Dr.Babasaheb Ambedkar Open University

DIN
DIPLOMA IN INSURANCE

Block

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Life (Personal) Insurance - 2

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Unit :14: Claims

Introduction:

Insurance is taken by an individual with a view to reduce the adverse effects of unexpected events. If these unexpected events if occurred then the insurer may demand the help from the insurance company and this help will be in the form of claims.

Structure of the chapter:

14.1 Objectives:

By the end of this chapter, the student will learn about

- Meaning of claims
- Intimations in claims
- Different types of claim documents
- Settlement procedure in claims

14.2 Claims:

The claim is the right of the insured in the event of contingency. In event of contingency the claim is to be lodged by the insured to the insurer. A claim is paid by the insurer to the insured or his family members on satisfying that events specified in the contract has occurred. A claim is the demand for performance of the promise made by the insurer at the time of making the contract. The insurer has then to perform his part of the contract by payment after satisfying himself that all the conditions and requirements for settlement of claim have been complied.

14.3 Intimations:

Under Endowment type of policies, maturity claims are payable. The insurer normally sends advance intimations to the insured. The insurer has to satisfy that (a) the life assured is the holder of the policy and his identity is proved. (b) the age stands admitted. (c) the premiums are all paid and (d) the original policy is handed in together with a completed discharge voucher before making payment. The insurance company is expected to make payment on the maturity date. Post-dated cheques are normally sent in advance.

The holder of the policy is entitled for payment if the policy has not been assigned in favour of anyone else or dealt with it in any other manner like depositing it with a Bank for getting overdraft.

In case of absolute assignment, the payment will be made to the assignee. If the assignment is conditional, payment can be made to the assured himself, after satisfying repayment of loan, that may be the reason for assignment.

14.4 Death Claim Intimations:

In event of death of the insured the nominee, assignee or relative of life assured, the employer agent, or the development officer may intimate in writing to the insurer. Particulars like policy number, name of the life assured, the date of death, the cause of death and the relationship of the information to the deceased are to be mentioned.

The intimation must satisfy two conditions. It must be from a concerned person and must establish beyond doubt, the identity of the deceased person as the life assured under the policy.

Sometimes, the office need not wait till the intimation of the claim is received. However, care has to be taken to ensure that identity of the deceased is established.

14.5 Documents - Forms

Maturity claims:

In the case of maturity claims, the following documents will be called for by the insurer, well before the date of maturity.

- Policy document.
- Age proof, if the age is not already admitted.
- Deed of assignment if any
- Discharge form issued by the office

Death Claims:

In the case of death claims, after receipt of intimation of death, the following will be asked for

- Policy document
- Deeds of assignments / reassignments

- Proof of age, if age is not already admitted.
- Certificate of death
- Legal Evidence of title, if the policy is not assigned or nominated.
- Form of discharge executed & properly witnessed.

If the claim has occurred within 3 years from the commencement of policy, following additional requirements may be called for in order to remove any suspicion of suppression of material facts at the time of proposal.

Statement from the last medical attendant giving details of last illness and treatment.

Statement from the hospital if the deceased had been admitted to a hospital.

Statement from the person, who had attended last funeral rites & had seen the dead body.

Statement from the employer. if the deceased was emplcyer, showing details of leave.

If the life assured had an unnatural death, such as accident, suicide or unknown cause, police inquiry report, panchanama, Chemical analyser's report, post mortem report, Coroner's report, etc. would also be looked into. Depending on preliminary date, a special inquiry may also be ordered.

14.6 Settlement:

14.6.1 Maturity:

Here, we shall discuss about the settlement procedure in case of maturity claims. Settlement procedure in a maturity claim is simple. After receipt of the completed and stamped discharge voucher from the person entitled to the policy moneys, along with the policy documents, claim amount will be paid by account payee or crossed & order cheque. Moreover, Where the assured or the person to sign the discharge is known to be mentally deranged, a certificate from a court of law under the Indian Lunacy Act appointing a person to act as a guardian to manage the properties of the Lunatic should be called. If the person has recovered from the mental disorder, a certificate from the Psychiatric Hospital to that effect, would be necessary. If the assured has been adjudged insolvent by a court of law before the policy has matured for payment and if a Notice is received from the official assignee of the court along with a certified copy of the court's order declaring assured as insolvent & also on order appointing official assignee as the assignee of the insolvent's estate, the official assignee should be informed about the date of maturity and other details. If the assignee claims the money, the payment has to be made to him under advice to the life assured. If the judicial authority has sold the policy in a court action, the purchaser, who produces certificate of sale will be entitled to the policy moneys. If a prohibitory order of a court of law or a notice from income-tax officer under Section 226(3) of the Income Tax Act is subsisting, the assured should be asked to have a proper withdrawal order served on the insurer. Otherwise, the insurer will act according to the notice. If the life assured is reported to have died before the maturity date, the claim has to be treated as a death claim and processed accordingly. But if the assured is reported to have died after the date of maturity but before the receipt is discharged, the claim is to be treated as a maturity claim and paid to the legal heirs. Death certificate and evidence of title would be necessary. Under the Evidence Act, a person who has disappeared is presumed to be dead only if he has not been heard of for seven years. In such cases a decree of presumption of death from a court of law would be needed. The premiums must be paid until presumption of death is made, otherwise, the payment would be made after the court decree is obtained, as per the status of the policy as on the date when the premiums stopped. Payment of claim amount to claimants who are nonresidents of India are governed by the Foreign Exchange Control Regulations. If a policy is financed through HUF funds, the policy belongs to HUF and as such the policy moneys would be payable to the Karta of HUF only.

14.6.2 Settlement Procedure:

The death claim is payable after the death of the insured. The payment is to be made to the assignee or the nominee. If there is no nominee or assignee then the payment is to be made to the legal heir on the submission of the proof such as succession certificate or letters of administration or will. The insurer may waive strict evidence of title, if the amount involved is small, there is no other estate left by the deceased and there is no dispute among the survivors about the policy moneys. The claim is to be made within the reasonable time. If the intimation of claim is received after 3 years from the date of death, the same is time barred. The claimant has to be informed accordingly. However, if the death had occurred within 3 years of the policy's commencement or revival, simultaneously investigation should be conducted to find out the bonafides of the claim, without the knowledge of the client. However, if more than three years have elapsed, since the date of risk the claimant has to be informed that the claim is barred by limitation. In such case claim forms can be issued without prejudice to see if any exgratia payment can be made. If the death has occurred within 2 years of the date of the Policy the possibility or suppression of evidence cannot be ruled out. Hence, it is necessary to investigate such cases. The reasons for intimating a claim late may be deliberate attempt to tamper with evidence.

- In case of death settlement necessary proofs need to be taken from the various persons. Death may be sudden death such as due to cardiac arrest, drowning, burns, aircrash, suicide, murder or at the hands of justice. Various documents / certificate are required if the death is occurred in certain way such as ,
- In case of an aircrash, a certificate from airline authorities would be necessary certifying that the assured was a passenger on the plane.

- In case of ship-accident, a certified extract from the logbook of the ship would be needed.
- In case of sudden heart failures, doctor's certificate will not be forthcoming. In case of defence personnel, a certificate from the commanding officer of the Unit is to be obtained.
- If a court of enquiry is ordered its finding should be obtained.

14.7 Exercise:

1. What is meant by claims?
2. What is meant by intimation for maturity claims and death claims?
3. Write a note on claim document?
4. Describe settlement procedure for maturity claims and death claims?

Unit :15 : Organization

Introduction:

Insurance business is a very giant business here in India, which is running with very proper organizational set up. During this chapter, we will discuss about the organizational set of the insurance business in India.

Structure of the Chapter:

15.1 Objectives:

By the end of this chapter, the student will learn about

- Organizational set up of the insurance business in India
- Activities at branch office level
- Role of actuarlal profession in insurance business
- Distribution channels in insurance business

15.2 Organization Set Up In India:

Life insurance business in India in since 1956, is carried on by the Life Insurance Corporation of India (LIC) and the Postal Life Insurance (PLI), were transacting life insurance business in India. Other insurance schemes, like those of some States, are limited in their scope and do not deal with the general public. At the beginning of the year 2000, the Insurance Regulatory and Development Authority (IRDA) had been given powers to issue certificates of registration to new Indian insurance companies to transact life insurance business in India. Thus, the private sector companies are also entering into the Life insurance business provided they fulfill certain conditions. As and when such new companies begin operations, details with regard to their organizational structures will have to be understood by the agents. The L.I.C. of India came into being on 1st September, 1956 as a result of the nationalization of life insurance business. It transacts business throughout India and also in the U.K. Mauritius, Fiji and the Middle East.

15.3 Structure:

LIC constitute of 15 members each appointed by the Central Government. One of the member will be appointed as chairman. The L.I.C. of India has a four tier structure, the Central Office at Mumbai, seven Zonal office, 100 divisional offices and over 2000 Branch office in India. The branches situated in the foreign report directly to the Central Office. All the offices have clearly demarcated geographical areas of operations. However, Branch offices situated in big cities have common areas. Almost 90% of the activities relating to policy holders are done at the level of the Branch offices, but however investments are done at the Central Office.

The P.L.I., is headed by a chief General Manger, who functions under the supervision and control of the Postal Services Board, constituted by the Central Government to look after the activities of the Posts and Telegraphs department. Every district Postal Head Office has an officer to look after all P.L.I. operations in that district, including sales and payment of claims. Premiums are collected by all post offices, but final accounting is centralized at the office of the Director of Accounts in Calcutta. A lot of administrative work is done by personnel attending also to other responsibilities concerning the postal system.

In LIC earlier, the Branch Offices performed the functions of procuring New Business. After the proposal were registered, they were sent to the divisional Office for underwriting and issue of policy. After the issue of policy, premiums are collected at branch office but all the other services will be provided from the divisional office. AS the number of branch offices are less the services provided to the policy holders proved to be very costly & time consuming and inefficient. The government to overcome the problem use to appoint various committees from time to time. On recommendation of Shr Era Sezhiyan Committee has made certain suggestion to improve the working othe the LIC. On the recommendation of the committee, branch offices started providing all services from acceptance of proposal to payment of claim. Special teams called the 'Organizational Improvement Cell' (OIC) were set up to help the Divisional Managers and Branches to implement the new pattern of working.

15.4 The Branch Office:

The organizational setup of the branch office is given below :-

The Branch Office is headed by a Senior / Branch Manager. He is assisted by an assistant Branch Manager (Sales) & other Heads of Departments. The Branch Office is a basic unit of growth and profit. The primary function of a Branch Office is to develop the life assurance business in its area to achieve growth through a well planned organization and to generate maximum surplus. Effective and efficient service to its policy holders is an essential ingredient of its functions. All the needs of the policy holders and agents are fulfilled at the branch office only and they rarely requires to move to the divisional office. Agents and development Officers who supervise agents, are part of Branch Offices. They work under the control of the Asst. Branch Manager (Sales). They are part of the distribution system. Agents are necessary for selling life insurance due to the following reasons:

1. Insurance is an idea that has to be explained and its usefulness clarified personally.

2. Each prospective buyer has special needs and requires specialized solutions.

3. Personalized guidance can be given only when there is a live interaction with the agent.

Significant amount of money is to be set aside immediately and regularly for a long term in future, for a benefit which is vague and far away. There would be, therefore, natural reluctance, which has to be overcome. given a choice, people would postpone a decision to buy insurance.

The insurer has to assess the risk involved in every proposal for insurance, for which the necessary information would include details on personal life styles, habits, family etc. the agent, who gets to meet the proposer closely, is in a position to provide some of this valuable information.

In some countries, some of the agents are very experienced and qualified. Colleges of insurance offer long duration courses, leading to grant of certificate or degrees, like accountants, or company secretaries or architects. In some countries there is the system of broker who on there own canvass the business and give the business to the insurer at the standard or negotiable terms. They place the business with more than one insurer. He collects commission from the insurer with whom the business is placed and does not charge the prospect. In India however, till the beginning of the year 2000, the system of brokers was not permitted. The IRDA, has been given powers to revise the law in this matter, The LIC has more than 5 lakhs of agents on its rolls. Some of them are whole time and some of them are part time. Agents have to obtain licences from the government in order to be able to procure business and receive commission therefore.

15.5 Important Activities:

The important activities in a life insurance company are:

1. Procuring from prospective buyers of life insurance, applications, also called proposal, for grant of life insurance cover.

2. Scrutinizing and making decisions on the proposal for insurance. This activity is called underwriting.

3. Issuing a policy documents, which is the evidence of the insurance contract and would incorporate the various terms and conditions of the insurance cover.

4. Keeping track of the performance of the insurance contract by either party. like payment of premium.

5. Attending to the various requirements that may arise during the duration of the contract like nominations, assignment, alteration of terms, surrenders and payment of claims.

6. Other supporting activities like investment of funds, maintenance of accounts, management of personnel, processing of date, compliance with regulations and law of the country.

7. Depending on the size of operations, there are different ways of organizing for these activities. All these activities may be concentrated at one place or may be distributed between different offices. If the business is being transacted in many countries, the arrangements in each country may follow different patterns depending on the laws of the respective countries and the nature of the market for business.

15.6 The Actuarial Profession:

An actuary is the person who is a specialist handling the problems of determination of the premium amount for the persons of different age, different qualities etc. An actuary is a person who has passed specialized examinations. Such examinations are conducted by the Actuarial society of India or the Institute of actuaries, London. The subjects covered in these examinations include Life contingencies, Statistics, compound Interest, Investments, Pensions, etc. An actuary is the technical expert on life insurance matters studying the mortality of the insuring public, evaluating the financial condition of the life insurance company, determining the policies to be offered and the premium to be charged therefore, determining the policies to follow in terms of investments of its funds, deciding on the bonus that can be declared on the participating policies and so on. A good actuary is a good economist, a good statistician and a good security analyst. Every well managed insurance company will have actuaries to continuously study its operations and advise the management on the appropriateness of their policies. The periodical valuation of a life insurance company, required to be conducted as per the provisions of the Insurance act, is the responsibility of the actuary. The premium proposed to be charged by the insurance company, have to be certified by the actuary before they are submitted for the approval of the IRDA. The 'price' in the case of a life insurance policy is the premium, which the policy holder is required to pay during the term of the policy. The premium may be stipulated as monthly. quarterly. half-yearly or annual. The premium may be published in the prospectus of the insurance company or separately as the Table of Premium rates. Rebates may be allowed on the published rate of premium for high Sums assured, or lesser frequency of premium sometimes, extra premium is charged for low sums assured or higher frequency of premium. Extra premium may also be charged at the time of underwriting, depending on the assessment of risk. The premium is determined by the actuary. While doing so, he takes into account three main factors, viz., mortality, expenses and interest. Some portion of the premium will go towards payment of the claims that may arise from time to time before the policies mature. This portion is determined by the rate of mortality. Part of the premium will also go towards meeting the expenses of managing the business. The remaining premium will accumulate at the rate of interest to be earned by investing after paying the claims and meeting the expenses, should be enough to meet the liabilities of the policies that continue in the books as in-force policies. The actuary makes his assumptions on the likely rate of mortality (this is an estimate of the claims that will arise), the likely level of management expenses and the likely rate of interest that may be earned. These assumptions are made on the basis of the past experience and the actuary's assessment of the future trends, Prudence demands that the estimates be conservative, so that there is enough margins if realities are more adverse than assumptions.

15.7 Distribution Channels:

Here in this paragraph, we shall discuss about the distribution channels or distributions techniques of the insurance companies. A distribution channel is the route by which the product (or offer) prepared by the producer reaches the ultimate consumer (or buyer). The distance between producer and the consumer is bridged by the distribution channel. In the case of life insurance, the agent is the primary component of the distribution channel. The supervisor of agents, by whatever name called, plays an important part, because it is he who, by creating and training agents, makes the channel effective. New agents make the channel wider. Equally important would be the other intermediaries, like brokers and insurance consultants. Life insurance companies also resort to direct mailing which means letters or brochures may be sent by the office direct to the prospectus, who being persuaded thereby, can contact the office and complete the requirements. Direct mailing is becoming popular because there is saving in costs. But this is unlikely to replace the effects of personal contacts by agents, until the level of awareness of life insurance increases. Another method of distribution which is becoming popular, is the use of the outlets of banks. Both banks and life insurance companies approach the same segments of population. Through the same contact, the prospect can be helped to arrange for both bank deposits and life insurance. There would be saving in infrastructure costs and overheads. It is possible also to develop composite products which combine into one product or contract, the elements of both bank deposits and insurance. These are developing trends.

15.8 Exercise:

1. Write a note on organizational set up of insurance business in India?
2. Describe the Branch Office activities of insurance business?
3. Describe the role of actuarial in insurance business?
4. Explain the various activities of Life insurance business?

Unit :16 : Group Insurance

Introduction:

Usually, life insurance policies are taken by individuals but there are also different policies are available for different groups. Here the policy is not taken only for an individual rather the policies are taken for the group as a whole. E.g. policies taken by the employer for his employees. During this chapter, we will study the different related aspects with group insurance business.

Structure of the chapter:

16.1 Objectives:

By the end of this chapter, the student will learn about

- Group insurance its related features
- Group insurance schemes
- Group superannuation scheme
- Health related insurance

16.2 Group Insurance:

Here in following paragraph we shall discuss about the concept of group insurances rather than individual insurances. In Group insurance policies insurance cover is not given to an individual rather it is given to large number of people. Group Insurance is a plan of insurance, which provides cover to large number of people under a single policy called the "Master Policy". The individuals covered under the Master policy are not parties to the contract. The amount and terms of insurance are negotiated by the employer or group. As many persons are covered under one single contract, it becomes possible to give cover at a low cost on account of saving in the administrative and medical examination expenses. The premium is paid by the group, after or without being collected from members. Social security is a concern in all countries throughout the world, although the dimension of social security vary considerably. In some advanced countries, the entire living expenses of elderly persons are borne by the State as a social measure. In some countries, medical care is free. Most of the social welfare measures are administered by the Government. Insurance companies become the natural instruments to take over these functions. In India, the operations relegating to social welfare are comparatively at an elementarily level. In India, group term insurance cover is made available to poorer sections of society like landless agricultural laborers, handloom workers, rickshaw pullers, village artisan, etc. with the help of social security fund. In case of death of any member, a prescribed sum, say Rs.5,000/- is accident. The premium is financed either wholly or partly by the Central Government. Other weaker sections of society like cooperative milk producers, tailors, barbers, masons, carpenters etc. are also covered by group social security schemes.

16.3 Legal and Other Features:

In case of group insurance the insurance of individual is not taken. The risk of the lives of individual is not assessed, nor concerned with the health, morals or habit of the individuals. The insurer takes the following safeguards, in making group selection.

- A minimum number of at least 25 persons is insisted upon

- Group should have already been in existence. It should not have been formed for obtaining insurance coverage.

- The individual member will not have a choice about being covered. The amount of coverage depends upon factors that are determined by the terms and conditions of the scheme.

- The amount of insurance for each individual is determined by a formula or a schedule. It may be fixed uniformly for all members or vary according to the salary grade or designation or the length of service of the employee.

16.4 Advantages:

The main advantages of Group Insurance are:

1. Low cost of insurance.

2. Adjustment may be made every year based on the mortality experience of the group. This facility is available depending on the scheme chosen.

3. Administration is easy.

16.5 Group Insurance Schemes:

This is a sort of compulsory insurance scheme for some organizations, specified below. Employee's Deposit Linked Insurance scheme is applicable to all establishments and undertaking contributing employees provident fund under the Employee's Provident Fund and Miscellaneous Provisions Act, 1952, with effect from 1.8.1976, unless exempted under Section 17(2A) of the Act. The scheme provides for an insurance cover to an employee linked to his balance in the Provident Fund account subject to a maximum of Rs. 35,000/-.

16.6 Group Gratuity Scheme:

Insurance companies are also providing schemes for payment of gratuity on their retirement. The payment of gratuity under 'Payment of Gratuity Act. 1972' is compulsory. The employer may pay gratuity to his employees

(a) as and when if falls due out of his revenues or
(b) he may create internal reserve or
(c) he may set up a trust for the purpose administering the funds itself or
(d) he may set up a trust and the trustee may opt for a scheme of insurance with insurance company.

The group gratuity scheme of insurance company as stated in (d) enables employers to provide for gratuity payments, larger than the normal gratuity rules, particularly in the case of employees

16.7 Group Superannution Scheme:

Superannuation means retirement at the time when due. Such type of the insurance is must because if the organization pay from its current funds than the huge amount of funds is required to be withdrawn from the current funds employed in the business. Insurance companies provide schemes for payment of pensions on retirement to employees. The object of the scheme is to provide an employee pension on retirement. A supernnuation fund provides periodical payments by ways of pension. The pension is payable during the lifetime of the retired employee or to the spouse on death. The employer can pay the pension benefits (a) as and when they fall due or (b) he can set up a trust fund for provision of pension. The trustees can enter into a group superannuation scheme with the insurance company, whereby the responsibility of administering and managing the und is passed on to the insurance company. A group insurance scheme can be arranged along with the superannuation scheme, whereby the pension benefits can be much higher even in case of premature death.

16.9 Grouping Leave Encashment Scheme (Gles):

As per the amendments to the Companies Act, made in 1988, and the Accounting standards, employers have to fund the liability in respect of the leave encashment facility. The LIC's scheme enables such funding (including medical leave encashment). In addition, the scheme provides for a sum assured ranging from Rs. 5,000 to 25,000 payable to employees who die while in service.

16.10 Group Annuity Schemes:

Under this scheme, employers who manage their own superannuating or pension scheme have to purchase annuities from the L.I.C. as and when they have to release the pensions to the employees. After purchase, the annuities will be paid by the LIC directly to the pensioners.

16.11 Health Related Insurance:

Under the Insurance Act, 1938, insurance against sickness and medical treatment is not part of life insurance business. It gets covered under miscellaneous insurance business, which is part of general insurance business.

However, the L.I.C. of India covers health-related risks along with the traditional life insurance policies. For example, coverage against death by accident is non-life business. But this coverage is given as additional benefit, in a life insurance policy, limited to the amount of the sum assured, but not exceeding Rs. 5 lakhs. So also, disability benefits are provided along with life insurance policies, by way of discontinuance of further premiums (maximum Rs. 20000)

16.12 Exercise:

1. What is group insurance? State its main features and importance?
2. Write a note on group insurance schemes?
3. Describe group saving linked insurance scheme?
4. Write a note on health related insurance?
5. Write a note on group saving linked insurance scheme?

Unit :17 : Life Insurance In The Rural/ Social Sectors

Introduction:

Still, majority of the people in India are living in small villages. And we talk about the life insurance it is difficult to ignore rural sector. Though, it is true that, awareness about the insurance is very rare in rural areas. But, with the increase of literacy in villages there are wide scope for insurance business in rural sector.

Structure of the chapter:

17.1 Objectives:

17.2 Legal Provisions

17.3 Rural Sector

17.4 Social Sector

17.5 IRDP

17.6 Landless Agricultural Labourers Group Insurance Schemes (Lalgi)

17.7 Exercise

17.1 Objectives:

By the end of this chapter, the student will learn about

- Legal provision related with the social and rural sectors in insurance business
- Different schemes of insurance in rural and social sector

17.2 Legal Provisions:

For providing the life insurance in the rural sector of the society there are certain legal provisions which are enumerated below :-

Vide paragraph 19 of the First Schedule of the Insurance Regularity and Development Authority Act, 1999, sections 32B and 32C have been added to the Insurance Act, 1938, which read as under.

32B. Insurance business in rural or social sector – Every insurer shall, after the commencement of the Insurance Regulatory and Development Authority Act, 1999, undertake such percentages of life insurance business and general insurance business in the rural or social sector, as may be specified, in the Official Gazette by the Authority, in this behalf.

32C. Obligations of insurer in respect of rural or unorganized sector ands backward classes. Every insurer shall, after the commencement of the Insurance Regulatory and Development Authority Act, 1999, discharge the obligations specified under section 32B to provide life insurance or general insurance policies to the persons residing in the rural sector, workers in the unorganized or informal sector or for economically vulnerable or backward classes of the society and other categories of persons as may be specified by regulations made by the Authority and such insurance policies shall include insurance for crops.

The Regulations made by the IRDA, in terms of these sections of the Act, have been notified in the Official Gazette on 19.7.2000.

The rural sector has been defined as a place in which, as per the latest census, the population is not more than 5000, the density of population is not more than 400 per square kilometer and at least 75% of the male working population is engaged in agriculture.

The social sector is defined as including the unorganized sector, the informal sector, the economically vulnerable or backward classes and other categories of persons, both in rural and urban areas.

The unorganized sector is defined as including self-employed workers such as agricultural labour, bidi workers, brick kiln workers, carpenters, cobblers, construction workers, fishermen, hamals, handicraft artisans, handloom and khadi workers lady tailors, leather and tannery workers, papad makers, powerloom workers, physically handicapped self-employed persons, primary milk producers, rickshaw puller, safai karmacharies, salt growers, seri culture workers, sugar can cutters, tendu lead collectors, toddy tappers, vegetable vendors, washermen, working women in hills or such other categories of persons.

People below the poverty line are included in the expression economically vulnerable or backward classes.

The expression 'other categories of persons' includes person with disability as defined in the Persons and Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995, and who may not be gainfully employed and also includes guardians who need insurance to protect spastic person with disability.

These are sections of the society which are normally neglected, but which need perhaps the maximum attention from the insurers. Insurers, who begin to carry on life insurance business in the year 2000 or later, are required by this regulation to write in the rural sector, at least.

- 5% of the total policies written direct in the first financial year
- 7% in the second financial year
- 10% in the third financial year
- 12% in the fourth financial year and
- 15% in the fifth financial year
- With regard to the social sector, the obligations are laid down as

- 5000 lives in the first financial year,
- 7500 lives in the second financial year
- 10000 lives in the third financial year
- 15000 lives in the fourth financial year and
- 20000 lives in the fifth financial year

It has also been provided that in the first year, where the period of operation is less than twelve months, the obligation of lives in the social sector, could be proportionately less. It is also provided that the Authority may normally revise the obligations once in the five years.

17.3 Rural Sector:

In the following paragraph we shall discuss about the role and opportunity of insurance business in rural areas. There are more than 5 lakhs of villages, with populations of 5000 or less, with a total population of nearly 75 crores. This represents a vast potential. But nearly 25% of them are below the poverty line compared to only about 7% in the urban areas. They are scattered and not contiguous as in the urban areas. There fore, to contact people, one has to travel long distance, along roads that are not well constructed. Only all weather roads connect 60% of the villages there may not be convenient places for visitors to stay or to eat food. Agents may find it more profitable to spend their efforts in the urban areas. That is why there would be tendencies to avoid the rural market, unless compelled by the law, unless compelled by the Authority through Regulations.

Apart form the large numbers in the rural areas that indicate big potential for business, there are also indicators that show increasing prosperity in the rural areas. Nearly 1.5 crores households in the rural areas considered to have an annual income of Rs 50,000 or above. More than 3,500 branches of commercial banks operate in the rural areas, apart from the banks exclusively concerned with agricultural development. The consumption of various consumer items like biscuits, chocolates, soaps, detergents, washing powders, toothpastes, motorcycles, T.V. sets, radios, pressure cookers, etc., are more in the rural areas than in the urban areas.

The LIC's business from the rural areas had been increasing steadily. In 1997-1998, the business was more than 52% in number of policies and more than 42% in Sum Assured. This is part from the business covered under group schemes in the social sector. The awareness about life insurance is not as low as it used to be some thirty years ago. The LIC had been doing intense publicity through the mobile vans and other traditional as well as non-traditional media. The radio and television reaches almost every village through community sets.

So, enough work has done in the rural sector as well as enough work is required to be done in the rural sector.

17.4 Social Sector:

In the following paragraph we shall discuss about the role of the insurance business in social sector. In the earlier paragraphs, reference was made to the obligations of the insurers in the social sector. The benefits of life insurance are needed most by people in this sector, as they are relatively poor and have very little savings, if at all. Any loss of income through early death would send the surviving family further into the depths of poverty.

Soon after nationalization of life insurance, this need was recognized and efforts were made to introduce what were called mass insurances. The concept was to cover very large numbers of poor people in one scheme. The difference between such plans under the social sector and group insurance policies is that the former are not policies taken voluntarily by any employer or organization or association, but are part of the schemes of the Government being implemented through the business of life insurance.

Till early 2000, there were social security group insurance schemes (SSGIS) separately for recognized occupations 24 occupations had been approved and as at the end of 1999, these schemes covered nearly 50 lakhs persons for a total Sum Assured of nearly 1750 crores. This averaged out to nearly Rs. 3500 per head. In fact, the S.A. differed from scheme to scheme. The benefit on death by accident was Rs. 25,000. The premium for the cover was paid by the State or forms the Social Security Fund set up by the LIC of India in 1988-89, for this purpose.

There was also the Rural Group Life Insurance Scheme (RGLS), where under persons aged between 20 and 50 years were covered for sums of Rs. 5000 payable on death before the age of 60. The Scheme was administered through elected panchyats.

17.5 IRDP:

It is a group insurance scheme for the beneficiaries of the Integrated Rural Development Programme. A separate fund has been set up by Government of India for funding the scheme. The scheme is administered through District Rural Development Agency coming under Zilla Parishad. All the persons who are aged between 18 and 60 years and are receiving subsidy / financial assistance / loan under IRDP after 1.4.1988 are eligible to join the scheme. The premium is fully borne by Government of India. The insurance cover is provided for a period of 5 years from the date of disbursement of subsidy / financial assistance / loan under IRDP. The insurance cover terminates at the end of 5 years or on beneficiary's completing 60 years of age, whichever is earlier.

In the event of death before age 60 a sum assured of Rs. 5,000/- irrespective of amount of loan outstanding becomes payable to the nominee. In case of death due to accident, an amount of Rs.10,000/- becomes payable.

17.6 Landless Agricultural Labourers Group Insurance Schemes:

The objective of the scheme is to provide life insurance protection to the families of landless agricultural laborers. All the landless agricultural laborers, who are heads of the families, whose names do not appear as landholders in the revenue records, who do not have any inheritable right in the agricultural land and whose names are entered in the records maintained by the officer designated by the State Government for the purpose, are eligible to join the scheme provided, they are in the age group of 18 years to 60 years.

The entire premium is borne by the Government of India, through Social Security Fund. Insurance is completely free of cost to the beneficiary – member. Viz. the landless agricultural laborer.

In the event of death of a member before age 60, sum assured of Rs. 2,000/- becomes payable to the nominee. The double accident benefit is not applicable. Even if death is by accident, only Rs. 2,000/- is payable.

17.7 EXERCISE:

1. Explain the insurance business in rural sector?
2. Explain social sector in insurance business?
3. Explain rural sector and social sector in insurance business?

Unit : 18 : Financial Planning And Taxation

Introduction:

Now a days, the intensions for taking insurance is not only to safe guard the life or the assets but also there are other incentives provided by the government which make the investment of money in insurance business very attractive. In income tax act, many exemptions and deductions are given against investment of money in insurance business and people use this benefit for the purpose tax planning as well as for savings.

Structure of the chapter:

18.1 Objectives:

- o Income tax Act and its effect on insurance
- o Provisions of IRDA,1999
- o Provisions of LIC,1956
- o Provisions of Insurance Act, 1938

By the end of this chapter, the student will learn about

18.2 Saving and Investment Schemes:

A good investment will consist of following elements.

1. It should be safe.

2. It should be flexible.

3. It should have incentives to help save continuously without default.

4. It should help in saving tax.

5. It should fulfil the financial objective, even if one dies.

An ideal investment scheme should answer favorably to the following tests :

1. Capital Growth.

2. Beneficial to save tax.

3. Safely.

4. Liquidity. (easily encashable).

5. A high rate of interest yield

18.3 Tax Benefits Under Life Insurance Policies:

Following are the tax benefits available under the Income tax Act, 1961 against investment in insurance business.

20% of the qualifying premium amount, maximum limit Rs. 60,000/-, is given as rebate u/s 88 from the Income-tax payable. The amounts qualifying are: Premiums paid to effect or to keep in force an insurance policy on the life of the assessee or on the life of the wife or husband or any child (whether minor or major) of the assessee, irrespective of the status of the child.

Premiums paid to effect or to keep in force a contract for a Deferred Annuity on the life of the assessee or on the life of the wife or husband or any child (whether minor or major) of the assessee, provision for the exercise by the assured of an option to receive a cash payment in lieu of the annuity plan for receiving pension are deductible from total income upto a maximum of Rs. 10,000/- under Section 80CCC.

The amounts received as claims, on maturity of the policy or on death, including the amount of bonus are not taxable, being capital receipt under Section 10 (10D).

18.4 Life Cycle-Needs:

The LIC of India has designed the various policies keeping in view the life cycle of the human being. By keeping different needs of the life different plans are made by insurance company. It is the matter of selection by the insurer of the proper plan. The insured must plan the investment in such a manner that it gives out the optimum results. The investment must also depend on the income of the person. During the initial career amount of investment is less. However when the income increases the investment is also to be increased. Thus the amount which is insured must also commensurate with the amount of income so that it can cover the risk of our lives. During the young age it must be capital intensive and as we grow older the investment must be risk intensive. It must be such that during the old age the proper amount can be received at regular intervals when the sources of incomes are exhausted.

Life insurance provides a wide variety of plans to meet the life-cycle-needs. person who wants to have sum assured at his old age on maturity of the wants to make the sum assured to be provided to his family on death can avail of Endowment Plan. The need of a person who desires to provide the family with a large sum on his death at a very low cost can be availing whole Life Assurance Plan. The need of children's education and marriage can be met by the insurance plan specially designed for marriage/education. The maturity benefits are paid by way of survival benefits in regular installments to meet the needs arising at various under Money Back Plan.

18.5 Legislative and Regulatory Matters:

18.5.1 Insurance Act 1938:

In the following paragraph, we shall discuss about the initiation and development of insurance business in India. In 1912, the Indian Life Insurance Companies act and provident Fund Insurance Societies Act 1912 was passed. This was the first comprehensive legislation in India to regulate the business of insurance. It had been observed that the provision of Indian Company's Act did not meet the purpose. A further legislation was passed in 1928. However, a comprehensive legislation was passed in 1938. the Insurance Act 1938, aimed "to consolidate and amend the law relating to the business of insurance" came into force with effect from 1st July 1939. Important changes were effected in 1950, whereby provisions were made for the abolition of the chief agents, special agents and principal agents, the expenses were sought to be limited, investments were controlled much more, the Insurance Association and Insurance Councils and also Tariff Advisory Committees were formed as a matter of self-regulation. After nationalization of the insurance business, the application of the Insurance Act to the nationalized L.I.C and the G.I.C and its subsidiaries was limited. Further amendments have been made in the Insurance Act, 1938, through the IRDA Act 1999, in view of the new circumstances arising out of the opening up of the insurance industry in 2000.

The Act provides for the registration of insurance companies, maintenance and scrutiny of accounts and valuation reports, investment and utilization of funds, permissible limits on expenditures, approval of premium rates and plans, verifying solvency margins etc, The Act also vests the IRDA with powers to inspect documents, appoint additional directors, issue directions, take over the management of the insurer through the appointment of an Administrator to be made by the Central Government. Policyholder's interests are taken care through prohibition of policies being called into question after2 years, providing for nominations and assignments, and easy settlement of disputes.

18.5.2 Life Insurance Corporation Act, 1956:

Life Insurance business in India was nationalized with effect from 19 Jan 1956. From this date, the life insurance business transacted by 154 Indian life offices, the Indian business of 16 non-Indian insurers operating in India and 75 provident societies was taken over by Government of India. LIC of India Act was Passed by the Parliament on 18-6-56 and came into effect from 1-7-1956. LIC of India started its functioning as a corporate body from 1-9-1956. Its working is governed by the LIC Act. Some of the important provisions of this Act (as amended by IRDA Act 1999) are stated hereafter.

The LIC is a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property and may by its name sue and be sued. It consists of not more than 16 members appointed by the Government, one of whom shall be appointed as its Chairman.

The Corporation's duty is to carry on life insurance business to the best advantage of the community. The Corporation should make actuarial valuation once In every 2 years, vide Section 26. Effective 1986, this valuation is being done every year. At least 95% of the surplus disclosed by actuarial valuation is to be distributed among with-profit policyholders. The remainder shall be paid to the Central Government. Section 30 started that LIC shall have exclusive privilege to transact life insurance as a result of amendments made in 1999. Under section 36, contracts of chief agents and special agents were terminated effective 1-9-1956. Section 38 provides that LIC cannot be liquidated by any law, unless Central Government orders for and directs it to be so.

18.5.3 Insurance Regulatory And Development Authority Act 1999:

This Act was passed by Parliament in December 1999 and it received presidential assent in January 2000. This Act provides for the establishment of the Authority to protect the interest of holders of insurance policies, to regulate, promote and ensure orderly growth of insurance industry and for matters connected therewith or incidental thereto. It also sought to amend the Insurance Act, 1938, the Life Insurance Corporation Act and General insurance Business (Nationalization) Act 1972.

Under this Act, an authority called IRDA has been established. This is a corporate body established for the purpose and object as set out in the explanation to the title. The "Authority" replaces "Controller" under Insurance Act.1938. The first schedule amends Insurance Act 1938. It states that if "Authority" is superceded by the Central Government, the "Controller of Insurance" may be appointed till such time as "Authority" is reconstituted.

Section 2 (f) defines an intermediary or insurance intermediary to include insurance brokers, re-insurance brokers, insurance consultants, surveyors and loss assessors. The Authority has the power and function to specify qualifications, code of conduct and practical training for intermediaries and agents.

18.5.4 Ombudsman:

In respect of ombudsman scheme to resolve all complaints relating to settlement of claims on the part of insurance co. in cost effective, efficient and impartial manner. The scheme had been gazetted on 11 Nov 1998. Some of the important provisions of this scheme are stated hereafter.

The ombudsman may receive and consider complaints relating to (a) partial or total repudiation of claims (b) any dispute regarding premium paid or payable in terms of the policy (c) any dispute on the legal construction of the policy relating to claims (d) delay in settlement of claims (e) non-issue of any insurance document to customers after receipt of premium. The ombudsman shall act as councilor and mediator in matter within its terms of reference. His decision as to whether the complaint is fit and proper for being considered by it or not shall be final.

Complaints to the ombudsman shall lie only when the insurer had rejected the complaint or no reply was received within one month of the complaint or the reply was not satisfactory. A complaint can be within one year after the insurer had rejected the representation. The subject matter should not be already before any court or consumers forum or arbitration.

The ombudsman shall make a recommendation within one month from the date of receipt of complaint. The complaint may accept this recommendation. A copy of the recommendation shall be sent to the insurer, who shall comply within 15 days of receipt of such recommendation and inform the ombudsman accordingly. If the complainant does not accept the ombudsman's recommendation, the ombudsman shall pass an award in writing, stating the amount awarded which shall not be in excess of what is necessary to cover the loss suffered by the complainant as a direct consequence of the insured peril or for an amount not exceeding RS. 20,00,000, whichever is lower. The award has to be passed within 3 months of receipt of the complainant, who has to intimate within one month of the award, a letter of acceptance to the insured while the insurer has to comply with the award within 15 days and inform ombudsman accordingly. Section 17 stipulates that if the complainant does not intimate the acceptance, the award shall not be implemented.

OTHER ACTS

18.5.5 Income Tax Act:

The tax laws in India provided for relief and saving in taxation arising out of life insurance contracts. The tax laws in India have encouraged the savings by providing relief from tax liabilities. Salient features of such relief are given below (applicable to the year 2003-2004 i.e assessment year 2004-2005in respect of an individual). The tax provisions may change from time to time and the agent should keep himself up to date on this subject. Offices of the insurance companies would normally communicate the effect of such changes for the benefit of the agents. Knowledge of tax provisions is essential for an agent to render proper service to his clients. Such specialized knowledge adds to the professional competence of the agent.

Income Tax exemption on maturity/death claim proceeds

Under the provisions of sub-section 10D of section 10 of Income Tax Act 1961, any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy (other than amount to be refunded under Jeevan Adhar Plan in case the handicapped dependent predeceases the individual or under key-man insurance) is exempt from Income tax.

Section 80 CCC

A deduction to an individual for any amount paid or deposited by him from his taxable income in the above annuity plan for receiving pension (from a fund setup by the Corporation) is allowed to extent of Rs. 10,000.

Section 80 DD

An amount not exceeding Rs 50,000 deposited with LIC of India under Jeevan Adhaar Plan for maintenance of handicapped dependent is eligible for deduction from total income. However if the dependant handicap is suffering from sever disability over 80 % then deduction allowable is Rs.75,000.

Rebate in respect of contribution to PF, insurance premia etc.

According to section 88 the amount of income tax payable on the total taxable income, is to be reduced by 30%, 20%, 15% and NIL as the case may be of the aggregate amount paid toward the following, subject to maximum of Rs. 70,000,

- Premium paid to effect or to keep in force a contract for a deferred annuity on the life of the assessee or on the life of the wife or husband or any child of the assessee without any option for cash-option.
- Premium paid to effect or to keep in force an insurance policy on the life of the assessee or on the life of wife or husband or any child of the assessee.
- As a contribution for participation by the individual in the Unit Linked Insurance Plan 1971 of UTI.
- payment toward Jeevan Dhaara, Jeevan Akshay plans of LIC.

Wealth Tax Act exempts life insurance policies totally provided premiums are payable for a period of 10 years or more. If the policy term is less than 10 years, proportionate value of the right or interest of the assessee in the policy will be exempted. Hence such policies will have to be included in the net wealth as on the date of valuation.

Partnership Insurance. Insurance premium under partnership insurance are allowed as expenses as per section 37(1) of IT Act 1961.

Employer-Employee Schemes

As per section 17(2) (v) of Income Tax Act, 1961 any sum payable by the employer, whether directly or through a fund other than a recognized provident fund or an approved superannuation fund to effect an assurance on the life of the assessee or to affect a contract for annuity for the benefit of an employee will be treated as a perquisite in the hands of such employee. Then the employee can claim rebate under section 88 of It Act. The employer can also show it as an expenditure incurred during the year and claim tax rebate under section 17(2)(5).

18.6 The Code of Conduct in Advertisement and Publicity Areas:

The advertising Standard Council of India under article 2(ii) of its Articles Association adopted a code of conduct on 20th Nov 1985. The objectives of this code of self regulation are as follows.

To ensure the honesty and truthfulness of representations and claims made by advertisements and to safe guard against misleading advertisements.

To ensure that the advertisements are not offensive to generally accepted standards of public decency.

To safeguard the indiscriminate use of advertising for the promotion of the products which are regarded as hazardous etc.

To ensure that advertisements observed fairness in competition so that consumers need to be informed on choices in the market place and the canons of generally accepted competitive behaviour in business are both served.

The full responsibility for the observance of this code rests with the advertiser. The advertising agency has also a responsibility. If the client is not amenable, the matter should be referred to the council. If the council finds any advertisement violative of this code, all media owners shall refuse its publication.

Some of the important features of this code which are relevant to insurance are (a) Advertisement must be truthful. (b) A source of data on the basis of which claims are made should be disclosed. (c) It should not confer unjustified advantage or bring ridicule or disrepute. (d) Advertisement shall not distort facts nor mislead the consumer. (e) Advertisement inviting the public to invest money shall not contain statements misleading as to security, rates of return or terms of amortization. (f) Comparison with other manufacturer is permissible, if it is factual, accurate and capable of substantiation. (g) It should not denigrate other product.

18.7 Exercise:

1. Explain how the income tax act and insurance business are related with each other?
2. Explain the code of conduct for advertisement in insurance business?
3. Explain the provisions Insurance Act, 1938?
4. Explain the provisions of Life Insurance Corporation Act, 1956?
5. Explain the provisions of IRDA Act, 1999?

Unit : 19 : Agent Under Life Insurance Act

Introduction:

From its very beginning, the insurance business is mainly dependant upon its agents for its running. It is even difficult to convince any person to take insurance without live chating with him. Only by giving advertisement in any form of media, it is difficult to get the insurance business. So, the running of insurance business is depands mainly upon agents. The chapter deals with the appointment, working and terminations of agents.

Structure of the Chapter:

19.1 Objectives:

By the end of this chapter the student will come to know about

- Procedure to become life insurance agent
- Code of conduct for life insurance agent
- Major functions for life insurance agent

19.2 Procedure:

The license to the agent will be issued by IRDA or an offer authorized by it in this behalf as per section 42 of the Insurance Act, 1938 The IRDA has, vide regulation 3 of the Licensing of insurance Agents Regulations 2000, authorized designated persons, being officers of insurers, to issue such licenses. The fee for the licence, the manner of making an application, etc, have been determined in the regulations issued by the IRDA The agents must be aware of the regulations affecting their working. Given below are some of the salient features from the regulations.

A licence issued by the IRDA will be valid for three years. The licence may be to act as an agent for a life insurer for a general insurer or as a "Composite Insurance Agent" working for a life insurer as well as general insurer.

Prerequisites for Obtaining Licence

The IRDA has prescribed both qualifications and disqualifications for a person to be given a licence.

The qualifications necessary before a licence can be given are that the person must

(a) be at least 18 years of age,

(b) have passed at least the 12^{th} standard or equivalent examination if he is to be appointed in a place with a population of 5000 or more or 10^{th} standard otherwise.

(c) have undergone practical training for at least 100 hours in life or general insurance business, as the case may be, from an institution, approved and notified by the Authority.

(d) He should have also passed the pre-recruitment examination conducted by the Insurance institute of India or any other examination body recognized by the Authority.

In case of a person wanting to become a composite insurance agent, the applicant should have completed at least 150 hours practical training in life and general insurance business, which may be spread over six to eight weeks.

The disqualifications which would debar a person from obtaining a licence are that he (a) has been found to be of unsound mind by a court of competent jurisdiction, (b) has been found guilt of criminal breach of trust, misappropriation, cheating forgery or abetment or attempt to commit any such offence.

The licence one issued can be cancelled whenever the person acquires a disqualification.

In the case of companies and firms, who want to become agents, the test of qualifications and disqualifications would apply to all the directors or partners.

The application is to be made in prescribed form. The form IRDA-Agents-VA is for individual and IRDA-Agents-VB is for the person other than individuals. The forms are annexed to regulations. The application is to be made to the designated person appointed by the insurer sponsoring the application. The application for the licenses is to be accompanied with the proof of payment of fees, passing of the requisite examination and the acquiring the requisite training and have the proper qualification which is required.

The fee to be sent to the Authority directly is Rs 250 for new licence and for renewals applied for within the prescribed period, viz at least thirty days before the expiry of the licence. In case of late applications, an additional fee of Rs. 100 is payable, if the application is made after the date of expiry, it would be normally be refused. But if the Authority is satisfied that hardship would be caused otherwise, the licence may be renewed.

Prior to renewal of the licence, the agent should have completed at least 25 hours practical training in life or general insurance business or at least 50 hours practical training in life ah general insurance business in the case of a composite insurance agent.

19.3 Code of Conduct:

The (Licensing of Insurance Agents) Regulations 2000 lays down a code of conduct for agents which state, interalia, that the agent shall

disclose the licence to the prospect on demand

explain all available options to the prospect

disclose the scales of commission, if asked for by the prospect

explain the nature of information required in the proposal form

impress upon the prospect the need to disclose all information

inform the insurer about any adverse habits and material facts of the person to be insured

reveal to the prospect the commission that he is likely to receive, if he asked for

convey to the prospect about the acceptance or rejection of the proposal

render necessary assistance to policyholders or claimants or beneficiaries in complying with requirements asked for by the insurer

advise policyholders to effect nomination.

Make every attempt to ensure remittance premiums by the policyholders within the stipulated time, by giving notice orally or in writing.

Not induce prospects to submit wrong information.

Not interfere with the proposals introduced by other insurance agents

Not demand or receive share of proceeds under an insurance contract

Not cause the termination of an existing policy with a view to effect a new proposal

In case of corporate agents, the code also says that the premium from any one person (not being an individual) or organization or group of organization shall not exceed 50% of the total premium in the portfolio of insurance business.

19.4 Termination:

An agency will stand terminated in the event of

cancellation or non-renewal of the licence.

The agent acquiring any of the legal disqualifications like permanent incapacity, conviction for criminal misappropriation, criminal breach of trust, cheating or forgery etc.

An agency may also terminated by the insurer in terms of the appointment of the agency

for non-performance of minimum business expectations

any violation of the code of conduct.

19.5 Functions:

A life insurance agent would be required to solicit and procure new life insurance business, in a manner that is consistent with the interest of the policyholders and of the insurance company.

For this purpose, he would have to do the following.

Contact prospects for life insurance, study their insurance needs and persuade them to buy.

Complete all formalities for proposal of new insurance, including filling up proposal forms, collecting premium, arranging medical examination, collecting proofs (of age or income), reports and information required by the underwriter.

After having sold a new insurance policy, the agent has to ensure that the policy continues, without a lapse, till it becomes a claim, for which purpose he has to

keep in touch with the policyholder to make sure that renewal premiums are paid in time.

Ensure that nominations are made or changed, if necessary, as and when there are changes in the family.

Assist in collection the claim amounts as and when they become due by helping the claimants to complete all documents and evidences.

The other function is to be of assistance to the policyholder in case he needs a loan under the policy or wants to make and an assignment. These service strengthen the relationship between the agent and the policyholder.

In order to be able to perform all these tasks, the agent has to be familiar with

the benefits under the various plans of insurance.

The office procedures for various matters including the forms and documents considered necessary.

19.6 Exercise:

1. Explain the procedure to become agent for life insurance business?
2. What are the main functions for life insurance agents?
3. Write a note on the code of conduct of the life insurance agents?
4. How can the agency under life insurance business be terminated?