coverage for property damage, legal liability, and employee-related risks.

- **Term Insurance:** Provides life coverage for a specific period. If the insured dies during this term, the nominee receives the death benefit. Term plans are designed to secure family needs in case of death or uncertainty, offering a fixed coverage amount for a defined period.
- **Money Back Insurance:** An endowment plan where the insured receives a percentage of the sum assured at regular intervals during the policy term, rather than a lump sum at maturity, providing liquidity along with coverage.
- **Whole Life Insurance:** Covers the insured for their entire lifetime. Upon death, beneficiaries receive the insurance payout. These policies also include a savings component that accumulates cash value over time.
- **Unit Linked Insurance Plan (ULIP):** A market-linked plan combining investment and insurance. Policyholders can invest in equity or debt funds based on their risk preference, offering both growth potential and life cover.
- **Pension Policy:** Provides a regular income or lump sum after retirement, ensuring financial security in old age.

The Insurance Ombudsman:

The Central Government, under the Insurance Act, 1938, notified the Redressal of Public Grievances Rules, 1998 on November 11, 1998. These rules apply to both life and non-life insurance policies taken individually. The aim is to resolve complaints related to claim settlements efficiently, cost-effectively, and impartially.

The Ombudsman acts as a mediator and counsellor with the agreement of both the insured and the insurer. Currently, there are 17 Insurance Ombudsmen across India. Their decision, whether to accept or reject a complaint, is final.

➤ **Filing a Complaint to the Ombudsman:**

- ✓ Complaints must be in writing, signed by the insured or legal heirs, addressed to the Ombudsman of the jurisdiction where the insurer has a branch.
- ✓ Documents supporting the complaint, an estimate of loss, and the relief sought should be included.
- ✓ Complaints can be made if:
 - The insured has previously submitted a written complaint to the insurer, which was either rejected or not responded to within one month.
 - The insured is unsatisfied with the insurer's reply.
 - The complaint is lodged within one year of the insurer's rejection.
 - The issue is not pending in any Court, Consumer Forum, or arbitration.
 - Disputes may include premium issues or partial/total repudiation of claims by Life, General, or Health insurers.

➤ **Ombudsman Recommendations:**

- ✓ Recommendations are made within one month of receiving the complaint.
- ✓ Copies are sent to both the complainant and the insurer.
- ✓ The complainant must accept the recommendation in writing within 15 days; a copy of this acceptance is sent to the insurer, who must confirm in writing within 15 days.
- ✓ If mediation fails, the Ombudsman issues an award to the insured that is fair and limited to covering the loss.

Insurance claim calculation:

$\text{Claim} = \frac{\text{Loss suffered} \times \text{Insured value}}{\text{Total cost}}$

Insurance related ratio:

Claim Settlement Ratio (CSR): The Claim Settlement Ratio indicates the percentage of claims an insurer has paid during a financial year. It is calculated as the ratio of claims settled to claims received. A higher CSR, especially for death claims, suggests a greater likelihood that the insurer will settle claims efficiently.

$$\text{Claim Settlement Ratio (\%)} = \frac{\text{Number of Settled Claims}}{\text{Number of Received Claims}} \times 100$$

Price-Earnings (P/E) Ratio: The P/E ratio is the ratio of a company's current share price to its earnings per share (EPS). It indicates how much investors are willing to pay for each unit of the company's earnings and reflects the stock's valuation in the market.

$$\text{P/E Ratio} = \frac{\text{Stock Price}}{\text{Earnings per Share (EPS)}}$$

Persistency Ratio: The persistency ratio measures how consistently customers renew their insurance policies over time. It is calculated at different intervals, such as the 13th, 25th, 37th, and 61st months, reflecting customer trust in the insurer's long-term products and services. A higher ratio indicates a larger base of satisfied and loyal policyholders.

$$\text{Persistency Ratio (\%)} = \frac{\text{Number of Policyholders Paying Premium}}{\text{Net Active Policyholders}} \times 100$$

Solvency Ratio: The solvency ratio measures an insurance company's financial strength and ability to meet its liabilities. As per IRDAI guidelines, insurers must maintain a minimum solvency ratio of 150% to reduce bankruptcy risk.

Combined Ratio: The combined ratio measures a general insurance company's total outflow, including operating expenses, commissions, and claims paid, as a percentage of its net earned premium.

- **>100%:** Outflows exceed earned premiums, indicating an unhealthy financial condition.
- **<100%:** Expenses are less than premium revenue, reflecting financial efficiency.

Schemes Related to Insurance:

Pradhan Mantri Suraksha Bima Yojana (PMSBY):

Pradhan Mantri Suraksha Bima Yojana (PMSBY) was launched on 9 May 2015, and was officially implemented from 1 June 2015. An Accident Insurance Scheme offering accidental death and disability cover for death or disability on account of an accident.

- **Premium:** Rs.20/- per annum per member. The premium will be deducted from the account holder's bank / Post office account through 'auto debit' facility on or before 1st June of each annual coverage period under the scheme.
- **Coverage Duration:** Coverage under PMJJBY is valid for one year from 1st June to 31st May on payment of annual premium.
- **Accident cover assurance termination:** The accident cover of the member shall terminate / be restricted accordingly on any of the following events:
 - ✓ On attaining age 70 years (age nearer birth day).
 - ✓ Closure of account with the Bank or insufficiency of balance to keep the insurance in force.

In case a member is covered under PMSBY through more than one account and premium is received by insurance company inadvertently, insurance cover will be restricted to Rs. 2 lakhs.

Pradhan Mantri Jeevan Jyoti Yojana (PMJJBY):

➤ **Benefits**

1. PMJJBY offers one- year term life cover of ₹ 2.00 Lakh to all the subscribers in the age group of 18-50 years.
2. It covers death due to any reason.
3. Premium payable is ₹ 436/- per annum per subscriber, to be auto debited from the subscriber's bank/post office account.

➤ **Eligibility**

1. The age of the applicant must be between 18 to 50 Years.
2. The applicant must hold an individual bank / post office account.

Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (AB-PMJAY): Ayushman

Bharat – PMJAY was officially launched on 23rd September 2018 by the Prime Minister of India.

- Provides ₹5 lakh per family per year for hospitalization to poor families.
- Covers secondary & tertiary care, including surgery, daycare, pre- & post-hospitalization.
- Cashless and paperless treatment at empanelled hospitals across India.
- Beneficiaries identified via SECC data; scheme is portable nationwide.
- Implemented by National Health Authority (NHA) under Ayushman Bharat program.

Pradhan Mantri Fasal Bima Yojana (PMFBY):

- Launched in 2016 to protect farmers against crop losses due to natural calamities, pests, and diseases.
- Low premiums: Kharif 2%, Rabi 1.5%, commercial/horticultural 5%; government subsidizes the rest.
- Covers pre-sowing, standing crop, post-harvest losses, and localized calamities.
- Benefits: Stabilizes income, reduces debt risk, encourages modern farming.
- Challenges: Delay in claims, awareness gaps, dependency on accurate data.

Atal Pension Yojana:

- Launched in 2015 to provide guaranteed pension to workers in the unorganized sector after age 60.
- Monthly contribution depends on age at entry and desired pension amount (₹1,000–₹5,000/month).
- Government co-contributes 25% of contribution (up to ₹1,000/year) for eligible subscribers joining before 31 Dec 2022.
- Benefits: Financial security in old age, lifelong pension, flexibility to exit or change contributions.
- Managed by: Pension Fund Regulatory and Development Authority (PFRDA), contributions collected via banks or post offices.

Employees State Insurance Corporation Scheme:

- **Purpose:** Provides social security and health insurance to workers in organized sector earning up to ₹21,000/month.
- Benefits include: Medical care, sickness benefit, maternity benefit, disability/disablement benefit, dependents' pension, and funeral expenses.
- Contributions: Employee – 0.75% of wages; Employer – 3.25% of wages (total 4% of wages).
- Managed by: Employees' State Insurance Corporation (ESIC) under Ministry of Labour & Employment.

Insurance Terminologies:

Policyholder: Also called the policy owner, this is the individual who purchases the insurance policy and is responsible for paying the premiums.

Life Assured: This is the person whose life is covered by the insurance. The life assured may or may not be the same as the policyholder. For example, if you buy insurance for yourself, you are both the policyholder and the life assured. But if you buy insurance for a parent and pay the premiums, you are the policyholder while your parent is the life assured.

Nominee: The nominee, or beneficiary, is the person designated to receive the sum assured if the life assured dies during the policy term. Typically, the nominee is a family member or close relative chosen by the policyholder.

Sum Assured: This is the guaranteed amount payable by the insurance company to the nominee on the death of the life assured. For instance, if you take a term insurance policy with a sum assured of ₹1 crore and nominate your spouse, they will receive ₹1 crore upon your death during the policy term. It is also referred to as the insurance cover.

Policy Term: The policy term is the duration for which the insurance coverage is valid. It can range from a year to a lifetime. If the life assured passes away during this period, the insurer pays the sum assured to the nominee. This is also called policy tenure or policy duration.

Premium: The premium is the fixed amount paid by the policyholder to the insurer for coverage. Payments can be made monthly, quarterly, annually, or as per the plan chosen.

Payment Term/Mode: This defines how and for how long the premium is paid:

- **Regular Pay:** Premiums are paid throughout the policy term.
- **Limited Pay:** Premiums are paid for a fixed period, shorter than the policy term (e.g., 5 years), while coverage continues for the full term.
- **Single Pay:** Premium is paid as a one-time lump sum at the beginning of the policy.

Death Benefit: The death benefit is the amount paid to the nominee if the life assured dies during the policy term. Usually, it equals the sum assured, but it can be higher if riders are included.

Maturity Benefit: Some policies provide a payout to the policyholder if they survive the policy term. This payout is called the maturity benefit.

Riders: Riders are optional add-ons to an existing policy, offering extra benefits such as critical illness coverage or accidental death cover. Additional premiums are charged for riders.

Claim: To receive the sum assured, the nominee must file a claim with the insurance company after the death of the life assured.

Free Look Period: The free look period allows the policyholder to review the policy after purchase and cancel it within a specific timeframe without penalties if they change their mind.

Category	Term	Definition
What You Pay	Allowed Amount	The maximum amount your insurer will pay for covered services
	Balance Billing	The difference between the allowed amount and what your provider charges (what you owe)
	Cost Sharing	Your portion of the bill, including coinsurance (percentage), copayments, fixed amounts, deductible, or other similar charges

	Deductible	The amount you must pay before your health plan starts covering expenses
	Out-of-Pocket Limit	The maximum amount you will have to pay for covered services in a plan year
	Premium	How much you pay for insurance, usually broken down into monthly payments
	Subsidy	Also called an advance premium tax credit, a government-provided amount that reduces your monthly premium
Your Coverage & Benefits	Benefit/Plan	The health care services covered by your health plan
	Benefit Year	How long your benefits are valid, typically one calendar year (January–December)
	Coordination of Benefits	How multiple insurance plans work together if you have more than one plan
	Excluded Services	Services not covered by your health plan
	Network	List of providers your plan has contracted with, including in-network and out-of-network
	Pre-Authorization	Confirmation that a treatment or service is medically necessary
	Rx Coverage	How much your health plan pays for prescription drugs (varies by plan)
Insurance System	Carrier	An entity authorized by state law to sell health insurance (typically an insurance company)
	Claim	A request for payment submitted by a medical provider to the insurance company
	Enrolment Period	The time frame when you can sign up for coverage
	Explanation of Benefits	Statement showing how a claim was processed, including insurer payment and your share
	PCP	Primary care physician or provider overseeing your health care
	Plan Type	Your plan's coverage approach, e.g., HMO, PPO, flexible vs. strict
	Provider	Medical professional or facility delivering care, in-network or out-of-network

ULIP – Unit Linked Insurance Plan

A ULIP (Unit Linked Insurance Plan) is a financial product that combines insurance coverage with investment opportunities. Policyholders can pay premiums either monthly or annually. A small portion of the premium is used to provide life insurance, while the remaining amount is invested in various financial instruments, similar to a mutual fund. Over the policy term—typically 5, 10, or 15 years—policyholders accumulate units in their investment.

Insurance companies manage the investments through professional fund managers, relieving the investor from the need to track market movements. ULIPs also allow policyholders to switch their investments between equity and debt funds based on risk preference and market knowledge. This flexibility makes ULIPs a popular investment choice.

Types of ULIPs:

1. Based on Fund Investment:

- ✓ **Equity Funds:** Premium is invested in the stock market, offering higher risk and potentially higher returns.
- ✓ **Balanced Funds:** Premium is divided between equity and debt to reduce risk while still aiming for growth.
- ✓ **Debt Funds:** Premium is invested in debt instruments, providing lower risk and correspondingly lower returns.

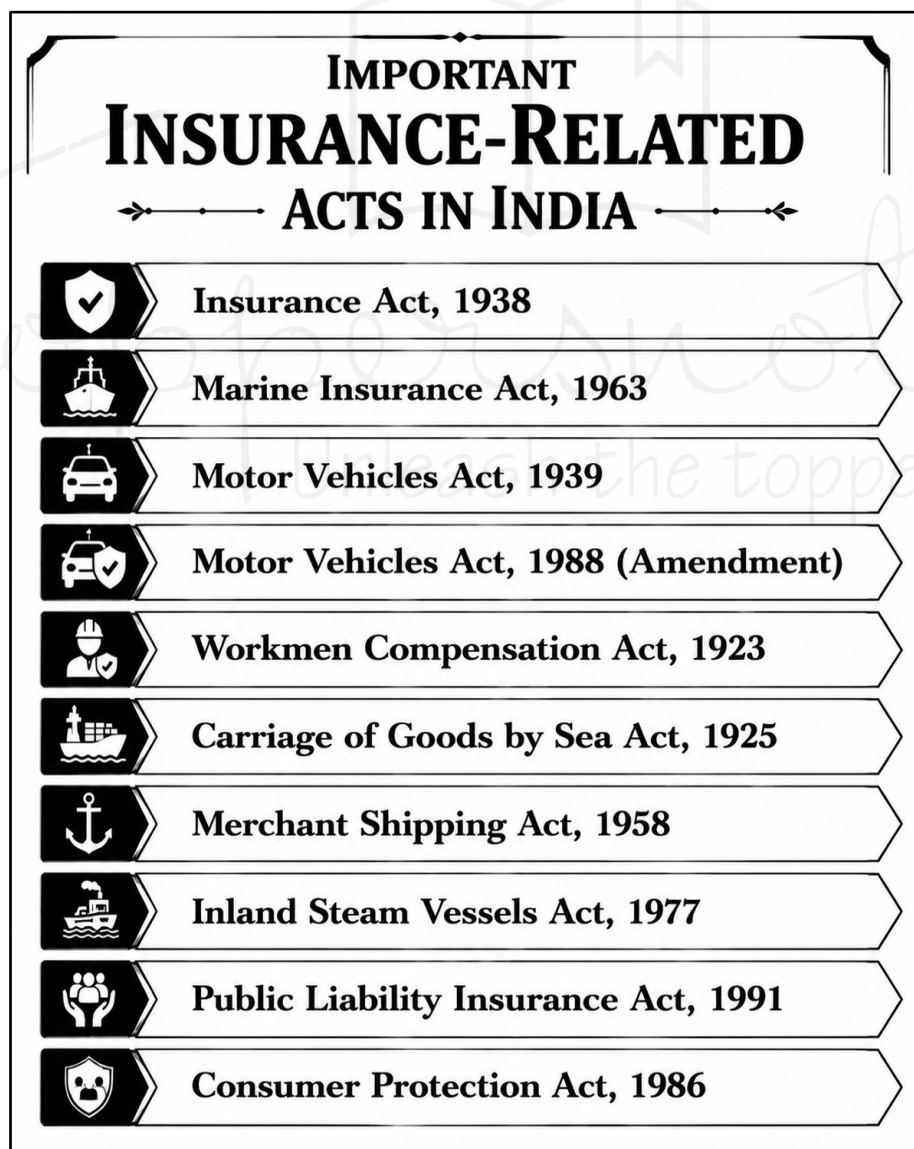
2. Based on End Use of Funds:

- ✓ **Retirement Planning:** Investments aimed at creating a corpus for retirement.
- ✓ **Child Education:** Long-term investment to fund a child's education or unforeseen needs.
- ✓ **Wealth Creation:** Investments intended to accumulate substantial funds for future financial goals.

3. Based on Death Benefit to Policyholder:

- ✓ **Type I ULIP:** Pays the higher of the sum assured or fund value to the nominee upon the policyholder's death.
- ✓ **Type II ULIP:** Pays the sum assured plus the fund value to the nominee in case of the policyholder's death.

Important Insurance-Related Acts in India:



1. **Insurance Act, 1938:**

- ✓ Governs the General Insurance Corporation of India and its four subsidiary companies, subject to exceptions specified by the Central Government under Section 35 of the General Insurance Business (Nationalization) Act.
- ✓ Key provisions cover registration of insurers, maintenance of accounts and returns, investment norms, limits on management expenses, prohibition of rebates, investigation powers, licensing of agents and surveyors, advance premium payment, and functioning of the Tariff Advisory Committee.

2. **Marine Insurance Act, 1963:**

- ✓ Codifies the law for marine insurance in India.
- ✓ Largely based on the UK Marine Insurance Act, 1906, with certain modifications.

3. **Motor Vehicles Act, 1939:**

- ✓ No motor vehicle can be used on public roads without an insurance policy issued by an authorized insurer.

4. **Motor Vehicles Act, 1988 (Amendment):**

- ✓ Introduced significant changes affecting third-party liability arising from the use of motor vehicles in public places.

5. **Workmen Compensation Act, 1923:**

- ✓ Requires employers to compensate employees for injuries caused by accidents arising out of and during the course of employment.

6. **Carriage of Goods by Sea Act, 1925:**

- ✓ Defines the rights, liabilities, and immunities of shipowners concerning loss or damage to cargo.

7. **Merchant Shipping Act, 1958:**

- ✓ Provides protection to shipowners, limiting their liability for losses related to life, personal injury, or property, provided the incident occurs without the shipowner's fault.
- ✓ Imposes a duty on shipowners to maintain ships in a seaworthy and safe condition.

8. **Inland Steam Vessels Act, 1977:**

- ✓ Requires insurance of mechanically propelled inland vessels against third-party risks.
- ✓ Covers liability for death or injury to passengers or third parties and damage to third-party property, specifying liability limits.

9. **Public Liability Insurance Act, 1991:**

- ✓ Ensures immediate relief to victims of accidents involving hazardous substances.
- ✓ Mandates compulsory insurance for liabilities arising on a "no-fault" basis.

10. **Consumer Protection Act, 1986:**

- ✓ Aims to protect consumer interests and facilitate dispute resolution.
- ✓ Defines insurance as a "service" and considers buyers of insurance as consumers entitled to protection under the Act.

Insurance Frauds:

Insurance fraud is an illegal act committed by either the buyer or seller of an insurance contract. It can be classified as **hard fraud** or **soft fraud**:

- **Hard Fraud:** Deliberate planning or fabrication of a loss, such as theft of a vehicle or intentionally setting fire to property covered by insurance.
- **Soft Fraud (Opportunistic Fraud):** Exaggeration of legitimate claims by policyholders; more common than hard fraud.

Types of Insurance Frauds

1. Premium Diversion:

- ✓ Occurs when an insurance agent collects premiums but fails to remit them to the underwriter, keeping the money for personal use.
- ✓ Includes selling insurance without a license or collecting premiums but not paying claims.

2. Fee Churning:

- ✓ Happens when intermediaries take commissions from multiple companies during reinsurance agreements.
- ✓ Fraud becomes evident if funds intended for claims are restricted.

3. Asset Diversion:

- ✓ Usually occurs during mergers or acquisitions of insurance companies.
- ✓ Involves using the acquired company's assets to settle debts rather than for their intended purpose.

Important Terms:

Abbreviation / Term	Definition
Accident	An event or occurrence causing damage/injury to an entity, and is unforeseen and unintended
Accident Benefit	Provides for payment of an additional benefit equal to the sum assured in instalments on permanent total disability and waiver of subsequent premiums payable under the policy
Age Limits	Stipulated minimum and maximum ages below and above which the company will not accept applications or may not renew policies
Agent	An insurance company representative licensed by the state who solicits, negotiates or effects contracts of insurance, and provides service to the policyholder for the insurer
Annuity Plans	Plans that provide a pension (or a mix of a lumpsum amount and a pension) to the policyholder or their spouse; in case of death of both during the policy period, a lumpsum amount is provided to the next of kin
Application Form	Supplied by the insurance company, usually filled in by the agent and medical examiner (if applicable) based on information from the applicant; signed by the applicant and forms part of the insurance policy if issued
Assignment	Legal transference of policyholder's interest to another person; can be done via endorsement on the policy document or as a separate deed; types: Conditional or Absolute
Beneficiary	The person(s) or entity(ies) (e.g., corporation, trust) named in the policy as the recipient of insurance proceeds upon the death of the insured
Business Insurance	A policy primarily providing coverage of benefits to a business rather than an individual; indemnifies a business for the loss of services of a key employee or disabled partner
Cancelable	A health insurance contract that may be cancelled during the policy term by either the insurer or the insured
Coinsurance	1) If insured carries less than stipulated insurance-to-value, loss payment is limited proportionally; 2) In medical insurance, insured and insurer share covered losses in a specified ratio (e.g., 80% insurer, 20% insured)

Convertible Whole Life Policy	A mix of whole life and endowment policy; low premiums with maximum coverage early in career, with option to convert to an endowment policy after five years
Coverage	The scope of protection provided under an insurance contract; includes the risks covered by a policy
Days of Grace	A 15–30-day period after premium due date during which the policyholder can still make payment without penalty
Deferment Period	Time between subscription to an insurance-cum-pension policy and receipt of first pension instalment; policies prescribe minimum and maximum limits
Depreciation	Decrease in property value over time due to wear, tear, or obsolescence; used to determine actual cash value at the time of loss
Double/Triple Cover Plans	Plans that pay double/triple the sum assured on death of the life assured during policy term; on survival to maturity, the basic sum assured is paid; low-premium, often for housing needs
Embezzlement	Fraudulent use or taking of another's property or money which has been entrusted to one's care
Endowment Policy	Policy where the assured pays annual premiums based on age and term; sum insured is payable either at end of term or on death, whichever occurs first
Exclusions	Specific conditions or circumstances for which the policy will not provide benefits
Excess and Surplus Insurance	1) Covers losses above a certain amount, with lower losses covered by regular policies; 2) Covers unusual or one-time risks not available in the normal market, e.g., damage to a musician's hands or multiple perils of a convention
Facultative Reinsurance	Reinsurance where the reinsurer can accept or reject any risk presented by an insurance company seeking reinsurance
Family Insurance	Life insurance covering all or several family members in one contract; usually whole life for the principal breadwinner and small term insurance for spouse and children (including post-issue births)
Fiduciary	A person who holds something in trust for another
Fire Insurance	Coverage for losses caused by fire and lightning, including resultant damage from smoke and water; flood insurance covers losses from flood peril, often at low cost under government programs
Franchise Insurance	Insurance in which individual policies are issued to employees of a common employer or association members; the employer/association collects premiums and remits them to the insurer
Guaranteed Insurance Sum (GIS)	Lump sum used to purchase future pensions under Jeevan Akshay Plan (LIC); monthly pension payable after first premium, calculated based on age at entry
Gross Insurance Value Element (GIVE)	Amount payable on deferred date under Jeevan Dhara Life (LIC); annuity of 1% of GIVE per month after deferment period; entire GIVE payable on death after deferment
Group Life Insurance	Life insurance on a group without medical exams, under a master policy; issued to employers for employees or associations; members hold certificates as proof