SEMESTER III

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17BPU303A BUSINESS PROCESS SERVICES IN INSURANCE

Scope

Insurance principles and practice represents the concept of insurance, life insurance, general insurance and it is used to cover risk. This paper provides a basic understanding of the insurance mechanism in US.

Objectives

- To impart theoretical base of US on fundamentals principles of insurance business
- To help the students to gain broader understanding of insurance business in US

Unit I

Concept of Risk: Risk Management - Basic concepts (Hazards, Perils, Assets, etc.) - Fundamentals of Insurance - Characteristics of a valid contract - Insurance contract Principles & Practices of Insurance Contract - Important terminologies & parties in insurance contract - Types of Insurance (Personal, Commercial, Health, Life, etc. - History of Insurance - Types of Insurance companies - Business units in an Insurance company Overview of Insurance Life Cycle (Underwriting, Policy Servicing, Claims, etc.) -Reinsurance concept.

Unit II

Life Insurance : Important terminologies in a Life Insurance policy - Parties in a Life Insurance policy - Individual Life Insurance plans - Supplementary Benefits - Policy Provisions - Ownership rights - Life Insurance policy life cycle (New business &Underwriting, Policy servicing, Claims, etc.) - Concept of Annuity - Types of Annuity, Annuity contract provisions - Annuity : USA – Fixed Annuity, Fixed Index Annuity, Variable Annuity - Qualified & Non-Qualified Annuity - Principles of Group Insurance Group Life Insurance - Group Retirement Plans

Unit III

Non – Life Insurance: concepts : Hazards, Perils, Catastrophe, Property Damage &Business Interruption, Policy exclusions, Indemnity, Deductibles, Retention, Premiums, Limits, Salvage, Subrogation, etc. - Insurance Providers – Co-Insurance, Reinsurance, Captive Insurance - Underwriting process - Policy Servicing process - Claims process –Reinsurance.

Unit IV Health Insurance: Concept of Healthcare Insurance - How Healthcare Insurance works Key Challenges of Healthcare Industry - Healthcare Eco System - Healthcare regulations &Standards; HIPAA – Medicare – Medicaid – Mediclaim - Individual Health Insurance policies - Group Health Insurance policies - Managed Care – Eye Care – Micro Insurance Schemes

Unit V

Retirement Plans: Concept of Retirement Services - Retirement Planning - Asset Allocation & Asset Classes - Life stages of an Investor - Defined Benefit & Defined Contribution - Individual Retirement Arrangement in USA - Third Party Administrator for Retirement Services in USA -

Life cycle of Participants in a plan (enrollment, contribution, etc.) - Categories of Pension in UK - DWP & TPR - Annuity & Income Drawdown Plan.

Suggested Readings

Text Book TCS BPS study material

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University Established Under Section 3 of UGC Act 1956)

Coimbatore – 641 021.

LECTURE PLAN
DEPARTMENT OF COMMERCE

STAFF NAME: V.VIVEK
SUBJECT NAME: BUSINESS PROCESS SERVICES IN INSURANCE
SUB.CODE:17BPU303A
SEMESTER: III CLASS: II B.COM. BPS

S.No	Lecture Duration Period	Topics to be Covered	Support Material/Page Nos
		UNIT-I	
1	1	Risk Management	T1: 10
2	1	Basic Concept in Risk	T1:7-9
3	1	Fundamentals of Insurance	T1:11-12
4	1	Characteristics of a valid contract	T1:12-13
5	1	Insurance Contract	T1:13
6	1	Principles and practice of Insurance	T1:13-15
7	1	Important Terminologies in Insurance	T1:14
8	1	Parties involved in Insurance	T1:14
9	1	Types of Insurance and Reinsurance	T1:18-19
10	1	History of Insurance	T1:16
11	1	Types of Insurance Company	T1:17
12	1	Business Units in an Insurance company	T1:19
13	1	Life cycle of insurance	T1:21
14	1	Recapitulation and Discussion of Important Questions	
	Total No of Hours Planned For Unit 1=14		

		UNIT-II	
1	1	Terminologies used in Life Insurance	T1:U2;6-8
2	1	Parties involved in Life Insurance Policy	T1:U2;8
3	1	Individual Life Insurance Plans	T1: U2;8-9
4	1	Supplementary Benefits	T1: U2;10-11
5	1	Policy Provisions	T1:U2;11
6	1	Ownership rights	T1: U2;12
7	1	Life Insurance Policy Life Cycle	T1: U2;12-13
8	1	Introduction to Annuity	T1: U2;13-14
9	1	Types of Annuity and Contract Provisions	T1: U2;16-18
10	1	Annuity- USA fixed and fixed index Annuity	T1: U2;19-20
11	1	Variable, Qualified and Non-Qualified Annuities	T1: U2;21-24
12	1	Principles of Group Insurance	T1: U2;25-26
13	1	Group Life Insurance	T1: U227-28
14	1	Group Retirement Plans	T1:U2;28-30
15	1	Recapitulation and Discussion of Important Questions	
	Total No of Hours Planned For Unit II=15		
		UNIT-III	
1	1	Concepts in Nonlife Insurance	T1:U3;6
2	1	Hazards and perils	T1:U3;6-7
3	1	Catastrophes , Property damage	T1:U3;6-9
4	1	Business interruption, policy exclusions	T1:U3;8-10
5	1	Indemnity and deductibles	T1:U3;9
6	1	Retention, premium and limits	T1:U3;9
7	1	Salvage and subrogation	T1:U3;9
8	1	Insurance providers	T1:U3;10

9	1	Co-Insurance	T1:U3;10-11
10	1	Reinsurance and captive insurance	T1:U3;14-15
11	1	Underwriting process	T1:U3;10
12	1	Policy servicing process	T1:U3;11-12
13	1	Claim process	T1:U3;12-13
14	1	Recapitulation and Discussion of Important Questions	
	Total No of Hours Planned For Unit III=14		
		UNIT-IV	
1	1	Concept of health insurance	T1:U4;6
2	1	Working of health care insurance	T1:U4;6-7
3	1	Challenges faced by healthcare industry	T1:U4;7
4	1	Healthcare ecosystem	T1:U4;8
5	2	Health care regulations and standards	T1:U4;9
6	1	HIPAA and Medicare	T1:U4;10-11
7	1	Mediclaim and Medicare	T1:U4;11-12
8	1	Individual health insurance policies	T1:U4;12
9	1	Group Health insurance policies	T1:U4;12
10	1	Managed care policy	T1:U4;13
11	1	Eye care plans	W1
12	1	Micro insurance	W2
13	1	Recapitulation and Discussion of Important Questions	
	Total No of Hours Planned For Unit IV=14		
		UNIT-V	
1	1	Concept of retirement service	T1:U5;6
2	1	Planning for retirement	T1:U5;6-7

3	1	Asset classes and allocation	T1:U5;7
4	1	Life stages of an investor	T1:U5;8
5	1	Defined benefit and contribution	T1:U5;9
6	1	Individual retirement agreement in USA	T1:U5;9
7	1	Third party service for retirement in USA	T1:U5;10
8	1	Life cycle of participants in retirement plans	T1:U5;10-11
9	1	Categories of pension in UK	T1:U5;12
10	1	DWD & TPR	T1:U5;13
11	1	Annuity and income draw down plan	W1
12	1	Recapitulation and Discussion of important Questions	
13	1	Discussion of Previous ESE Question Papers.	
14	1	Discussion of Previous ESE Question Papers.	
15	1	Discussion of Previous ESE Question Papers.	
	Total No of Hours Planned for unit V=15		
Total Planned Hours	**72**		

TEXT BOOK

TCS BPS Study Material

WEBSITES

W1: www.insuranceadvisor.com/medical/special/eyeinsurance

W2: www.insuranceadvisor.com/microinsurance

W3: www.insuranceadvisor.com/annuityincome/2018

UNIT I

SYLLABUS

Concept of Risk: Risk Management - Basic concepts (Hazards, Perils, Assets, etc.) -Fundamentals of Insurance - Characteristics of a valid contract - Insurance contract Principles & Practices of Insurance Contract - Important terminologies & parties in insurance contract - Types of Insurance (Personal, Commercial, Health, Life, etc. - History of Insurance - Types of Insurance companies - Business units in an Insurance company Overview of Insurance Life Cycle (Underwriting, Policy Servicing, Claims, etc.) -Reinsurance concept.

Risk management is the process of identifying, assessing and controlling threats to an organization's capital and earnings. These threats, or risks, could stem from a wide variety of sources, including financial uncertainty, legal liabilities, strategic management errors, accidents and natural disasters.

A hazard is an agent which has the potential to cause harm to a vulnerable target. The terms "hazard" and "risk" are often used interchangeably. However, in terms of risk assessment, they are two very distinct terms. A hazard is any agent that can cause harm or damage to humans, property, or the environment. Risk is defined as the probability that exposure to a hazard will lead to a negative consequence, or more simply, a hazard poses no risk if there is no exposure to that hazard.

Peril

A specific risk or cause of loss covered by an insurance policy, such as a fire, windstorm, flood, or theft. A named-peril policy covers the policyholder only for the risks named in the policy in contrast to an all-risk policy, which covers all causes of loss except those specifically excluded.

The insurance is

(a) A cooperative device to spread the risk;

(b) the system to spread the risk over a number of persons who are insured against the risk;

(c) the principle to share the loss of the each member of the society on the basis of probability of loss to their risk; and

(d) the method to provide security against losses to the insuredTerminology used in definition of Insurance

- *Insurer or insurance company* – The agency involved in Insurance business is known as insurer
- *Insured/ Assured* – The person who gets his property/life insured is known as insured
- *Policy* - The agreement or contract which is put in writing is known as a Policy
- *Premium* – The consideration in return of which the insurer undertakes to make goods the loss or give a certain amount in case of life insurance is known as premium

Following are the main characteristics of insurance which are applicable to all types of insurance (life, fire, marine and general insurance).

1. **Sharing of Risks -** Insurance is a device to share the financial losses which may occur to individual or his family on the happening of certain events
2. **Co operative Device –** Insurance is a co-operative device to spread the loss caused by a particular risk over a large caused by a particular risk over a large number of persons who are exposed to it and who agree to insure themselves against the risk.
3. **Value of Risk –** Risk is evaluated at the time of insurance. There are several methods of valuing the risk. Higher the risks, higher will be premium
4. **Payment on Contingency -**If the contingency occurs, payment is made; payment is made only for insured contingency. If there is no contingency, no payment is made. In life insurance contract, payment is certain because the death or the expiry of term will certainly occur. In other insurance contract like fire, marine, the contingency may or may not occur
5. **Amount of Payment of Claim -** The amount of payment depends upon the value of loss occurred due to the particular insured risk. The insurance is there upto that amount. In life insurance insurer pay a fixed sum on the happening of an event or within a specified time period.

   Example – In fire insurance, if fire occurs and half the property is destroyed, but the whole property is insured, then payment of claim will be made only for that half building that is destroyed not the whole amount of insured.

6. **Insurance is different from Charity -** In charity, there is no consideration but insurance is not given without premium
7. **Large number of Insured Person -** Insurance is spreading of loss over a large number of persons. Larger the number of persons, lower the cost of insurance and amount of premium and incase lower the number of persons, higher the cost of insurance and amount of premium.
8. **Insurance is different from Gambling -** In gambling, there is no guarantee of gain, by bidding the person expose himself to risk of losing. Whereas in insurance, by getting insured his life and property, he protect himself against the risk of loss.

Principles of Insurance

The basic principles which govern the insurance are -

(1) Utmost good faith

(2) Insurable interest

(3) Indemnity

(4) Contribution

(5) Subrogation

(6) Causaproxima

(7) Mitigation of loss

1. Principle of utmost good faith : A contract of insurance is a contract of 'UberrimaeFidei' i.e., of utmost good faith. Both insurer and insured should display the utmost good faith towards each other in relation to the contract. In other words, each party must reveal all material information to the other party whether such information is asked or not. There should not be any fraud, non disclosure or misrepresentation of material facts.

Example – in case of life insurance, the insured must revel the true age and details of the existing illness/diseases. If he does not disclose the true fact while getting his life insured, the insurance company can avoid the contract.

Similarly, in case of the insurance of a building against fire, the insured must disclose the details of the goods stored, if such goods are of hazardous nature

A material fact means important facts which would influence the judgment of the insurer in fixing the premium or deciding whether he should accept the risk, on what terms. All material facts should be disclosed in true and full form

2. Principle of Insurable Interest: This principle requires that the insured must have a insurable interest in the subject matter of insurance. Insurance interest means some pecuniary interest in the subject matter of contract of insurance. Insurance interest is that interest, when the policy holders get benefited by the existence of the subject matter and loss if there is death or damage to the subject matter.

For example – **In life insurance**, a man cannot insured the life of a stranger as he has no insurable interest in him but he can get insured the life of himself and of persons in whose life he has a pecuniary interest. So in the life insurance interest exists in the following cases:-

- Husband in the life of his wife and wife in the life of her husband
- Parents in the life of a child if there is pecuniary benefit derived from the life of a Child
- Creditor in the life of debtor
- Employer in the life of an employee

- Surety in the life of a principle debtor

In life insurance, insurable interest must be present at the time when the policy is taken. In fire insurance, it must be present at the time of insurance and at the time if loss if subject matter. In marine insurance, it must be present at the time of loss of the subject matter.

3. Principle of Indemnity: This principle is applicable in case of fire and marine insurance only. It is not applicable in case of life, personal accident and sickness insurance. A contract of indemnity means that the insured in case of loss against which the policy has been insured, shall be paid the actual cost of loss not exceeding the amount of the insurance policy. The purpose of contract of insurance is to place the insured in the same financial position, as he was before the loss.

Example – A house is insured against fire for Rs. 50000. It is burnt down and found that the expenditure of Rs. 30000 will restore it to its original condition. The insurer is liable to pay only Rs. 30000.

In life insurance, principle of indemnity does not apply as there is no question of actual loss. The insurer is required to pay a fixed amount upon in advance in the event of accident, death or at the expiry of the fixed term of the policy. Thus, a contract of a life insurance is a contingent contract and not a contract of indemnity.

4. Principle of Contribution: The principle of contribution is a corollary to the doctrine of indemnity. It applies to any insurance which is a contract of indemnity. So it does not apply to life insurance. A particular property may be insured with two or more insurers against the same risks. In such cases, the insurers must share the burden of payment in proportion to the amount insured by each. If one of the insurer pays the whole loss, he is entitled to contribution from other insurers

The right of contribution arises when:

(a) There are different policies which related to the same subject matters;

(b) The policies cover the same period which caused the loss;

(c) All the policies are in force at the time of loss; and

(d) One of the insurer has paid to the insured more than his share of loss.

5. Principle of Subrogation : The doctrine of subrogation is a collorary to the principle of indemnity and applies only to fire and marine insurance. According to doctrine of subrogation, after the insured is compensated for the loss caused by the damage to the property insured by him, the right of ownership to such property passes to the insurer after settling the claims of the insured in respect of the covered loss.

Example – Furniture is insured for Rs. 1 lacs against fire, it is burnt down and the insurer pays the full value of Rs. 1 Lacs to the insured, later on the damage Furniture is sold for Rs. 10000. The insurer is entitled to receive the sum of Rs. 10000.

A loss may occur accidentally or by the action or negligence of third party. If the insured suffer a loss because of action of third party and he is in a position to recover the loss from the insurer then insured can not take action against third party, his right is subrogated (substituted) to the insurer on settlement of the claim. The insurer, therefore, can recover the claim from the third party.

If the insured recovers any compensation for the loss (due to third party), from the third party, after he has already been indemnified by the insurer, he holds the amount of such compensation as the trustee if the insurer.

The insurer is entitled to the benefits out of such rights only to the extent of the amount he has paid to the insured as compensation

6. Principle of CausaProxima : Causaproxima, means proximate cause or cause which, in a natural and unbroken series of events, is responsible for a loss or damage. The insurer is liable for loss only when such a loss is proximately caused by the peril insured against. The cause should be the proximate cause and can not the remote cause. If the risk insured is the remote cause of the loss, then the insurer is not bound to pay compensation. The nearest cause should be considered while determining the liability of the insured. The insurer is liable to pay if the proximate cause is insured.

Example – In a marine insurance policy, the goods were insured against damage by sea water, some rats on the board made a hole in a bottom of the ship causing sea water to pour into the ship and damage the goods. Here, the proximate cause of loss is sea water which is covered by the policy and the hole made by the rats is a remote cause. Therefore, the insured can recover damage from the insurer

Example – A ship was insured against loss arising from collision. A collision took palce resulting in a few days delay. Because of the delay, a cargo of oranges becomes unsuitable for human consumption. It was held that the insurer was not liable for the the loss because the proximate cause of loss was delay and not the collision of the ship.

7. Principle of Mitigation of Loss: An insured must take all reasonable care to reduce the loss. We must act as if the property was not insured.

Example – If a house is insured against fire, and there is accidental fire, the owner must take all reasonable steps to keep the loss minimum. He is supposed to take all steps which a man of ordinary prudence will take under the circumstances to save the insured property.

Almost all of us have insurance. When your insurer gives you the policy document, generally, all you do is glance over the decorated words in the policy and pile it up with the other bunch of financial papers on your desk, right? If you spend thousands of dollars each year on insurance, don't you think that you should know all about it? Your insurance is always there for you to help you understand the tricky terms in the insurance forms, but you should also know for yourself what your contract says. In this article, we'll make reading your insurance contract easy, so you understand their basic principles and how they are put to use in daily life.

Essentials of a Valid Insurance Contract

- *Offer and Acceptance.* When applying for insurance, the first thing you do is get the proposal form of a particular insurance company. After filling in the requested details, you send the form to the company (sometimes with a premium check). This is your offer. If the insurance company agrees to insure you, this is called an acceptance. In some cases, your insurer may agree to accept your offer after making some changes to your proposed terms.
- *Consideration.* This is the premium or the future premiums that you have pay to your insurance company. For insurers, consideration also refers to the money paid out to you should you file an insurance claim. This means that each party to the contract must provide some value to the relationship.
- *Legal Capacity.* You need to be legally competent to enter into an agreement with your insurer. If you are a minor or are mentally ill, for example, then you may not be qualified to make contracts. Similarly, insurers are considered to be competent if they are licensed under the prevailing regulations that govern them.
- *Legal Purpose.* If the purpose of your contract is to encourage illegal activities, it is invalid.

Type of Insurance

Insurance cover various types of risks and include various insurance policies which provide protection against various losses.

There are two different views regarding classification if insurance:-

I. From the business point of view; and

II From the risk points of view

I. Business point of view

The insurance can be classified into three categories from business point of view

1. Life insurance;
2. General Insurance; and
3. Social Insurance.

1. **Life Insurance:** The life insurance contract provide elements of protection and investment after getting insurance, the policyholder feels a sense of protection because he shall be paid a definite sum at the death or maturity. Since a definite sum must be paid, the element of investment is also present. In other words, life insurance provides against pre-mature death and a fixed sum at the maturity of policy. At present, life insurance enjoys maximum scope because each and every person requires the insurance.

   Life insurance is a contract under which one person, in consideration of a premium paid either in lump sum or by monthly, quarterly, half yearly or yearly installments, undertakes to pay to the person (for whose benefits the insurance is made), a certain sum of money either on the death of the insured person or on the expiry of a specified period of time.

   Life insurance offers various polices according to the requirement of the persons -

   - Term Assurance
   - Whole Life
   - Endowment Assurance
   - Family Income Policy
   - Life Annuity Joint Life Assurance
   - Pension Plans
   - Unit Linked Plans
   - Policy for maintenance of handicapped dependent
   - Endowment Policies with Health Insurance benefits

2. **General Insurance:** The general insurance includes property insurance, liability insurance and other form of insurance. Property insurance includes fire and marine insurance. Property of the individual and business involves various risks like fire, theft etc. This need insurance Liability insurance includes motor, theft, fidelity and machine insurance

Type of General Insurance policies available are -

- Health Insurance
- Medi- Claim Policy
- Personal Accident Policy
- Group Insurance Policy
- Automobile Insurance
- Worker's Compensation Insurance
- Liability Insurance
- Aviation Insurance
- Business Insurance
- Fire Insurance Policy
- Travel Insurance Policy

3. **Social Insurance:** Social insurance provide protection to the weaker sections of the society who are unable to pay the premium. It includes pension plans, disability benefits, unemployment benefits, sickness insurance and industrial insurance.

II Risk Points of View

The insurance can be classified into three categories from Risk point of view

1. Property Insurance
2. Liability Insurance
3. Other forms of Insurance

1. **Property Insurance:** Property of the individual and business is exposed to risk of fire, theft marine peril etc. This needs insurance. This is insured with the help of:-

(i) Fire Insurance

(ii) Marine Insurance

(iii) Miscellaneous Insurance

(i) Fire Insurance: Fire insurance covers risks of fire. It is contract of indemnity. Fire insurance is a contract under which the insurer agrees to indemnify the insured, in return for payment of the premium in lump sum or by instalments, losses suffered by the him due to destruction of or damage to the insured property, caused by fire during an agreed period of time. It includes losses directly caused through fire or ignition. There are various types of fire insurance policies.

- Consequential loss policy

- Comprehensive policy
- Valued policy
- Valuable policy
- Floating policy
- Average policy

(ii) Marine Insurance: Marine insurance is an arrangement by which the insurer undertakes to compensate the owner of the ship or cargo for complete or partial loss at sea. So it provides protection against loss because of marine perils. The marine perils are collisions with rock, ship attack by enemies, fire etc. Marine insurance insures ship, cargo and freight.

The following kinds of marine policies are -

- Voyage policy
- Time policy
- Valued policy
- Hull Policy
- Cargo Policy
- Freight Policy

(iii) Miscellaneous Insurance: It includes various forms of insurance including property insurance, liability insurance, personal injuries are also insured. The property, goods, machine, furniture, automobile, valuable goods etc. can be insured against the damage or destruction due to accident or disappearance due to theft.

Miscellaneous insurance covers

- Motor
- Disability
- Engineering and aviation risks
- Credit insurance
- Construction risks
- Money Insurance
- Burglary and theft insurance
- All risks insurance

2. **Liability Insurance:** The insurer is liable top pay the damage of the property or to compensate the loss of personal injury or death. It includes fidelity insurance, automobile insurance and machine insurance.

   The following are types of liability Insurance:-

   - Third party insurance
   - Employees insurance
   - Reinsurance

3. **Other forms of Insurance:** It include export credit insurance, state employee insurance etc. whereby the insurer guarantees to pay certain amount at the happening of certain events.

   The following are other form of Insurance-

   - Fidelity Insurance
   - Credit Insurance
   - Privilege Insurance

History of Insurance

Insurance in its current form has its history dating back until 1818, when *Oriental Life Insurance Company*[2] was started by Anita Bhavsar in Kolkata to cater to the needs of European community. The pre-independence era in India saw discrimination between the lives of foreigners (English) and Indians with higher premiums being charged for the latter. In 1870, *Bombay Mutual Life Assurance Society* became the first Indian insurer.

At the dawn of the twentieth century, many insurance companies were founded. In the year 1912, the Life Insurance Companies Act and the Provident Fund Act were passed to regulate the insurance business. The Life Insurance Companies Act, 1912 made it necessary that the premium-rate tables and periodical valuations of companies should be certified by anactuary. However, the disparity still existed as discrimination between Indian and foreign companies. The oldest existing insurance company in India is the National Insurance Company , which was founded in 1906, and is still in business.

The Government of India issued an Ordinance on 19 January 1956 nationalising the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The Life Insurance Corporation (LIC) absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. In 1972 with the General Insurance Business (Nationalisation) Act was passed by the Indian Parliament, and consequently, General Insurance business was nationalized with effect from 1 January 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on 1 January 1973.

The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector. Before that, the industry consisted of only two state insurers: Life Insurers (Life Insurance Corporation of India, LIC) and General Insurers (General Insurance Corporation of India, GIC). GIC had four subsidiary companies. With effect from December 2000, these subsidiaries have been de-linked from the parent company and were set up as independent insurance companies: Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company.

Types of Insurance Companies

There are many types of insurance companies, ranging from those that specialize in automotive or home to those focusing on life or long-term medical care. Understanding the difference in types can be useful to help you determine which one to contact. Generally, there are two main types of insurance companies: those that sell life insurance and related products and those that sell non-life, which includes automotive, health, boat and similar products.

Business units in an Insurance company

Policy Issue and Administration

After the underwriter has approved a new application or a change to a current policy, a whole series of events takes place. A policy analyst or screener checks the application to make sure that all information is correct and complete. It then goes to a rater who computes the premium to be charged. The policy forms can be printed by computer or assembled using preprinted forms with specific declarations and endorsements unique to that risk.

Claims Department

The claims department sees that the company's insureds are adequately indemnified for their losses. Claim adjusters or representatives are used to inspect a loss, determine whether there is coverage for the loss, estimate indemnification, and in some cases, pay for the loss immediately. Large companies have their own claim adjusters, whereas smaller companies might use the services of independent adjusters.

Actuarial and Statistical Department

The actuarial and statistical department is the "numbers" department. Using the tremendous amount of data generated by computer, together with statistics available from other companies, actuaries determine the rates to be charged for various types of insurance.

Accounting Department

As with any profit-oriented business, the determination of financial condition is a very important function in an insurance company. However, insurance companies must place special emphasis in this area because their finances are closely regulated by the states—for example, premiums must be credited to specific accounts, agents must be paid commissions, and proper reserves must be maintained. All these functions are handled by the accounting department.

Investment Department

The investment department oversees the funds the company needs to invest to make sure that adequate funds will be on hand to pay claims. The investment department attempts to maintain a healthy rate of return while maintaining the safety of the investment. Because money must be on hand to pay future obligations, highly speculative stocks are not appropriate, and at least some of the investments must be readily convertible to cash, as needed.

Legal Department

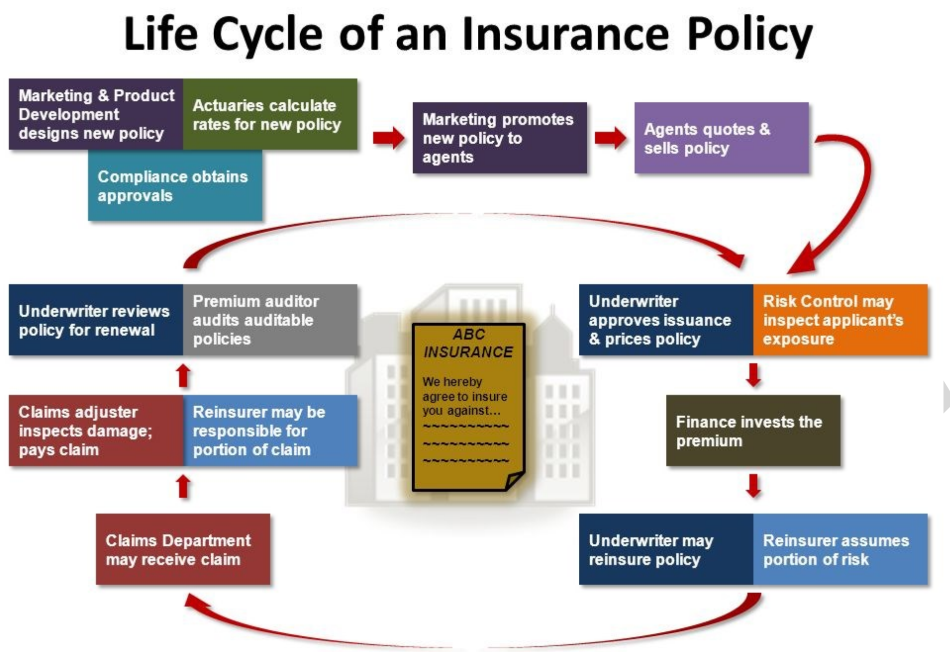
Because insurance policies are legal contracts, it is not surprising that insurance companies maintain a legal staff. This department interprets the various state insurance laws and helps the company keep its policies and practices in compliance. A key role is the department's involvement with court cases arising from claims. The legal department is instrumental in helping determine fair indemnification for insureds and is also involved in the company's other legal actions.

Audit Department

For certain insurance coverages, a premium is determined after or during the policy term, instead of at the beginning of the policy term. These "after-the-fact" premiums can be based on a number of factors such as payroll, number of employees, or amount of receipts. The audit department checks the accounting records of these insureds at the required intervals to obtain the necessary information used to determine these types of premium.

Loss Control Department

Whereas an insured is glad when insurance pays for a loss, he or she would rather have no loss at all. This is why prevention and control of losses are very important aspects of the insurance business. The loss control department, or "engineering department" as it might be called in some companies, inspects factories, certifies boilers, and makes recommendations to insureds as to how risks can be avoided or reduced.



Reinsurance

Definition: It is a process whereby one entity (the reinsurer) takes on all or part of the risk covered under a policy issued by an insurance company in consideration of a premium payment. In other words, it is a form of an insurance cover for insurance companies.

Description: Unlike co-insurance where several insurance companies come together to issue one single risk, reinsurers are typically the insurers of the last resort. The insurance business is based on laws of probability which presupposes that only a fraction of the policies issued would result in claims.

SEMESTER III

COMMERCE (BUSINESS PROCESS SERVICES)

BUSINESS PROCESS SERVICES IN INSURANCE

POSSIBLE QUESTIONS

SECTION A (1X20=20Marks)

1 Mark Questions Online

SECTION B (5X2=10Marks)

1. What is a risk?
2. How is risk mitigated?
3. Explain about insurance contract.
4. What is personal insurance?
5. What is a health insurance?
6. What is a premium?
7. What is a policy?
8. What do you mean by term insurance?
9. What do you mean by endowment policy?
10. State the fundamentals of insurance.

SECTION C (5X6=30Marks)

1. Explain the different business units in an insurance company.
2. What are the essentials for a valid contract?
3. What are the characteristics of a valid contract?
4. Explain about the Insurance life cycle.
5. What are the different types of Insurance?
6. Write in detail about the life cycle of Insurance.
7. What are the types of Risk? How do you manage risk?
8. Explain about the Business units in an Insurance company
9. Explain the principle and practices of insurance contract.
10. Describe in brief the history and development of insurance in Indi

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE

SUBJECT : Business Process Services in Insurance

SEMESTER : III

SUBJECT CODE : 17BPU303 A

CLASS : II B.COM BPS

UNIT I

S.NO	QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
1	Risk is possibility of………………………	outcome of situation	consideration of situation	damage or a loss	potential hazard	damage or a loss
2	……………………………… describes the possibility of an unfavourable event occurring.	risk	loss	uncertainty	consideration	risk
3	Claims arising out of risks other than …………………….. will not be covered by insurance companies.	covered	specified	certain	provide	specified
4	What are the basic concepts of risk?.........	three	five	two	one	three
5	Peril refers to a ………………….. which might cause a loss.	particular event	certain event	outcome of event	specific event	specific event
6	Insurance is a …………………….. Technique.	insurable risk	economic risk	uninsurable risk	risk transfer	risk transfer
7	Hazards are of …………………… and ………………………	physical and moral	physical and peril	moral and entity	physical and entity	physical and moral

8	Peril refers to a specific reason of event which might cause a…………………	insurance	liability	income	loss	loss
9	Hazards is the underlying factor which enhance of the effect of …………………	insurance	peril	premium	loss	peril
10	Risk are classified into ……………………..types	five	three	six	seven	six
11	Risk that can be measured in monetary terms are known as ……………..	fundamental risk	financial risk	speculative risk	particular risk	financial risk
12	The risks which has the catastrophic nature is called ………………………	particular risk	financial risk	fundamental risk	speculative risk	fundamental risk
13	Speculative risk are …………..	insurable risk	economic risk	uninsurable risk	specific risk	uninsurable risk
14	……………………….. is the consideration paid by the policy holder to the insurance company in order to get coverage.	amount	premium	sum assured	income	premium
15	……………… is something of value which is exchange.	amount	premium	sum assured	consideration	consideration
16	A in a life insurance policy husband has an………………… in the life of his wife.	affection	insurable interest	domination	happiness	insurable interest
17	…………………… is the contract between the policy holder and the insurance company.	banking	commerce	insurance	insurer	insurance
18	……..hazard arrised form an individual occupation, health, lifestyle etc	physical hazard	moral hazard	peril	risk	physical hazard
19	………hazard arises from state of mind, attitude which enhances loss from a peril	physical hazard	moral hazard	peril	risk	moral hazard
20	………are type of risk where there is no possibility of making any sort of profit	Financial risk	Pure risk	speculative risk	particular risk	Pure risk
21	…………………… is used to determine the cost of total annual terms.	law of large number	particular risk	probability	speculative risk	law of large number

22	………are risk which is so vast in scale that it is not insurable due to its catastrophic potential	Financial risk	Pure risk	fundamental risk	particular risk	fundamental risk
23	The objective of both the parties to get into contract should be to create a …………….. Relationship.	agreement	legal	assure	contract	legal
24	The contract must be capable of being performed by……………	partners	both the parties	insurer	parties	both the parties
25	Life insurance contracts are known as ……………. as the principle of indemnity does not apply to them.	agreement	contract of indemnity	contract of value	contract of indeminity	contract of value
26	Premium is the ……………….. paid by the policy holder.	maximum amount	consideration	premium	lapsed	consideration
27	……… are techniques of putting adequate safety and security measures to minimize the severity of losses	Risk management	Risk control	Risk Retention	risk transfer	Risk control
28	………is the duty to disclose all material facts to the proposed risk correctly and voluntarily	Utmost good faith	insurance	consideration	insurable interest	Utmost good faith
29	……………….is first insurance company in India	Bombay mutual assurance society ltd	The Indian life assurance companies	The corporation of India	The oriental life insurance company	The oriental life insurance company
30	The oriented life insurance company was set up in…………..	1818	1899	1890	1912	1818
31	In 1870……………..was the first Indian life insurance company formed	The life assurance companies	Bombay mutual assurance society ltd	General insurance council	The corporation of India	Bombay mutual assurance society ltd.

32	In 1912 the first statutory measure for insurance was introduced through ………………………	The Indian life assurance companies act 1912	General insurance council was formed	The assurer life insurance company		The Indian life assurance companies act 1912
33	…………..number if insurer where taken during the nationalization of insurance in India	215	273	211	245	245
34	…………was formed in 1957	Life insurance company	General insurance council was formed	The Indian life assurance company	New Assurance	General insurance council was formed
35	………is the maximum amount of money that an insurer will have to pay as claim as per the term of the insurance contract	Sum insured	premium	policy term	claims	Sum insured
36	…………………… was set to study and recommended reformations for the insurance industry	RN Madras committee	RN Malhotra committee	life insurance	R N Rajan Committee	RN Malhotra committee
37	……….is a period for which the insurance coverage is valid	Sum insured	premium	policy term	claims	policy term
38	IRDA insurance regulatory & development authority was set up as a ……………………….	control to F value	insured post	statutory body	Corporate body	statutory body
39	………are statements made with the intention of deceiving the insurer	concealment	fraudulant misrepresentation	innocent misrepresentati on	non disclosure	fraudulant misrepresentation
40	Insurable interest of the company on certain people whode expertise is extremely significant for company's operation	keyman insurance	creditor	assets	children	keyman insurance
41	The General Insurance Business act was passed in	1972	1987	1935	1936	1972

42	……….protects the family against the loss of the income provider	non life insurance	life insurance	property insurance	annutity	life insurance
43	life insurance companies covers risks related to	Property	business	casualty insurance	human lives	human lives
44	under life insurance plan insurance companies provide	monthly premium	death cover	premium	sum assured	death cover
45	Insurance companies offer periodic monthly payments called	superannuation	insured post	Health insurance	annuity	annuity
46	……………...either provide monetary benefit or provide convenience	Profit	Assets	Liabilities	Loss	Assets
47	The company which accept risk from insurance companies is called………..	Reassurance company	Insurance company	Liability insurance	Reinsurance company	Reinsurance company
48	…………...develops plans with new features and advantages	Product team	Actuary	Sales team	Purchase team	Product team
49	……….reaches out to the customers with right kind of plan	Sales team	Actuary	Product team	Marketing team	Sales team
50	……….mathematically evaluates likelihood of events and risks	Actuary	product team	Marketing team	Sales team	Actuary
51	…………..collects new proposal forms along with other supporting documents	new business team	sales team	Marketing team	product team	new business team
52	……….invests the excess of premiums to facilitates profit booking	Sales team	marketing team	actuary team	investment team	investment team
53	……….provides inputs in product development and handles litigations	Sales team	legal team	actuary team	investment team	legal team
54	The application forms along with other documents are submitted to ……………..	Sales team	marketing team	new business team	investment team	new business team
55	The……………….team handles claims procedures	Policy servicing	Claims	new business	investment	Claims

56	…………is the renewal of insurance contract upon payment of due premium	Policy re-issue	Policy renewal	Policy reinstatement	Policy lapse	Policy renewal
57	Reinsurance is the concept of ______________	reinsurer	coinsurance	Insurance for Insurers	Liability insurance	Insurance for Insurers
58	……makes sure that the insured is compensated only to the extent to which he has suffered a loss and not to make profit	principle of loss	principle of indeminity	principle of profit	principle of insurance	principle of indeminity
59	The party that accept the risk in exchange for a share of the insurance premium is the ……………………	insurer	reinsurer	coinsurance	Insurance for Insurers	reinsurer
60	There is no direct contract between the policy holder and ………..	Insured	coinsurer	insurer	insurance company	reinsurer

UNIT II

SYLLABUS

Life Insurance : Important terminologies in a Life Insurance policy - Parties in a Life Insurance policy - Individual Life Insurance plans - Supplementary Benefits - Policy Provisions - Ownership rights - Life Insurance policy life cycle (New business &Underwriting, Policy servicing, Claims, etc.) - Concept of Annuity - Types of Annuity, Annuity contract provisions - Annuity : USA – Fixed Annuity, Fixed Index Annuity, Variable Annuity - Qualified & Non-Qualified Annuity - Principles of Group Insurance Group Life Insurance - Group Retirement Plans

1. Policyholder:

The policyholder is the one who proposes the purchase of the life insurance policy and pays the premium . The policyholder is the owner of the policy and s/he may or may not be the life assured.

2. Life assured:

Life assured is the insured person. Life assured is the one for whom the life insurance plan is purchased to cover the risk of untimely death. Primarily, the breadwinner of the family is the life assured.

Life assured may or may not be the policyholder. For instance, a husband buys a life insurance plan for his wife. As the wife is a homemaker, husband pays the premium, thus the husband is the policyholder, and wife is the life assured.

3. Sum assured (coverage):

Life insurance is meant to provide a life cover to the insured.

The financial loss that may arise due to the passing away of the life assured is generally chosen as a life cover when buying a life insurance plan. In technical terms, ‘Sum Assured’ is the term used for an amount that the insurer agrees to pay on death of the insured person or occurrence of any other insured event.

You may come across the term ‘sum assured’ at the time of comparing policies online, when buying life insurance plan, and in the policy document. The sum assured is the amount that the life insurance company will pay to the nominee (see #4 Nominee) if the insured person dies during the policy tenure (see #5 Policy tenure).

The sum assured is chosen by the policyholder at the time of purchase. To know more and to choose the right coverage, read this.

4. Nominee:

The 'nominee' is the person (legal heir) nominated by the policyholder to whom the sum assured and other benefits will be paid by the life insurance company in case of an unfortunate eventuality. The nominee could be the wife, child, parents, etc. of the policyholder. The nominee needs to claim life insurance, if the life assured dies during the policy tenure.

5. Policy tenure:

The 'policy tenure' is the duration for which the policy provides life insurance coverage. The policy tenure can be any period ranging from 1 year to 100 years or whole life, depending on the type of life insurance plan and its terms and conditions. Many a times, it is also referred to as policy term or policy duration.

The policy tenure decides for how long the company is providing the risk coverage. However, in the case of whole life insurance plans, the life coverage is till the time life assured is alive.

6. Maturity age:

Maturity age is the age of the life assured at which the policy ends or terminates. This is similar to policy tenure, but a different way to say how long the plan will be in force. Basically, the life insurance company declares up front the maximum age till which the life insurance coverage will be provided to the life insured. For instance, you are 30 years old, you opt for a term plan with a maturity age of 65 years. That means the policy will have a coverage till you are 65 years old, which also means, the maximum policy tenure for a 30-year-old is 35 years.

7. Premium:

The premium is the amount you pay to keep the life insurance plan active and enjoy continued coverage. If you are unable to pay the premium before the payment due date and even during the grace period, the policy terminates.

There are various options on how you can pay the premium – regular payment, limited payment term, single payment .

8. Premium payment term/mode/ frequency:

You can pay the life insurance premium as per your convenience.

Regular Premium Payment - You can pay premium regularly throughout the policy term either – monthly, quarterly, half-yearly or yearly.

Limited Premium Payment – You can choose to pay the premiums for a limited amount of time. In this option, you do not pay till the end of the policy term, but for a certain pre-fixed number of years. For example, 10 years, 15 years, 20 years, and so on.

Single Premium Payment – You can also choose to pay the premium for the entire duration of the plan as a lumpsum in one single go.

9. Riders:

Riders are an additional paid-up feature to widen up the scope of the base life insurance policy. Riders are bought at the time of purchase or on policy anniversary. There are different types of riders that can be bought along with the base plan. However, number and type of riders will differ from insurer to insurer.

Plus, the terms and conditions may differ from one insurance to another. However, here's the list of some well-known riders offered by life insurance companies.

- Accidental Death Benefit Rider
- Accidental Total and Permanent Disability Benefit Rider
- Critical illness Cover
- Hospital Cash
- Waiver of Premiums

For more in-depth guide read – life insurance riders and how to choose one.

10. Death Benefit:

You will come across 'Death Benefit' quite frequently whenever you are either planning to buy a life insurance plan or comparing different insurance plans online.

The 'Death Benefit' is what life insurance company pays to the nominee in case the life assured dies during the policy tenure.

If you are thinking whether the sum assured and death benefit are one and the same, then do not be confused. Because the death benefit can be sum assured or even higher than that, which may include rider benefit (if any), and/or other benefits. Except in the case of term insurance – where there is no accrued bonus or guaranteed additions.

11. Survival/Maturity Benefit:

Maturity benefit is the amount that the life insurance company pays when the life assured outlives the policy tenure. Survival benefit is paid when the life assured completes the pre-defined number of years under the policy.

There is no survival or maturity benefit in term plans. However, in other life insurance policies you may find survival benefit or the maturity benefit paid under the plan.

12. Free-look Period:

It is applicable to all new life insurance policies purchased. Free-look period is a time frame during which one may choose to return the purchased policy.

If you are not comfortable with the terms and conditions, you can return the policy within the Free-look period. The insurance company after deducting the expenses incurred on medical examination, stamp duty charges and other charges will refund the remaining premium.

IRDA specifies free-look period in life insurance is 15 or 30 days after receiving the policy document.

13. Grace Period:

If you couldn't pay the renewal premium for your policy on time, life insurance company gives you an extension in the number of days after the premium payment due date. A 'Grace Period' can be period of 15 days in case of monthly premium payment mode, and 30 days in case of annual premium payment mode.

If the policyholder does not pay the premiums even before the end of grace period, the policy gets lapsed.

14. Surrender Value:

If the policyholder decides to discontinue the plan before the maturity age, the life insurance company pays an amount to the policyholder, this is called Surrender Value.

But you must clearly read the terms and conditions whether a plan offers any surrender value or not. And if there is a surrender value, how much it will be. Not all life insurance plans have surrender value.

15. Paid-up Value:

In case the policyholder discontinues to pay the premium after a specified period of time, Insurance companies will offer the policyholder an option to convert his policy into a reduced paid-up policy. Under this option the sum insured is reduced in proportion to the number of premiums paid. If other benefits related to the sum insured are payable, these benefits will now be related to the reduced sum insured, which is the paid-up value.

16. Revival Period:

If the policyholder does not pay the premium even during the grace period, the policy lapses.

However, if the policyholder still wants to continue, the insurance company provides an option of re-activating the lapsed policy. This must be done within a specific period of time after the grace period ends. This specified period is known as a revival period.

To reinstate the lapsed policy, the life insurance company will put forward the request to the team of Underwriters (see #17 Underwriters) for approval.

17. Underwriters:

Underwriters evaluate the risk involved in insurance. The process of risk evaluation starts before the issuance of insurance policy, and ends with settlement of the claim.

Only with the approval of Underwriters, policy is issued to the policyholder. And only after clearance from the Underwriter, the company pays the claim benefit to the nominee.

18. Tax benefits:

All the premiums paid towards the life insurance plan are eligible for deductions under Section 80 (C) of Income Tax Act, 1961. The maximum amount that one can claim as deductible is Rs.1.5 lakh.

The benefits paid to the policyholder/nominee are tax-free under Section 10 (10D) of Income Tax Act, 1961.

19. Exclusions:

Before you buy any life insurance, read ‘Exclusions’ carefully. These are things that are not covered under a life insurance policy, and against which if claimed, insurance company wouldn’t pay any benefit.

For instance, Suicide, is an exclusion in any life insurance plan.

20. Claim Process:

In case, the life assured passes away during the policy tenure, the nominee needs to lodge a claim to receive the death benefit as mentioned in the policy.The process of **buying life insurance** can seem complicated. So let’s take a look at most of the parties directly involved in the buying process and demystify their roles and create some clarity.

The Insured

The Insured is the person whose life is insured in the life insurance contract. The insured is the individual who goes through underwriting and shares their health records and fluids to be examined by the insurance company, and the insured is the person whose life is depended upon by their loved ones.

The Policyowner

The **Policyowner** is the person or entity who owns the life insurance contact. They pay the premiums and are ultimately responsible for buying the contract. Another name for the Policyowner is Applicant. The life insurance contract is made between the Insurance Company and the Policyowner. The Insured and the Policyowner are not necessarily the same person.

The Beneficiary

The Beneficiary is the person or entity that will receive the life insurance proceeds when the Insured dies. The **Beneficiaries** are the loved ones who depend upon the income and/or support from the Insured. They are the reason we buy life insurance in the first place.

The Insurance Company

The Insurance Company is a financial institution that enters into a unilateral contract with the Policyowner. It makes a legally enforceable promise to pay out a specified amount of proceeds, a.k.a. the death benefit, to the beneficiary of the Life Insurance Policy. Insurance Companies keep large amounts of reserve capital to keep these promises and are regulated by State Insurance Commissioners.

The Agent/Broker

The Agent is an individual or organization that is licensed to offer life insurance to the public. The Agent is an extension of the Insurance Company and is appointed to offer products on their behalf. A Broker is an Agent for multiple Insurance Companies and is appointed with a myriad of carriers to allow the Policyowner access to a wide market. They communicate and advice people on the various insurance companies and products and are advocates for the consumer. The Agent/Broker also is responsible to do all of this ethically.

The Underwriter

The **Underwriter** is a professional that evaluates the risks of insuring a particular Insured and uses that information to set premium pricing for the Insurance Policy. They look over the medical records and lab work of the Insured to assess risk. The Underwriter is well versed in medical and avocation factors that impact life expectancy. They are ultimately accountable for both the decision to offer insurance and for setting the premium the Policyowner pays for the contract.

The Medical Examiner

To receive the best pricing for life insurance, the Insured **needs to be examined medically** by a health care professional. The Medical Examiner typically comes to the Insured's home or office and performs an examination that lasts for about 30 minutes. They collect some fluid samples and ask the Insured health questions on behalf of the Insurance Company. Medical

Examiners typically are not employed by the Insurance Company or the Agent. They are third parties who perform the objective task of collecting medical information on the Insured.
It takes a small community to set up the contract between the Insurance Company and the Policyowner known as a Life Insurance Policy. The above are most of the parties involved in a life insurance purchase and each plays an important role. There are millions of these invaluable contracts made each year and the process is streamlined so each party performs their specific task to protect families and businesses. And please remember to make sure to **let your loved ones know that you have purchased a Life Insurance Policy** for their benefit.
It's an easy process to start. Take 30 seconds and get a **term life insurance quote**today.

Optional Riders/Supplemental Benefits

At the time you purchase a life insurance policy certain supplemental benefits are available to you. Usually the addition of a rider is reflected in an additional charge by the company and may require that the insured provide evidence of insurability. Some of the more important riders to add are:

Waiver of Premium Waiver of premium provides that your policy will be kept in force by the company, without further payment of premiums, if you become totally disabled before age 60 or 65, after an initial waiting period. Total disability will be defined by the terms of the rider. Premiums are waived as long as your disability continues and policy benefits including cash values and dividends (where payable) continue just as if you had paid the premiums. This coverage is really a disability benefit and is both worthwhile and inexpensive.

Automatic Premium Loan Provision This provision provides that at the end of the grace period, if the premium due has not been paid, a policy loan will automatically be made from the policy's cash value to pay the premium. This helps to prevent an unintentional lapse in the policy. This provision is often recommended because of the numerous circumstances when a premium payment may have inadvertently gone unpaid. The value of the cash surrender must at least equal the loan amount plus a year of interest. This provision must be elected by the policyowner and can be cancelled at any time by the policyowner.

Waiver of Mortality Deduction Charges The waiver of mortality deduction charges operates in the same manner as the waiver of premium benefit above except that it is offered with flexible premium universal life type policies.

Disability Income Disability income provides a monthly income while you are totally disabled after an initial waiting period. The monthly disability income benefit is limited to a percentage of the death benefit.

Accidental Death Benefit The accidental death benefit provision provides an additional amount of insurance in the event that death of the insured occurs by accident. Some accidental death benefits will provide for two or three times the face amount of the policy for specified types of accidents. The accidental death must occur prior to a specified age, such as 65. Among other exclusions, death due to sickness is excluded.

Guaranteed Insurability The guaranteed insurability rider gives you the option to buy a stated amount of additional insurance at specified intervals up to a maximum age, usually 40, without presenting evidence of insurability. Such riders will also provide alternate dates to obtain additional insurance such as the date of marriage, the birth or adoption of a child when you need for insurance coverage may increase. This rider guarantees you the option of buying additional coverage regardless of the state of your health at the time you request the additional insurance at premium rates based on your attained age.

Cost of Living Rider The cost of living rider enables you to purchase more insurance each year to help offset increasing insurance needs due to inflation. The amount that can be purchased is based on increases in the cost of living index. This additional coverage is usually available at low rates and evidence of insurability need not be provided for such increases.

Payor Benefit Rider A rider may be added to the policy of a juvenile stating that if the payor (the one paying the premium) dies or becomes totally disabled prior to the juvenile's reaching majority, the subsequent premiums due are automatically waived.

Spouse Rider This type of rider will provide level term coverage on the life of the insurer's spouse. Such rider will also provide a conversion provision permitting the spouse to convert to permanent coverage without evidence of insurability prior to the termination of the rider or upon the death of the insured under the basic policy.

Children's Rider This type of rider will generally provide level term coverage on the life of your children. Such riders are usually offered at one premium rate and may cover newborns and adopted children who can be added to the coverage without increasing the premium you pay. The rider will also provide a conversion provision, which will permit each child to convert to a permanent plan of coverage without evidence of insurability prior to the termination of the rider or upon the death of the insured under the basic policy.

Term Riders Term riders provide temporary coverage which may be attached to an existing permanent policy or interest sensitive policy to provide an amount of extra insurance protection for a fixed period of time. These types of riders are useful if you need more insurance or a decreasing amount of coverage for a limited period.

Policy Provisions

Policy provisions in an insurance contract can include such details as coverage periods, exclusions, riders, start dates, and other important information. As it determines whether coverage applies and for what amount, it is important for policyholders to carefully read the details of their policy and understand them. Otherwise, they risk not taking advantage of the protection their policy provides or potential unexpected financial hardships due to losses that are not covered but assumed to have been.

Policy provisions are clauses in an insurance contract that lay out the exact conditions for which coverage is provided and for what amounts, along with exclusions and other restrictions.

Ownership rights

In life insurance, the provision or endorsement that designates the owner of the policy when such owner is someone other than an insured—for example, a beneficiary. This clause vests ownership rights (e.g., the right to designate the beneficiary) to the specified person or entity.

What is an 'Annuity'

An annuity is a financial product that pays out a fixed stream of payments to an individual, primarily used as an income stream for retirees. Annuities are created and sold by financial institutions, which accept and invest funds from individuals and then, upon annuitization, issue a stream of payments at a later point in time. The period of time when an annuity is being funded and before payouts begin is referred to as the accumulation phase. Once payments commence, the contract is in the annuitization phase.

There are five major categories of annuities — fixed annuities, variable annuities, fixed-indexed annuities, immediate annuities and deferred annuities. Which is best for you depend on several variables, including your risk orientation, income goals, and when you want to begin receiving annuity income.

For your particular situation, each type of annuity has advantages and disadvantages. An immediate annuity, for example, pays the most but requires sacrifice of principal. A variable annuity may increase your principal over time, but fees are particularly high. What is important is that a potential annuity buyer become aware of the different types of annuities so that he or she can make the right decision about which type of annuity best fits their particular needs.

Annuity types:

FIXED ANNUITIES

These are fixed interest investments issued by insurance companies. They pay guaranteed rates of interest, typically higher than bank CDs, and you can defer income or draw income immediately. These are popular among retirees and pre-retirees who want a no-cost, modest and guaranteed fixed investment.

VARIABLE ANNUITIES

These allow investors to choose from a basket of subaccounts (mutual funds). Account value is determined by the performance of the subaccounts, and a rider can be purchased to lock in a guaranteed income stream regardless of market performance — a key hedge if subaccounts perform poorly. These are popular among retirees and pre-retirees who want a shot at capital appreciation in tandem with guaranteed lifetime income.

FIXED-INDEXED ANNUITIES

These are essentially fixed annuities with a variable rate of interest that is added to your contract value if an underlying market index, such as the S& P 500, is positive. They typically offer a guaranteed minimum income benefit, and the chance of principal upside pegged to a market-based index. A drawback is that upside potential is limited by a so-called participation rate, caps or a spread — all methods in which your return in a rising stock market is trimmed. Consequently, buyers of these annuities never keep pace with a robust market. These appeal to retirees and pre-retirees who want to conservatively participate in potential market appreciation without fuss and with downside principal protection.

IMMEDIATE ANNUITIES

These are basically a mirror image of a life insurance policy. Instead of paying regular premiums to an insurer that makes a lump-sum payment upon death, the investor gives the insurer a lump sum in return for regular income payments until death, or for a specified period of time, typically starting one to 12 months after receipt of the investment. Payments are typically higher than other annuities because they include principal, as well as interest, and so also offer favorable tax treatment. These are popular among retirees and pre-retirees who need a higher-than-average stream of income and are comfortable sacrificing principal in exchange for higher lifelong income.

DEFERRED ANNUITIES

These delay payments until a future date (greater than one year). They enable people to increase their income stream later in life for less money because the insurance company is not on the hook as long when income payments are deferred. These appeal to people who want guaranteed income in the future, not now, or who want to create a ladder of income over different periods later in life. For example, they may want to work in retirement but know that eventually they will stop working and, at that point, and not before, will need guaranteed income from an annuity.

An **annuity contract** is beneficial to the individual investor in the sense that it legally binds the insurance company to provide a guaranteed periodic payment to the annuitant once the annuitant reaches retirement and requests commencement of payments. Essentially, it guarantees risk-free retirement income.

Fixed Annuity

A fixed annuity is a type of annuity contract that allows for the accumulation of capital on a tax-deferred basis. In exchange for a lump sum of capital, a life insurance company credits the annuity account with a guaranteed fixed interest rate while guaranteeing the principal investment. A fixed annuity can be annuitized to provide the annuitant with a guaranteed income payout for a specified term or for life.

Variable annuity

A variable annuity is a tax-deferred retirement vehicle that allows you to choose from a selection of investments, and then pays you a level of income in retirement that is determined by the performance of the investments you choose. Compare that to a fixed annuity, which provides a guaranteed payout.

Qualified and nonqualified annuities

Annuities come in many different forms. There are immediate and deferred annuities, with both fixed and variable rates. However, whatever the type of annuity, all can be classified as either qualified or nonqualified annuities. And the distinction is easy.

Qualified annuities are used in connection with tax-advantaged retirement plans, such as defined benefit pension plans, Section 403(b) retirement plans (TSAs), or IRAs. Premiums for qualified annuities are generally paid with pretax dollars, as are any investments purchased for use in a qualified retirement plan.

By definition, any annuity not used to fund a tax-advantaged retirement plan or IRA is considered a nonqualified annuity. Contributions to nonqualified annuities are made with after-tax dollars--premiums are not deductible from gross income for income tax purposes.

Principles of Group Insurance

The basic principle of group insurance is to provide insurance coverage for a number of people under one contract known as the single master contract or master policy.

Each eligible employee fills out an enrollment card and is given a certificate if insurance which summarizes the coverage terms and explains the employee's rights under the group contract. Underwriting for group coverage is different than for individual coverage; the underwriter looks at the characteristics of the group as a whole. New employees typically must go through probationary period before they are eligible for coverage.

Since group insurance allows for lower premium payments, dwindling enrollment would not be beneficial to keep costs down. Through group coverage, the insurer usually does not feel any effects as they have a captive flow of insured. Some employees will leave, yet others will enroll to make up for any lost revenue.

Group insurance involves experience rating, which is a method of establishing a premium for the group based on the group's previous claims experience.

Group Life Insurance

Group life insurance is a type of life insurance in which a single contract covers an entire group of people. Typically, the policyowner is an employer or an entity such as a labor organization, and the policy covers the employees or members of the group. Group life insurance is often provided as part of a complete employee benefit package.

Group Pension Plan

An employer group pension plan is created by an organization (an employer, association or foundation), on behalf of its employees or members offering them special advantages. Companies aim to create additional income for their employees or members on top of what they are due to receive from social security upon retirement. Companies also hope to increase employee loyalty by eliminating fears concerning their future financial security.

SEMESTER III

COMMERCE (BUSINESS PROCESS SERVICES)

BUSINESS PROCESS SERVICES IN INSURANCE

POSSIBLE QUESTIONS

SECTION A (1X20=20Marks)

1 Mark Questions Online

SECTION B (5X2=10Marks)

1. Who is a proposer?
2. What you mean by premium?
3. Who is an assignee?
4. What do you mean by annuity?
5. Define payout.
6. What is a group insurance?
7. What do you mean by fixed annuity?
8. What do you mean by variable annuity?
9. What do you mean by qualified annuity?
10. What do you mean by non- qualified annuity?

SECTION C (5X6=30Marks)

1. . Write any six factors determining premium rates of a life insurance policy?
2. Explain in brief
    a. Term insurance plan
    b. Endowment insurance plan
    c. Money back policy
3. Describe in brief the fixed annuity, equity indexed annuity and variable annuity
4. What is the different policy provisions provided for a life insurance holder?
5. What do you mean by under writing? What are its types
6. What are the principles of group insurance?
7. Explain in detail about the group life insurance policy provisions.
8. What is a claim? What are the different types of claims?
9. What are supplementary benefits? What are the different types of riders?
10. What is an annuity? What are its types?

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(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE

SUBJECT : Business Process Services in Insurance

SEMESTER : III

SUBJECT CODE : 17BPU303 A

CLASS : II B.COM BPS

UNIT II

S.NO	QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
1	……………………….. Is the consideration paid by the policyholder to the insurance company	shares	premium	payment	receipts	premium
2	…………………………… represents the number of deaths in a given population unit of time	morbidity	expense	mortality	policy term	mortality
3	……………………………… represents the incidence of sickness & accidents by age, among a given group	morbidity	expense	mortality	policy term	morbidity
4	The minimum guarantee death benefit in a life insurance policy is ……………………..	grace period	sum assured	policy term	premium payment term	sum assured

5	the period for which the insurance coverage is valid ……………………	grace period	sum assured	policy term	premium payment term	policy term
6	………………………….. Is the period for which the policy holder needs to pay the premium	sum assured	premium payment term	grace period	policy term	premium payment term
7	………………………….. Is the period for which the policy holder waits to get the insurance	sum assured	premium payment term	grace period	policy term	free-look-in period
8	……………………………….. Is the period given to the policy holder in excess of the premium due date to clear off their outstanding premium	mortality	grace period	policy term	sum assured	grace period
9	………………… Is the option for the policy holder to enjoy the policy benefits even if there is a default in premium payment	surrender value	policy term	non forfeiture	assignment	non forfeiture
10	…………………is the discontinuation of a policy along with all its benefit due to non payment of all premiums.	surrender value	policy lapse	assignment	assigner	policy lapse
11	……………………….. Is the transfer of title , rights and interest in a insurance policy to another	assignee	assignment	assigner	assured sum	assignment
12	……………………… becomes of the owner of the policy totally after assignment	assignee	assignment	life assured	assignor	assignee

13	The person or institution to which the policy is transferred is known as ………………..	assignee	assignment	life assured	assignor	assignee
14	The person who transfer his title in the insurance policy is known as……………………	assignee	assignment	life assured	assignor	assignor
15	………………….. Is the individual risk on whose life is being covered by the policy	assignee	life assured	assignment	assignor	life assured
16	proposer is the person applying for and paying for an ……………………	proposer	nominee	insurance policy	assignment	insurance policy
17	……...is the process of selecting the person to whom the claim should be paid by the insurance company after the death of the life assured.	assignee	assignment	life assured	nomination	nomination
18	………………………….. Is the person who receives benefit from insurance company in annutiy schemes	beneficiary	proposer	nominee	assignment	beneficiary
19	…………………….. Is the simplest form of insurance offered by the life insurance policy	proposer	ROP plan	term insurance plan	endowment insurance plan	term insurance plan

20	in………plan if the sum assured dies during the policy term, the insurance company pays the sum assured to the nominee/beneficiary/	proposer	ROP plan	term insurance plan	endowment insurance plan	ROP plan
21	……..plans offers insurance coverage for two persons under one policy	proposer	ROP plan	term insurance plan	joint life insurance	joint life insurance
22	ULIP stands for	Unit Linked Investment Plan	Unit limit investment plan	Unit linked investment plan	Unit liked insurance plan	Unit Linked Investment Plan
23	insurance company pay …………………… along with the premium, if the insured surveys till the maturity	premium	bonus	interest	shares	interest
24	There is only maturity benefit in a …………………………….. Plan	endowment insurance plan	pure endowment	ULIPs	money bank policy	pure endowment
25	In the …………………… plan , if the life assured dies during the policy term death claim is paid to the nominee	endowment insurance plan	pure endowment	ULIPs	money bank policy	endowment insurance plan
26	in…………….. plans profit are not shared with policy holder	endowment	without profit	with profit	pure term plan	without profit
27	in……………….plan profit are shared with policy holder	endowment	without profit	with profit	pure term plan	with profit

28	………provides additional death claim when the life assured dies in event of an accident	Accidental death benefit	Critical illness	waiver of premium	tremination of policy	Accidental death benefit
29	…………………………….. helps to enhance the quality and scope of cover of insurance	insurer	insure	insured	rider	rider
30	for additional death coverage at normal cost one can purchase a …………………………….	weaver of premium rider	term rider	accidental death benefit rider(ADBR)	critical illness rider	term rider
31	………rider waives future premiums in the event of diability of the life assured	weaver of premium rider	term rider	accidental death benefit rider(ADBR)	Waiver of premium rider	Waiver of premium rider
32	……….is the provision thar after specific period of time the insurance company may not contest any claims.	Incontestable	suicide	reinstatement	settlement	Incontestable
33	………..is a demand based on which the insurance company redeems the promise made in the contract	Claim	bonus	Settlement	Payout	Claim
34	There are …………….. types of insurance companies	9	5	3	4	3
35	The person who receives annuity is called	Insured	Insurer	Third party	Annuitant	annuitant

36	………………….. is the person or legal entity entered to receive death benefit if annuitant dies.	Annuitant	Insurer	Insured	Beneficiary	Beneficiary
37	……………….. is the period when annuity benefit payment are given out.	Maturity	Lapse	Pay-out period	post period	Pay-out period
38	There are…………….... types of annuity.	5	4	3	6	5
39	Higher risk generate high return lower risk generate low return, this is known as…………….	Return off	Return trade-off	Trade on	Return trade on	Return trade-off
40	The process of investing money in bond and stock in defined proportion is known as……………..	Asset determination	Asset allocation	Asset revaluation	Asset deduction	Asset allocation
41	……………… is the process of investing in different categories of financial instrument	investment	diversification	insurance	re imbursement	diversification
42	…………………….. sub account consists short term instrument or cash equipment	stock	money market	bond	asset	money market
43	stock sub accounts consists of …………………...stocks	foreign	domestic	international	foreign and domestic	foreign and domestic
44	…………………….. annuity provides payments based upon the lives of two or more annuitant and payment continuous till the last person dies.	life and non life	joint and survivor	life only annuity	life income with refund annuity	joint and survivor

45	In……………..pay-outs the insurer make a series of payment to the annuitant that changes throughout the pay-out	Fixed	Variable	Both a and b	Irregular	Variable
46	Expand IRA	Industrial revolution act	Individual Retirement Arrangement	International Retirement Account		Individual Retirement Arrangement
47	……….are periodic annuity payments that are scheduled to begin one annuity period after the date on which the annuity was purchased	Immediate annuity	deferred annuity	single premium	fixed premiun	Immediate annuity
48	Group insurance plan where group members pay the premium fully or partly is called………..	Non-contributory	Contributory	fixed	variable	Contributory
49	Group insurance premium are calculated using ……………... types of rating	5	4	3	2	3
50	………….. rating is used to set premium rates for group that have not been previously insured	experience	blended	manual	variable	manual
51	…………are the periodic annuity payments that are scheduled to bring moer than one annutiy period	Immediate annuity	deferred annuity	single premium	fixed premiun	deferred annuity

52	which of the following is not a component of retirement plan	The plan	plan administration	funding vehicles	re insurance	re insurance
53	How many types of retirement plans are there	3	2	4	5	3
54	The annuity that is purchased by the payment of one lumpsum premium is called……….	single premium annuity	deferred annuity	single premium	fixed premiun	single premium annuity
55	……….sub account consists of short term instruments or cash equivalents	Money market	Bond	Stock	shares	Money market
56	……………type of rating uses both manual and experience rating	combo	blended	joint	variable	blended
57	what are the two types of IRA	Traditional and Roth	international and domestic	traditional and blended	Roth and domestic	Traditional and Roth
58	An……………………… is a retirement plan where people can deposit a part of their taxable compensation in tax differed saving plans.	Individual Retirement Arrangement	Industrial revolutionary act	All the above	International retirement arrangement	individual retirement arrangement
59	An annuity purchased to accumulate or distribute funds from a tax qualified plan is known…………..	Qualified Annuity	non Qualified annuity	fixed annuity	variable annuity	Qualified Annuity
60	………….subaccount consists of domestic and foerign stocks	Money market	Bond	Stock	shares	Money market

UNIT III

SYLLABUS

Non − Life Insurance: concepts : Hazards, Perils, Catastrophe, Property Damage &Business Interruption, Policy exclusions, Indemnity, Deductibles, Retention, Premiums, Limits, Salvage, Subrogation, etc. - Insurance Providers – Co-Insurance, Reinsurance, Captive Insurance - Underwriting process - Policy Servicing process - Claims process –Reinsurance.

Hazard

The meaning of the word hazard can be confusing. Often dictionaries do not give specific definitions or combine it with the term "risk". For example, one dictionary defines hazard as "a danger or risk" which helps explain why many people use the terms interchangeably.

There are many definitions for hazard but the most common definition when talking about workplace health and safety is:

A hazard is any source of potential damage, harm or adverse health effects on something or someone.

The CSA Z1002 Standard "Occupational health and safety - Hazard identification and elimination and risk assessment and control" uses the following terms:

Harm - physical injury or damage to health.

Hazard - a potential source of harm to a worker.

Peril - Probable cause (such as an earthquake, fire, theft) that exposes a person or property to the risk of damage, injury, or loss and against which an insurance cover is purchased.

Catastrophe

A sudden event that causes very great trouble or destruction An event causing great and usually sudden damage or suffering; a disaster.

Property Damage

Injury to real or personal property through another's negligence, willful destruction or by some act of nature. In lawsuits for damages caused by negligence or a willful act, property damage is distinguished from personal injury. Property damage may include harm to an automobile, a fence, a tree, a home or any other possession. The amount of recovery for property damage may be established by evidence of replacement value, cost of repairs, loss of use until repaired or replaced or, in the case of heirlooms or very personal items (e.g. wedding pictures), by subjective testimony as to sentimental value.

Business interruption insurance (also known as **business income insurance**) is a type of insurance that covers the loss of income that a business suffers after a disaster. The income loss covered may be due to disaster-related closing of the business facility or due to the rebuilding process after a disaster.

Policy exclusion

An exclusion is a policy provision that eliminates coverage for some type of risk. Exclusions narrow the scope of coverage provided by the insuring agreement. In many insurance policies, the insuring agreement is very broad.Insurers utilize exclusions to carve away coverage for risks they are unwilling to insure.

Reasons to Exclude Risks

Exclusions serve various purposes. Most apply to risks that fall into one of the following categories.

Catastrophic Some risks are uninsurable because they are likely to affect a huge number of policyholders at once. An example is war.

Covered Elsewhere Many risks are excluded under one type of policy because they are covered under another. For instance, auto liability claims are excluded under a general liability policy because they are covered by acommercial auto policy.

Easy To Control Some risks are excluded because they are easily controlled by the policyholder. An example is damage to personal property in the open caused by rain, snow, ice or sleet. Such damage is excluded under most commercial property policies because it is easily prevented by the insured.

Not Accidental Most insurance policies cover fortuitous events. Thus, they exclude losses the insured caused intentionally. For example, both general liability and commercial auto liability policies exclude bodily injury that an insured inflicts on a third party intentionally.

Maintenance Issues Some risks are not practical to insure because they occur naturally. An example is wear and tear. Damage caused by wear and tear is excluded from both commercial property and auto physical damage coverage. Risks of this type can often be controlled through proper maintenance. Vehicle tires can be protected from wear and tear through proper rotation.

Illegal Many policies exclude losses that result from violations of the law or criminal acts. For example, general liability policies exclude bodily injury, property damage or personal and advertising injury that results from a violation of the Telephone Consumer Protection Act or CAN-SPAM Act.

Partially Insurable Some risks are insurable within specific parameters. For instance, many liability policies exclude liability assumed under a contract. However, coverage is provided for liability assumed under acontract that qualifies as an insured contract (as defined in the policy).

Insurable for a Price Some risks are insurable if you are willing to pay an additional premium. An example is a loss caused by theft committed by your employees. Such losses are routinely excluded under commercial property policies. However, you can insure such losses by purchasing employee theft coverage.

Indemnity

Indemnity is a contractual obligation of one party (indemnitor) to compensate the loss occurred to the other party (indemnitee) due to the act of the indemnitor or any other party.

Deductible

In an insurance policy, the **deductible** is the amount paid out of pocket by the policy holder before an insurance provider will pay any expenses

Retention

(1) Assumption of risk of loss by means of noninsurance, self-insurance, or deductibles. Retention can be intentional or, when exposures are not identified, unintentional. (2) In reinsurance, the net amount of risk the ceding company keeps for its own account.

'Premium'

Definition: Premium is an amount paid periodically to the insurer by the insured for covering his risk.

Description: In an insurance contract, the risk is transferred from the insured to the insurer. For taking this risk, the insurer charges an amount called the premium. The premium is a function of a number of variables like age, type of employment, medical conditions, etc. The actuaries are entrusted with the responsibility of ascertaining the correct premium of an insured. The premium paying frequency can be different. It can be paid in monthly, quarterly, semiannually, annually or in a single premium.

INSURANCE LIMIT

An insurance limit is the maximum amount of money an insurance company will pay you for a covered loss. You'll typically find that the higher your coverage limit, the higher your premium may be. Limits often apply to different types of coverage within a policy

Salvage

Damaged property an insurer takes over to reduce its loss after paying a claim. Insurers receive salvage rights over property on which they have paid claims, such as badly-damaged cars. Insurers that paid claims on cargoes lost at sea now have the right to recover sunken treasures. Salvage charges are the costs associated with recovering that property.

Subrogation

The legal process by which an insurance company, after paying a loss, seeks to recover the amount of the loss from another party who is legally liable for it.

Co-insurance is the amount, generally expressed as a fixed percentage, an **insured** must pay against a claim after the deductible is satisfied. In health **insurance**, a **co-insurance** provision is similar to a **co**-payment provision, except **co**-pays require the **insured** to pay a set dollar amount at the time of the service.

Reinsurance is insurance that is purchased by an insurance company. In the classic case, reinsurance allows insurance companies to remain solvent after major claims events, such as major disasters like hurricanes and wildfires. In addition to its basic role in risk management, reinsurance is sometimes used for tax mitigation and other reasons. The company that purchases the reinsurance policy is called a "ceding company" or "cedent" or "cedant" under most arrangements. The company issuing the reinsurance policy is referred simply as the "reinsurer".

A **captive insurer** is generally defined as an **insurance** company that is wholly owned and controlled by its insureds; its primary purpose is to insure the risks of its owners, and its insureds benefit from the **captive insurer's** underwriting profits.

UNDERWRITING refers to the process of determining the issuing of an insurance policy. In that process, an underwriter evaluates the risk of the applicant. During this evaluation, the underwriter will decide how much coverage will be offered to the applicant, as well as how much premium the insured should pay for the particular amount of coverage.

Policyholder's Servicing

An Insurer carrying on Life Insurance Business, as the case may be, shall at all times, respond within 10 days of the receipt of any communication from its policyholders in all matters, such as:

- Recording change of address
- Noting a new nomination or change of nomination under a policy
- Noting an assignment on the policy
- Providing information on the current status of a policy indicating matters, such as, accrued bonus, surrender value and entitlement to a loan

- Processing papers and disbursal of a loan on security of policy
- Issuance of duplicate policy
- Issuance of an endorsement under the policy; noting a change of interest or sum assured or perils insured, financial interest of a bank and other interests
- Guidance on the procedure for registering a claim and early settlement thereof
- Providing receipt for the premium paid towards the policy and statement of account (unit statement for ULIP). Any policy level changes like increase/decrease in sum assured/premium/rider sum assured. Etc
- Annuity servicing/registration (pension policies)
- Renewal premium payment and policy reinstatement related

Claims Procedure

A life insurance policy shall state the primary documents which are normally required to be submitted by a claimant in support of a claim

A life insurance Company, upon receiving a claim, is required to process the claim without delay. Incase the Company requests for any additional documents, the requirements are required to be raised all at once within a period of 15 days of the receipt of the claim

A claim under a life policy shall be paid or be disputed giving all the relevant reasons, within 30 days from the date of receipt of all relevant papers and clarifications required. However, where the circumstances of a claim warrant an investigation in the opinion of the insurance company, it shall initiate and complete such investigation at the earliest. Where in the opinion of the insurance company the circumstances of a claim warrant an investigation, it shall initiate and complete such investigation at the earliest, in any case not later than 6 months from the time of lodging the claim

In case the claim is ready for payment but is not paid by the Company for identification of the payee, the Company shall hold the amount for benefit of the payee and shall pay interest at the savings bank interest rate. (effective from 30 days of submission of all relevant documents)

In case of delay in settling a claim (non compliance to the defined regulatory TAT) Company shall pay interest on the claim amount at a rate which is 2% above the bank rate prevalent at the beginning of the financial year.

SEMESTER III

COMMERCE (BUSINESS PROCESS SERVICES)

BUSINESS PROCESS SERVICES IN INSURANCE

POSSIBLE QUESTIONS

SECTION A (1X20=20Marks)

1 Mark Questions Online

SECTION B (5X2=10Marks)

1. What is a hazard?
2. What is a peril?
3. What is a catastrophe?
4. What do you mean by indemnity?
5. What do you mean by policy limit?
6. Define Co insurance.
7. What is reinsurance
8. Write in brief about captive insurance
9. What do you mean by under writing?
10. What do you mean by policy servicing?

SECTION C (5X6=30Marks)

1. Write in detail
    i. The steps involved in claim process of non-life insurance.
    ii. The duties of the insured after a loss and a claim.
2. Explain in detail the major categories of Non-life insurance in USA.
3. What is casualty insurance? What are the different types of casualty insurance?
4. What is a Re-insurance? How does it work? What are the forms of Re-insurance?
5. What is vehicle insurance? What are the types of coverage done under vehicle insurance?
6. Explain the following with reference to policy servicing
    a. Adjustments
    b. Renewal
    c. Reinstatement
7. Explain in detail about flood insurance.
8. Write any 8 important terminologies in Non- Life insurance Policy
9. Explain the concept and important terminologies used in Non- Life insurance Policy.
10. What is casualty insurance? What are the different types of casualty insurance?

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DEPARTMENT OF COMMERCE

SUBJECT : Business Process Services in Insurance

SEMESTER : III

SUBJECT CODE : 17BPU303 A

CLASS : II B.COM BPS

UNIT III

S.NO	QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
1	………………….insurance insures everything other than human life	life insurance or general insurance	non-life insurance or general insurance	non-life insurance or insurance	life insurance or insurance	non-life insurance or general insurance
2	anything that either causes a loss or increase the likelihood of loss or make the impact of the loss worse is………………	hazard	perils	effects	policy	hazard
3	anything that leads to a loss is called…………………	effect	hazard	perils	pdicis	perils
4	unless particularly excluded, all causes of loss are covered by ………………………policy	named peril policy	open peril policy	insurance policy	open policy	open peril policy
5	only those cause of loss which are listed in the policy document are covered by …………………………policy	open peril policy	named peril policy	open policy	insurance policy	named peril policy

6	……………………...is a compensation and not a means of gaining from a loss	under insurance	insurance	indemnity	inventory	indemnity
7	………………… means purchasing insurance of value less than original value	limit	indemnity	inventory	under insurance	underinsurance
8	if the property is not insured to its full replacement cost the compensation paid will be calculated as per the lower replacement cost and the claim paid will be proportionate is called …………………………	principle of agent	principle of average	principle of authority	commencement	principle of average
9	………….safe gaurds the isured against legal liability for losses caused by injur to other people	Propertyinsurance	casualty insurance	fire insurance marine insurance		casualty insurance
10	…………………….. Is the amount of expense that must be borne by the insured before the insurer pays any claim	subrogation	salvage	deductible	multiple	deductible
11	a single policy can have ……………………… based on the cause of the claim	single deductible	multiple deductible	inventory	salvage	multiple deductibles
12	after paying a claim on a damage property like a damaged car, the insurer can take over the damage property to reduce its extend of loss is called…………..	salvage	subrogation	claim	annuity	salvage
13	in the event of the claim where the insurer has full indemnified the insured, the insured's original interest can be taken over by the insurer is called………………	deductible	hazard	subrogation	insurance	subrogation

14	maximum amount of insurance that can be paid for a covered loss is called……………………………..	unlimited	limit	hazard	perils	limit
15	insurance market cycle has ………………………	one phase	two phases	three phases	four phase	two phase
16	in ………the insurer shall idemnify any claim on the insured property as a result of loss or damage	Propertyinsurance	casualty insurance	fire insurance marine insurance		Propertyinsurance
17	insurance become more selective in offering insurance coverage in ………………………….	soft market	hard market	market	time	hard market
18	…………………………… will increase premium and take back some of the coverage and enhancement , making it more difficult to get insurance, even at higher prices	hard market	beneficial time	soft market	market	hard market
19	insurance are eager to get new business as well as retain existing business in ………………………………	limit	salvage	soft market	hard market	soft market
20	……………………… Reduce insurance premium and event relax underwriting criteria	soft market	premium	hard market	time	soft market
21	automobles against accidental damage or theft is covered under	Non life insurance	Life insurance	annuity	double insurance	Non life insurance
22	Property like house and possessions against fire and theft ,flood,storm,earthquake etc., are included in ……………	Life insurance	Non-life insurance	Insurance	Benefits	Non-life insurance

23	refers to insurance protection to homes, cars and business	Property/casualty insurance	Insurance	Property	Casualty	Property/Casualty Insurance
24	offers protection against loss arising from a person or business interest in physical property.	Insurance	Property Insurance	casualty insurance	Claim	Property insurance
25	mainly safeguards the insured against legal liability for losses caused by injury to other people or damage to the property of others.	Casualty Insurance	Property Insurance	Insurance	Loan	Casualty insurance
26	Casualty insurance is similar to	Property insurance	Claim	Loan	Insurance	Insurance
27	There are major types of casualty insurance.	Two	Three	Four	Five	Three
28	Vehicle insurance is also called	Auto insurance	Claim	Semi insurance	Loan	Auto insurance
29	………………….. insurance covers medical cost in an accident if the policy holders is involved and the other driver is injured	Personal injury	Bodily injury liability	Property Damage	Collision	Bodily injury liability
30	……….. insurance covers medical costs in an accident for policy holders and passengers in the car.	Property damage	Collision	Personal injury	Comprehensive	Personal injury
31	………….. insurance cover pays for damage caused by an accident to someone's property.	Comprehensive	Property damage	Collision	Bodily injury liability	Property damage
32	………… insurance covers damage to policy holders vehicle if there is collision with another vehicle, flipping over or even hitting pothole.	Collision	Property damage	Comprehensive	Injury	Collision
33	Hull of ship and goods in transit including by sea, air and road are covered under	Non life insurance	Life insurance	annuity	double insurance	Non life insurance

34	………………….. coverage protects the policy holder, his family or someone driving the car without the permission of the policy holder	Insured motorist coverage	Uninsured motorist coverage	Coverage	Motorist coverage	Uninsured motorist converge
35	Personal property generally means…………..	Important	Unimportant item	Movable item	Immovable item	Movable items
36	Majority of home insurance policies exclude natural disaster or …………..	. Acts of god	Acts of child	Acts of insurance	Acts of parliament	Acts of god
37	Actual cash value is the replacement cost less………………	Appreciation	Durable entry	Depreciation	Fixed amount	Depreciation
38	Personal property like carpet, furniture, etc. is always valued at ……………..	. Replacement cost	Cash value	Value	Actual cash value	Actual cash value
39	Injury caused by an accident or hospitalization for illness is broadly covered under	Non life insurance	Life insurance	annuity	double insurance	Non life insurance
40	Non-life insurance in USA has two major categories …………………..&………………	Lines & bars	Commercial & personal lines	Commercial & economic lines	Actual & specific	Commercial lines & personal lines
41	…………….. include Auto and Homeowners insurance for individuals.	Personal lines	commercial lines	lines	Artificial lines	Personal lines
42	…………………….include insurance product designed for business.	Lines	Artificial	Commercial lines	Personal lines	Commercial lines
43	………….means splitting of risk among multiple parties	Re-insurance	Co-insurance	Captive insurance	Non- captive insurance	Co-insurance
44	………………………...is a wholly owned subsidiary of an non-insurance company or group of non-insurance companies.	Captive insurance	Quote	Re-insurance	Co-insurance	Captive insurance

45	………………..is basically insurance for the insurance providers.	Re-insurance	Co-insurance	Captive	Non- captive	Re-insurance
46	The terms and conditions of the reinsurance is captured in the	Equity contract	Debt contract	Insurance contact	Re-insurance contract	Re-insurance contract
47	…………………is not an agreement between the insurer and the prospective policy holder.	Assignment	Quote	Notes	Application	Quote
48	Additional validations are required for	Policy issuance	Premium	Insurance	Assurance	Policy issuance
49	……………………refers to the process of selecting, classifying and pricing the various risks on behalf of the insurer.	Policy holder	Insurance	Under writing	Adjustment	Under writing
50	…………………..refers to any change in the policy features during policy term	Actuary	Adjustment	Application	Assignment	Adjustment
51	Machinery and Machinery parts against breakdown are insured under	Non life insurance	Life insurance	annuity	double insurance	Non life insurance
52	………is an estimate of the cost of insurance prepared on the basis of information from the policy holder	Assignment	Quote	Notes	Application	Quote
53	…………..involves the selection of policy holder,categorizing them, determine the terms and conditions of the insurance policy	Policy holder	Insurance	Under writing	Adjustment	Under writing
54	who evaluate risks and decide whether to accept or reject a risk	Policy holder	insurer	insured	under writers	under writers
55	An insurance company's profitability depends on the quality of …………	Policy holder	insurer	insured	under writers	under writers

56	…………………. is a demand for performance of the promise made by the insurer as per the insurance contract for compensation of estimated or actual amount of loss.	Policy term	Claim	Actuary	Hazard	Claim
57	ACV stands for	actual cash value	actual cost value	actual central value	actual credit value	actual cash value
58	Re-insurance done on an individual risk basis is based on .	Treaty re-insurance	Facultative re-insurance	Insurance	Re-insurance	Facultative re-insurance
59	Re-insurance encompassing a block of the ceding company's book of business is based on .	Re-insurance	Insurance	Facultative re-insurance	Treaty re-insurance	Treaty re-insurance
60	Re-insurance of a reinsurer's business is called ……….	Retrocession	Re-instatement	Re-insurance	Re-cancellations	Retrocession

UNIT IV

SYLLABUS

Health Insurance: Concept of Healthcare Insurance - How Healthcare Insurance works Key Challenges of Healthcare Industry - Healthcare Eco System - Healthcare regulations &Standards; HIPAA – Medicare – Medicaid – Mediclaim - Individual Health Insurance policies - Group Health Insurance policies - Managed Care – Eye Care – Micro Insurance Schemes

Health Insurance:

Health insurance is insurance that covers the whole or a part of the risk of a person incurring medical expenses, spreading the risk over a large number of persons. By estimating the overall risk of health care and health system expenses over the risk pool, an insurer can develop a routine finance structure, such as a monthly premium or payroll tax, to provide the money to pay for the health care benefits specified in the insurance agreement. The benefit is administered by a central organization such as a government agency, private business, or not-for-profit entity.

According to the Health Insurance Association of America, health insurance is defined as "coverage that provides for the payments of benefits as a result of sickness or injury. It includes insurance for losses from accident, medical expense, disability, or accidental death and dismemberment"

Health Insurance has occupied the position of one of the fastest growing segments in the insurance industry for the last few years; the growth of Health Insurance is keeping pace with that of the health care industry and the increased customer awareness in the country. It is today of immense significance for insurance practitioners and mangers.

This is the differences between a consumer’s purchase of health care and his or her purchase of other goods and services. For example, budgeting for health care expenses may be more difficult than budgeting for other services. The purchase of health insurance reduces the risks and unpredictability inherent in a consumer’s health care expenses. The consumer pays for a health insurance policy and then is subsequently (partly) reimbursed for his or her future expenditures on health care.

The Challenges of Purchasing Health Care

A consumer may find the purchase of health care different from some other purchases.

For example, a consumer buying a gallon of milk each week often knows in advance what kind of milk he or she wants and the approximate price of each variety of milk. In addition, expenditures on milk are rarely an especially high proportion of the consumer's monthly spending.

The consumer's decision to purchase health care, however, is more complicated. Health care can be expensive, especially for major illnesses or injuries. In addition, the consumer may not know in advance when (if at all) over the course of a year he or she will purchase the health services, what services he or she will need, and how much the services will cost. Each of these characteristics of health care decreases the consumer's ability to plan financially and increases the exposure to financial risk.

Few other goods and services have these characteristics. When a consumer thinks about other large expenditures, four years of college might come to mind. However, the potential students and their parents know when college expenses will become due well in advance of the due date. It is much easier to predict that Junior will need $20,000 in August 2015 to pay freshman tuition than that Junior will need $5,000 to pay for health care after he breaks his leg skiing over winter break.

Health care also may differ from other types of unpredictable expenditures. If a consumer were unexpectedly invited to a black-tie event, she may decide to purchase a gown. Even though this purchase was unpredictable, the cost of the gown often is a much smaller percentage of her monthly income than the cost of most medical treatments. Finally, consumers are likely to know what types of gowns (and milk) they prefer. They may be less clear whether they need a cast or a splint to repair their injured ankle. Consumers therefore are more likely to rely on their doctors' opinions when using health care than on their grocery clerks' opinions when buying milk. All these features increase the financial riskiness and unpredictability associated with using health care.

How Can a Consumer Purchase Health Insurance?

A consumer may obtain health insurance from an employer (or other group) or individually from another source.

From an Employer or Other Group

Some consumers obtain health insurance plans offered by employers to their employees and their employees' dependents as fringe benefits.9 When employees obtain health insurance through their employer, the cost of the health insurance plan often is shared between the employee and the employer. In addition, other groups whose members share a common bond, such as labor unions and some other associations, can offer members an opportunity to purchase health insurance through the group.

If an employee purchases insurance offered through his or her employer (employersponsored insurance, or ESI), the employee enrolls in a plan through the employer without interacting with salespeople and other representatives of health insurers. ESI is therefore relatively easy to obtain. If an employee does not want to accept an offer of group insurance, he or she is free to purchase health insurance from another source.

When a consumer with ESI leaves his or her place of employment for any reason, that consumer may lose health insurance. Those who retire any time after reaching the age of 65 usually will be eligible for Medicare, the federal health insurance entitlement program for those with disabilities and those aged 65 and older. Consumers terminated from employment without cause generally are eligible for COBRA, a federal program through which certain terminated consumers may continue to receive their ESI for a period of time as long as they pay the total cost of the insurance plan. Consumers also may be eligible for other federal and state health insurance programs or can choose to purchase private insurance that is not from a group.

Not from a Group

Consumers who are not offered or who do not purchase group insurance may use insurance brokers and agents, including web-based brokers, to learn about health insurance plans. Brokers and agents are licensed by the states and generally are paid on commission by insurers. Agents work with one insurer, whereas brokers can work with more than one insurer.

Consumers may purchase health insurance policies either directly from insurers (perhaps represented by brokers and agents) or from exchanges, which sell the insurers' plans. Insurance exchanges serve as marketplaces for health insurance plans in that they facilitate transactions between the buyers of insurance (consumers) and sellers of insurance (insurers). In general, consumers must use exchanges in their states of residence.

How Do Health Insurance Plans Differ?

Health insurance plans can differ in terms of their coverage of consumers and services, their costs to the consumers (and consumers' dependents or employers, if relevant), special features, and generosity, among other properties.

By Coverage

Covered Individuals

The consumer may buy a health insurance plan covering one person, a family, or other groupings. Under self-only coverage, the consumer is the only person insured. Family coverage applies to the consumer and any spouse and/or dependents. Other possibilities include self plus one and self plus children.

If their parent's health insurance plan covers children, children can be added to their parent's plan until they turn 26 years of age. Those children under the age of 26 can join or remain on their parent's plan even if they are married, not living with a parent, attending school, not financially dependent on a parent, or eligible to enroll in their own employer's plan. Many consumers with ESI obtain and renew their employer's plan during open enrollment season.

During open season, consumers can change health insurance policies. Outside of open season, consumers cannot change their health insurance plan unless they experience a qualifying life event. Qualifying life events include marriage, moving to a new state, divorce, and childbirth.

Open season in the exchanges is similar to open season in ESI.

Covered Services

A consumer might use a variety of health care services over the course of the year. Office visits to a health care provider may include routine well-adult exams, nonroutine flu care, and urgent treatment for bone breaks. The consumer might require X-rays and laboratory tests at some visits. More serious matters may require treatment at a hospital. Some consumers may need medical equipment, others may need a recovery program for substance abuse, and still others may find a single prescription treatment sufficient.

Given the breadth of possible health care, a consumer probably will not find a health insurance plan that covers all possible care. For example, almost no policies cover health care that is not deemed medically necessary by the insurer. Medically necessary care is "needed to prevent, diagnose or treat an illness, injury, condition, disease or its symptoms and that meet accepted standards of medicine." For example, reconstructive breast surgery following a mastectomy performed as part of breast cancer treatment is medically necessary (as well as required by law). In addition, health insurance generally covers breast augmentation to correct a congenital defect in breast development. However, it generally does not cover breast augmentation for cosmetic purposes. Not all insurers consider the same medical goods an services to be medically necessary.

Even among services widely agreed to be medically necessary among insurers, consumers will find that not all health insurance plans cover the same health services. In addition, the specifics of the covered service may differ across plans. For example, plans may differ across coverage of the number of routine maternal visits and the conditions under which a caesarean section is a covered service. Similarly, the consumer may choose among plans that cover eating disorder treatments differently.

By Costs

Premiums

Consumers pay premiums, which are the prices of private health insurance plan coverage for a given period of time. Premiums are owed whether or not the consumer actually seeks health care during the time covered by the plan. Consumers who purchase insurance policies directly from insurers or through the exchanges (for individuals) almost always pay the entire amount of the premium themselves. Many consumers who purchase

ESI share the premium cost with their employers. In other words, the consumer pays for part of the premium (generally through payroll deductions) and the employer pays for part of the premium (using funds that are not part of an individual’s hourly wages or annual salary)

Certain consumers who purchase health insurance through the exchanges may be eligible for premium tax credits. These credits reduce the price of the premium by returning part of its dollar value as a portion of the consumer’s income tax refund. Eligibility for the tax credits depends on whether the consumer is eligible for various types of health insurance plans and on family income.

Cost Sharing

Cost sharing refers to the part of the costs for health services covered by the insurance plan that is paid by the consumer (or the person responsible for the consumer’s bills). Deductibles, coinsurance, and co-payments are examples of cost sharing.

A deductible is the amount of money an insured consumer may be required to pay the medical care providers OOP (over the term of the insurance policy) before receiving any benefits from the health insurance policy. In other words, the consumer must spend up to the deductible OOP on covered services before the health insurance plan will begin to pay its part of health costs for most covered health services. A consumer is therefore required to meet the deductible before the insurance plan contributes to the costs of his or her health care. Preventive medical services are certain covered services not subject to deductibles (or any other form of cost sharing) when received from in-network providers. In addition, not all health insurance plans have a deductible, and plans may have different deductibles for different types of services. The consumer may pay coinsurance, which is a percentage of the total amount billed to the consumer. For example, consider a consumer whose chest X-ray is billed at $150. A 20% coinsurance rate means that the consumer pays $30 and the insurer pays $120 (both to the provider) for the X-ray. These calculations assume that the consumer has met the deductible. If the deductible has not been met, the consumer must pay his or her bill in full until the deductible is met.

Alternatively, the consumer may pay a flat-rate co-payment. For example, a $20 copayment for that chest X-ray would mean that the recipient must pay $20 to the provider OOP for the same Xray, assuming the consumer’s deductible has been met. The insurer would then pay $130 to the provider. Once again, if the deductible has not been met, the recipient must pay the amount remaining until the deductible is met.

Key Challenges of Healthcare Industry:

Health and health care need to be distinguished from each other for no better reason than that the former is often incorrectly seen as a direct function of the latter. Heath is clearly not the mere absence of disease. Good Health confers on a person or groups freedom from illness – and the ability to realize one's potential. Health is therefore best understood as the indispensable basis for defining a person's sense of well being.

The health of populations is a distinct key issue in public policy discourse in every mature society often determining the deployment of huge society. They include its cultural understanding of ill health and well-being, extent of socio-economic disparities, reach of health services and quality and costs of care. and current bio-mcdical understanding about health and illness.

Health care covers not merely medical care but also all aspects pro preventive care too.

Nor can it be limited to care rendered by or financed out of public expenditure within the government sector alone but must include incentives and disincentives for self care and care paid for by private citizens to get over ill health. Where, as in India, private out-of-pocket expenditure dominates the cost financing health care, the effects are bound be regressive. Heath care at its essential core is widely recognized to be a public good. Its demand and supply cannot therefore be left to be regulated solely by the invisible had of the market. Nor can it be established on considerations of utility maximizing conduct alone. What makes for a just health care system even as an ideal? Four criteria could be suggested- First universal access, and access to an adequate level, and access without excessive burden. Second fair distribution of financial costs for access and fair distribution of burden in rationing care and capacity and a constant search for improvement to a more just system. Third training providers for competence empathy and accountability, pursuit of quality care ad cost effective use of the results of relevant research. Last special attention to vulnerable groups such as children, women, disabled and the aged. Forecasting in Health Sector In general predictions about future health - of individuals and populations - can be notoriously uncertain. However all projections of health care in India must in the end rest on the overall changes in its political economy - on progress made in poverty mitigation (health care to the poor) in reduction of inequalities (health inequalities affecting access/quality'), in generation of employment /income streams (to facilitate capacity to pay and to accept individual responsibility for one's health). in public information and development communication (to promote preventive self care and risk reduction by conducive life styles) and in personal life style changes (often directly resulting from social changes and global influences).

Of course it will also depend on progress in reducing mortality and the likely disease load, efficient and fair delivery and financing systems in private and public sectors and attention t vulnerable sections- family planning and nutritional services and women's empowerment and the confirmed interest of me siat-e 10 ensure just health care to the Largest extent possible. To list them is to recall that Indian planning had at its best attempted to capture this synergistic approach within a democratic structure. It is another matter that it is now remembered only for its mixed success.

Available health forecasts

There is a forecast on the new health challenges likely to emerge in India over the next few decades. Murry and Lopez <WorId Bank B 2000> have provided a possible scenario of theburden of disease (BOD) for India in the year 2020, based on a statistical model calculating thechange in DALYS are applied to the population projections for 2020 and conversely. The keyconclusions must be understood keeping in the mind the tact that the concept of DALYsincorporates not only mortality but disability viewed in terms of healthy years of life lost. In thisforecast, DALYs are expected to dramatically decrease in respect of diarrhoeal diseases andrespiratory infections and less dramatically for maternal conditions. TB is expected to plateau by2000, and HIV infections are expected to rise significantly up to 2010. Injuries may increase lesssignificantly, the proportion of people above 65 will increase and as a result the burden of nocommunicable disease will rise. Finally cardiovascular diseases resulting any from the riskassociated with smoking urban stress and improper diet are expected to increase dramatically.

Under the same BOD methodology another view is available from a four – state analysis done in1996 <World Bank B 2000> these four states - AP, Kamataka, W. Bengal and Punjab - representdifferent stages in the Indian health transition. The analysis reveals that the poorer and morepopulated states. West Bengal, will still face a large incidence of communicable diseases. Moreprosperous states, such as Punjab further along the health transiting will witness sharplyincreasing incidence of no communicable diseases especially, in urban areas. The projectionshighlight that we still operating on unreliable or incomplete base data on mortality and causes ofdeath in the absence of vital registration statistics and know as yet little about how they differbetween social classes and regions or about the dynamic patterns of change at work. It alsohighlights the policy dilemma of how to balance between the articulate middle upper classdemand for more access to technologically advanced and subsidized clinical services and themore pressing needs of the poor for coverage of basic disease control interventions. This conflictover deployment of public resources will only get exacerbated in future. What matters most insuch estimates are not societal averages with respect to health but sound data illuminingspecifically the health conditions of the disadvantaged in local areas <Gwatkin A 2000> thatlong tradition of health sector analysis looking at unequal access, income poverty and unjustlydistributed resources as the trigger to meet health needs of the poor. That tradition has beentotally replaced by the currently dominant school of international thought about health which isconcerned primarily with efficiency of systems measured by cost effectiveness criteria.

Future of State Provided Health Care Historically the Indian commitment to health developmenthas been guided by two principles-with three consequences. The first principle was Stateresponsibility for health care and the second (after independence) was free medical care for all(and not merely to those unable to pay),

The first set of consequences was inadequate priority to public health, poor investment insafe water and samtati on and to the neglect of the key role of personal hygiene in good health,culminating in the persistence of diseases like Cholera. The second set of onsequences pertainsto substantially unrealized goals of NHP 1983 due to funding difficulties from compression ofpublic expenditures and from organizational inadequacies. The ambitious and far reaching NPP - 2000 goals and strategies have however been formulated on that edifice in the hope that the gaps and the inadequate would be removed by purposeful action. Without being too defensive or critical about its past failures, the rural health structure should be strengthened and funded and managed efficiently in all States by 2005. This can trigger many dramatically changes over the next twenty years in neglected aspects or rural health and of vulnerable segments.

The third set of consequences appears to be the inability to develop and integrate plural systems of medicine and the failure to assign practical roles to the private sector and to assign public duties for private professionals. To set right these gaps demanded patient redefinition of the state's role keeping the focus on equity. But during the last decade there has been an abrupt switch to market based governance styles and much influential advocacy to reduce the state role in health in order to enforce overall compression of public expenditure an reduce fiscal deficits.

People have therefore been forced to switch between weak and efficient public services and expensive private provision or at the limit forego care entirely except in life threatening situations, in such cases sliding into indebtedness. Health status of any population is not only the record of mortality and its morbidity profile but also a record of its resilience based on mutual solidarity and indigenous traditions of self-care – assets normally invisible to he planner and the professional. Such resilience can be enriched with the State retaining a strategic directional role for the good health of all its citizens I accordance with the constitutional mandate. Within such a framework alone can the private sector be engaged as an additional instrument or a partner for achieving shared public health outcomes. Similarly, in indigenous health systems must be promoted to the extent possible to become another credible delivery mechanism in which people have faith and away fond for the vat number of less than folly qualified doctore in rural areas to get skills upgraded. Public programs in rural and poor urban areas engaging indigenous practitioners and community volunteers can prevent much seasonal and communicable disease using low cost traditional knowledge and based on the balance between food, exercise medicine and moderate living. Such an overall vision of the public role of the heterogenous private sector must inform the course of future of state led health care in the country.

Health Care Regulation and Standards:

To be identified as a profession, a discipline must meet criteria that include having established standards of practice and regulation of the practice. As in the larger health care industry, correctional health care systems are subject to regulation.

As in the larger health care industry, correctional health care systems are subject to regulation. Importantly, laws and rules that pertain to nursing in the community also apply in the correctional setting. However, issues related to regulations, standards and compliance with nurse practice acts and scope of practice are not always well understood by correctional nurses and sometimes do not gain the expected level of knowledge, compliance and value.

Because nursing practice has a significant impact on health care delivery, patient safety and patient outcomes, regulation of the profession and individual nursing practice is necessary. The practice of nursing is regulated at the state level through administrative rules (laws) and civil procedures. Licensure is one method of validating knowledge and competence. Individual states license and regulate the profession through their nursing boards, while the National Council of State Boards of Nursing works to create uniformity and consistency in nursing practice and standards.

Many other government agencies—federal, state and local—also issue regulations, standards and guidance to assure safe and appropriate nursing care. At the federal level, the U.S.

Department of Health and Human Services is the principal agency for protecting the health of citizens. HHS regulates through 11 divisions, including the Centers for Disease Control and Prevention, the Food and Drug Administration and the Office of the Inspector General. At present the Centers for Medicare and Medicaid Services has little impact on correctional health care, except, for example, when a facility receives federal funding, such as reimbursement for dialysis. However, that may change as provisions of the health care reform law are implemented.

Correctional health systems and their employees are expected to comply with applicable laws and regulations. The monitoring and oversight of these systems may not be as visible as in health care settings in the community. Nevertheless, these functions are important. Correctional facilities have a federal mandate to provide appropriate health care for individuals detained and incarcerated. If a facility fails to ensure safety and fails to meet the serious medical needs of those incarcerated, this likely will lead to litigation and court monitoring.

HIPAA:

The Standards for Privacy of Individually Identifiable Health Information ("Privacy Rule") establishes, for the first time, a set of national standards for the protection of certain health information. The U.S. Department of Health and Human Services ("HHS") issued the Privacy Rule to implement the requirement of the Health Insurance Portability and

Accountability Act of 1996 ("HIPAA").1 The Privacy Rule standards address the use and disclosure of individuals' health information—called "protected health information" by organizations subject to the Privacy Rule — called "covered entities," as well as standards for individuals' privacy rights to understand and control how their health information is used. Within HHS, the Office for Civil Rights ("OCR") has responsibility for implementing and enforcing the

Privacy Rule with respect to voluntary compliance activities and civil money penalties.

A major goal of the Privacy Rule is to assure that individuals' health information is properly protected while allowing the flow of health information needed to provide and promote high quality health care and to protect the public's health and well being. The Rule strikes a balance that permits important uses of information, while protecting the privacy of people who seek care and healing. Given that the health care marketplace is diverse, the Rule is designed to be flexible and comprehensive to cover the variety of uses and disclosures that need to be addressed.

This is a summary of key elements of the Privacy Rule and not a complete or comprehensive guide to compliance. Entities regulated by the Rule are obligated to comply with all of its applicable requirements and should not rely on this summary as a source of legal information or advice. To make it easier for entities to review the complete requirements of the Rule, provisions of the Rule referenced in this summary are cited in the end notes. Visit our privacy Rule section to view the entire Rule, and for other additional helpful information about how the Rule applies. In the event of a conflict between this summary and the Rule, the Rule governs.

Medicare:

Medicare is the federal health insurance program for people who are 65 or older, certain younger people with disabilities, and people with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a transplant, sometimes called ESRD).

The different parts of Medicare help cover specific services:

Medicare Part A (Hospital Insurance)

Part A covers inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care.

Medicare Part B (Medical Insurance)

Part B covers certain doctors' services, outpatient care, medical supplies, and preventive services.

Medicare Part C (Medicare Advantage Plans)

A type of Medicare health plan offered by a private company that contracts with

Medicare to provide you with all your Part A and Part B benefits. Medicare Advantage Plans include Health Maintenance Organizations, Preferred Provider Organizations, Private Fee-forService Plans, Special Needs Plans, and Medicare Medical Savings Account Plans. If you're enrolled in a Medicare Advantage Plan, most Medicare services are covered through the plan and aren't paid for under Original Medicare. Most Medicare Advantage Plans offer prescription drug coverage.

Medicare Part D (prescription drug coverage)

Part D adds prescription drug coverage to Original Medicare, some Medicare Cost Plans, some Medicare Private-Fee-for-Service Plans, and Medicare Medical Savings Account Plans.

These plans are offered by insurance companies and other private companies approved by

Medicare. Medicare Advantage Plans may also offer prescription drug coverage that follows the same rules as Medicare Prescription Drug Plans.

Medicaid:

Medicaid is a program created by the federal government, but administered by the state, to provide payment for medical services for low-income citizens. People qualify for Medicaid by meeting federal income and asset standards and by fitting into a specified eligibility. Under federal rules, DHSS has authority to limit services as long as the services provided are adequate in "amount, duration, and scope" to satisfy the person's medical needs.

Medicaid began as a program to pay for health care for people in need who were unable to work. It covered the aged, the blind, the disabled, and single-parent families. Over the years,

Medicaid has expanded to cover more people. For instance, children and pregnant women may qualify under higher income limits and without asset limits. Families with unemployed parents may qualify, and families who lose regular Family Medicaid because a parent returns to work may continue to be covered for up to one year.

There have also been changes in the eligibility rules for people who need the level of care provided in an institution, such as a nursing home. Now, most Alaskans who need — but cannot afford — this expensive care may qualify for Medicaid. In addition, recent changes within the

Alaska Medicaid program give some people who need an institutional level of care the opportunity to stay at home to receive that care.

Mediclaim:

Mediclaim Insurance is a hospitalization benefit policy offered by both Public & Private sector general insurance companies. The policy takes care of medical expenses following

Hospitalization/Domiciliary Hospitalization of the insured in respect of the following situations:

 In case of sudden illness

 In case of an accident

 In case of any surgery which is required in respect of any disease which has arisen during the policy period.

Individual Health Insurance:

Individual health insurance is coverage that you purchase on your own, on an individual or family basis, as opposed to obtaining via an employer.

Individual health insurance can be purchased through the exchange, or off-exchange (directly from the health insurance carrier). Brokers and navigators are available in every state to help you enroll. There's an annual open enrollment window for individual coverage. For 2017 and 2018 coverage, it runs from November 1 to January 31. Outside of open enrollment, you need a qualifying event to trigger a special enrollment period. Individual health insurance was historically less expensive than group coverage (although employers usually pay a significant portion of the premiums for group coverage). This was because individual plans were medically underwritten in nearly every state prior to 2014, making pre-existing conditions an obstacle to getting coverage. In addition, the level of coverage was traditionally less than what group plans offered (for example, most group plans covered maternity, while individual plans typically excluded this benefit before the ACA mandated it).All of this changed in 2014 though, when the bulk of the ACA's reforms took effect.

Individual plans became more benefit-rich with the introduction of the ACA's essential health benefits, and also became guaranteed issue (although enrollment is limited to open enrolment and special enrollment periods). Subsidies are available to help millions of people pay a portion of the premiums, as long as they purchase through the exchanges.

Group Health Insurance Policy:

A group health insurance plan is a type of group health plan that provides actual health insurance coverage. A group health insurance policy is purchased by an employer (or employee organization) and is offered to eligible participants, and to eligible dependents of participants. With group health insurance, the risk is spread over the company -- the number of participants covered.

There are several types of group health insurance plans including HMO, PPO, etc.

Group health insurance is also known as employer-sponsored health insurance or jobbased health insurance. In other words, a group health insurance plan is a group health plan, but a group health plan is not always a group health insurance plan.

Managed Care:

Managed care plans are a type of health insurance. They have contracts with health care providers and medical facilities to provide care for members at reduced costs. These providers make up the plan's network. How much of your care the plan will pay for depends on the network's rules.

Plans that restrict your choices usually cost you less. If you want a flexible plan, it will probably cost more. There are three types of managed care plans:

 Health Maintenance Organizations (HMO) usually only pay for care within the network. You choose a primary care doctor who coordinates most of your care.

 Preferred Provider Organizations (PPO) usually pay more if you get care within the network. They still pay part of the cost if you go outside the network.

 Point of Service (POS) plans let you choose between an HMO or a PPO each time you need care.

Micro Insurance:

Microinsurance is the protection of low-income people (those living on between approximately $1 and $4 per day (below $4) against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. This definition is exactly the same as one might use for regular insurance except for the clearly prescribed target market: low-income people. The target population typically consists of persons ignored by mainstream commercial and social insurance schemes, as well as persons who have not previously had access to appropriate insurance products.

Insurance functions on the concept of risk pooling, and likewise, regardless of its small unit size and its activities at the level of single communities, so does microinsurance. Microinsurance links multiple small units into larger structures, creating networks that enhance both insurance functions (through broader risk pools) and support structures for improved governance (i.e. training, data banks, research facilities, access to reinsurance etc.). This mechanism is conceived as an autonomous enterprise, independent of permanent external financial lifelines, and its main objective is to pool both risks and resources of whole groups for the purpose of providing financial protection to all members against the financial consequences of mutually determined risks.

The last definition therefore, includes the critical features of the previous three:

1. Transactions are low-cost (and reflect members' willingness to pay);

2. Clients are essentially low-net-worth (but not necessarily uniformly poor);

3. The essential role of the network of microinsurance units is to enhance risk management of the members of the entire pool of microinsurance units over and above what each can do when operating as a stand-alone entity

SEMESTER III

COMMERCE (BUSINESS PROCESS SERVICES)

BUSINESS PROCESS SERVICES IN INSURANCE

POSSIBLE QUESTIONS

SECTION A (1X20=20Marks)

1 Mark Questions Online

SECTION B (5X2=10Marks)

1. What is Medicare?
2. List out the benefits of Health Insurance List out 6 distinct life stages of an individual
3. What is Co-Insurance?
4. What are micro-insurance schemes?
5. Explain about HIPPA
6. What do you mean by health care ecosystem?
7. Define eye care.
8. What do you mean by mediclaim?
9. What do you mean by Medicaid?
10. What do you mean by managed care?

SECTION C (5X6=30Marks)

1. Write any 8 important terminologies in Health insurance Policy
2. What are Managed care plans? Give examples.
3. What are Medi care plans? Give examples.
4. Explain in detail about the group health insurance
5. What is Medicaid? What are the services provided by Medicaid?
6. Explain how a healthcare insurance works
7. What is a premium? On what basis it is calculated for a Health Insurance?
8. Write a brief note on Hospital Insurance and Medical Insurance under Medicare
9. What does Individual Health insurance mean? What is the difference between individual insurance and group insurance?
10. Write in brief about micro insurance.

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE

SUBJECT : Business Process Services in Insurance

SEMESTER : III

SUBJECT CODE : 17BPU303 A

CLASS : II B.COM BPS

UNIT V

S.NO	QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
1	…………is an option to generate income post retirement from work	superannuation	working	retirement	investment	superannuation
2	IRA stands for…………..	Individual Retirement Arrangement	Indian railway authority	International retirement agreement	Industrial retirement agreement	Individual Retirement Arrangement
3	annuitant can enjoy ………………………………. Benefits in qualified annuities	tax	financial	future	retirement	tax
4	NRA stands for	normal retirement age	natural retirement age	non retirement age	normal retirement average	normal retirement age
5	……………is the type of pension paid by UK government to the individuals	State pension	company pension	occupational pension	personal pension	State pension

6	………………………… is the process of investing in different annuity schemes	planning	finance	investment	allocation	allocation
7	………..looks after welfare and pension policy in UK	Department for work and pension	Department of work and labour	Department of work and regulation	Department of work safety	Department for work and pension
8	…………provide maximum returns in annuity schemes	debts	equities	pension	money	equities
9	In UK work based pension schemes are controlled by…………	The pension regulator	the work department	the labour department	the work safety department	The pension regulator
10	……………… Is an option where individuals can draw income form their pension funds while their funds still remain invested	Income draw down	investment draw down	insurance draw down	return on investment	Income draw down
11	……………..helps in striking that balance between risk and return	liabilities allocation	operating allocation	asset allocation	future allocation	asset allocation
12	pension is a financial arrangement for a…………..	short-term	long term	short period	long period	long term
13	Super annuation provides life and disability coverage for the members in the form of …………..	group insurance	individual insurance	gratuity	special scheme	group insurance
14	……………………….is the personal tool for the retirement savings	IRA	DB	TAX	SAP	IRA
15	IRA is a trust which is mend for the ……………………	tax payers	tax receivers	tax income	tax added	tax payers
16	……………………….pensions are paid by the UK government	government	state	district	taluka	state

17	………………. Is an option where individuals can draw income form their pension funds while their funds still remain invested	Income draw down	investment draw down	insurance draw down	return on investment	Income draw down
18	voluntary and mandatory after tax contributions are always vested to ………..	60%	100%	70%	98%	100%
19	…………………provides an income of a specified period if the insured cannot pursue any occupation due to any temporary disability or illness	income protection	annuity	group insurance	money back	income protection
20	retirement benefit does not depend on the ……………	payment	money	return on investment	payment	return on investment
21	…………funds are set up by the Federal and state government to cover public sector employees	public sector	retail	industry	corporate	public sector
22	………….. Can be used by an employee to increase his super annuation balance while reducing the level of income paid	salary sacrifice contribution	SG contribution	Award contribution	self employed contribution	salary sacrifice contribution
23	Income drawdown option is also known as …………..	unsecured pension	secured pension	Retirement	annuity	unsecured pension
24	…………works towards protecting the benefits of the members of work based pension schemes	TPR	RSR	TAF	TER	TPR
25	……….helps to develop and implement policies for people who are old and need support to get work	DWP	DAO	DAP	DCC	DWP

26	………sub account provide average return within specified time.	Equity	Bond	Asset	Cash	Bond
27	…………plans are good for individuals who are self employed and would like to increase the pension contribution	private pension	group pension	state pension	rated pension	private pension
28	………..helps the investor to avoid risks in investment	asset allocation	risk return	premium	payout	asset allocation
29	………….sub accounts consists of short term instruments or cash equivalents	Money market	Bond	Stock	interest	Money market
30	…………provides periodic payments for lifetime of the annuitant	life only annuity	joint and survivor annuity	life income	life income with refund	life only annuity
31	………..is an accumulated fund which generates regular income post retirement	pension	equities	lottery	premium	pension
32	the phenominon of high risk high return is called as	Risk return trade off	risk summery	risk governence	risk management	Risk return trade off
33	which life stage prefers to invest in stocks shares and mutual funds	Young single	young married	married couple	retired couple	Young single
34	which life stage prefers to invest in stocks as well as purchase life insurance for family protection	Young single	young married	married couple	retired couple	young married
35	………….is a pension plan in which employee get specific monthly income form the date of their retirement	Defined benefit	no benefit	high benefit	low benefit	Defined benefit

36	…………..is a pension plan in which specific contributions are made into an individual account for every member	Defined benefit	defined contribution	high benefit	low benefit	defined contribution
37	TPA stands for	third party administration	third policy admnistration	third premium administration	third plan administration	third party administration
38	…………is an organization that processes insurance claims and works on behalf of a separate entity	third party administration	third policy admnistration	third premium administration	third plan administration	third party administration
39	…………are kind of pension offered by the employers to the staff	State pension	company pension	personal pension	group pension	company pension
40	…………..are pension plans available from insurance companies, banks and financial institutions	State pension	company pension	personal pension	group pension	personal pension
41	……….helps in employee welfare reform in UK	Department for work and pension	Department of work and labour	Department of work and regulation	Department of work safety	Department for work and pension
42	………helps in employee pension reform in UK	Department for work and pension	Department of work and labour	Department of work and regulation	Department of work safety	Department for work and pension
43	…………helps in social justice for employee in UK	Department for work and pension	Department of work and labour	Department of work and regulation	Department of work safety	Department for work and pension
44	……….helps during the disability condition of employee in UK	Department for work and pension	Department of work and labour	Department of work and regulation	Department of work safety	Department for work and pension
45	………helps in health and social reforms of employees in UK	Department for work and pension	Department of work and labour	Department of work and regulation	Department of work safety	Department for work and pension

46	…………helps in eradicating child poverty and maintaies child	Department for work and pension	Department of work and labour	Department of work and regulation	Department of work safety	Department for work and pension
47	money transferred from another qualified plan which may alow withdrawals form the source is calles as……	roll over contribution	inservice with drawals	normal withdrawals	harship withdrawals	roll over contribution
48	participants are permitted to withdraw form employer contribution after specified period of time is called……….	roll over contribution	inservice with drawals	normal withdrawals	harship withdrawals	inservice with drawals
49	……….should be attained by participant to withdraw from their retirement benefits	roll over contribution	inservice with drawals	normal withdrawals	harship withdrawals	normal withdrawals
50	………….improves plan efficiency of a retirement plan	third party administration	third policy admnistration	third premium administration	third plan administration	third party administration
51	……………….reduces the plan expences in a retirement plan	third party administration	third policy admnistration	third premium administration	third plan administration	third party administration
52	…………decrease exposure to fiduciary risk in a retirement plan	third party administration	third policy admnistration	third premium administration	third plan administration	third party administration
53	………….helps in effective record keeping in a retirement plan	third party administration	third policy admnistration	third premium administration	third plan administration	third party administration
54	at the time of retirement a member can take upto ……% of total balance in annuity fund	25	35	45	65	25
55	employer provides the emplpyees with defined perodic retierment income benefit in the form of a life annuity is called	defined benefit	savings plan	profit sharing	stock bonus	defined benefit

56	………are funded with pre tax income which is set up by an employer to provide retirement income for employee	qualified annuity	non qualified annuity	differed annuity	sponsored annuity	qualified annuity
57	……….subaccount consists of domestic and foreign stocks	Money market	Bond	stock	premium	stock
58	………..is the process of investing in different categories of financial instruments to minimize the risk associated	diversification	investment	option	trade off	diversification
59	IRA is classified in to ……..types	2	4	5	3	2
60	Premium paid is deductible partly of fully form the contract owner's current taxable income is called……….	Traditional IRA	Roth IRA	Premium IRA	Annuity IRA	Traditional IRA

UNIT III

SYLLABUS

Retirement Plans: Concept of Retirement Services - Retirement Planning - Asset Allocation & Asset Classes - Life stages of an Investor - Defined Benefit & Defined Contribution - Individual Retirement Arrangement in USA - Third Party Administrator for Retirement Services in USA - Life cycle of Participants in a plan (enrollment, contribution, etc.) - Categories of Pension in UK - DWP & TPR - Annuity & Income Drawdown Plan.

Retirement plan

A savings and investment plan that provides income during retirement. It is often created by companies or the government for employees. A defined benefit plan and a defined contribution plan are both types of retirement plans.

Retirement planning is the process of planning and managing your short and long-term finances to help achieve your financial dreams both during your working years and retired life. It involves analysing your financial objectives, current financial position and expected future cash flow to develop a comprehensive retirement roadmap.

Without a judicious retirement plan in place you run the risk of outliving your savings and not being able to maintain the desired lifestyle in your retirement years. You also run the risk of not being able to accumulate enough corpus for your dependants owing to unfortunate and uncertain events like death, disability etc.

Retirement planning helps you determine how much to save today for retirement; how to invest your savings to get the desired returns; how to protect your assets and provide for in case of unfortunate events and how to make judicious use of retirement income post retirement.

Retirement planning helps you maintain your desired lifestyle during old age. It helps you plan for key life stage events leading up to retirement. It provides financial security to you and your dependents by enabling you to make prudent investments during your working years. It also enables you to make the best use of your hard-earned money post retirement. One of the key benefits of effective retirement planning is to cover for any contingencies arising from uncertain events which can compromise your ability to meet your financial goals.

Asset Allocation & Asset Classes

The best asset allocation strategy for retirees isn't a one-size-fits-all formula. There are several variables that determine your ideal stock/bond/cash allocation, such as your age, risk tolerance, and more.

Asset allocation refers to how much of your investment portfolio should be invested in stocks (equities), bonds (fixed-income), or cash-based assets.

The general idea behind asset allocation is that stocks offer the best long-term growth potential, but can be quite volatile over short time periods. On the other hand, bond investments can be excellent tools for preserving your capital, but offer relatively limited return potential. Finally, cash assets are risk-free, but also earn very little returns.

An **asset class** is a group of similar investments. Different classes, or types, of investment assets – such as fixed income investments – are grouped together based on having a similar financial structure, and because they are typically traded in the same financial markets and subject to the same rules and regulations.

Different Asset Classes

Stocks, or equities – Equities are shares of ownership that are issued by publicly-traded companies and traded on stock exchanges, such as the NYSE or Nasdaq. You can potentially profit from equities either through a rise in the share price or by receiving dividends. The asset class of equities is often subdivided by market capitalization into small cap, mid cap, and large cap stocks.

Bonds, or other fixed income investments – Fixed-income investments are investments in debt securities that pay a fixed rate of return in the form of interest. While not all fixed income investments offer a specific guaranteed return, such investments are generally considered to be less risky than investing in equities or other asset classes.

Cash or cash equivalents, such as money market funds – The primary advantage of cash or cash equivalent investments is their liquidity. Money held in the form of cash or cash equivalents can be quickly and easily accessed at any time.

Real estate, or other tangible assets – Real estate and other physical assets are considered as an asset class that offers protection against inflation. The tangible nature of such assets also leads to them being considered as more of a “real” asset, as compared to assets that exist only in the form of financial instruments.

Futures and other financial derivatives – This category includes futures contracts, the forex market, options, and an expanding array of financial derivatives, i.e., financial instruments that are based on, or derived from, an underlying asset. For example, stock options are a derivative of the underlying stocks.

Six major life stages of an Investor

Starting your career and/or starting your own business

Marriage and establishing a family home

Your children's education, from early years to university

Receiving an inheritance and/or windfall

Retirement

Estate and succession planning

Defined benefit

A defined benefit pension plan is a type of pension plan in which an employer/sponsor promises a specified pension payment, lump-sum (or combination thereof) on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns. Traditionally, many governmental and public entities, as well as a large number of corporations, provided defined benefit plans, sometimes as a means of compensating workers in lieu of increased pay.

Defined benefit pension plans (DBPP). You know how much your benefit — the income you can expect to receive – from a DBPP will be. Look for the number on your annual pension statement. (It will be labelled as something like "monthly pension payable to you.") The amount you'll get is usually based on a formula involving your years of service and your earnings. With a DBPP, you're not actively involved. Your employer manages the pension fund's assets and is responsible for making sure the benefit is paid as promised.

Defined contribution pension plan (DCPP). With a DCPP, you know how much you are putting in (the defined contribution part), but not how much you will take out. That depends on the performance of the assets invested in your individual retirement plan account (typically, mutual funds, stocks and bonds) up to the time you retire. With a DCPP, your employer contributes to your pension according to a particular formula, and you may or may not have to make some type of matching contribution. These contributions are usually a fixed percentage of your salary or on a specific dollar amount, and go into an account in your name.

An individual retirement account (IRA) is a form of "individual retirement plan", provided by many financial institutions, that provides tax advantages for retirement savings in the United States. An individual retirement account is a type of "individual retirement arrangement" as described in IRS Publication 590, individual retirement arrangements (IRAs). The term IRA, used to describe both individual retirement accounts and the broader category of individual retirement arrangements, encompasses an individual retirement account; a trust or custodial account set up for the exclusive benefit of taxpayers or their beneficiaries; and an individual retirement annuity, by which the taxpayers purchase an annuity contract or an endowment contract from a life insurance company.

A Third Party Administrator (or TPA) is an organization that manages many day-to-day aspects of your employee retirement plan.

A TPA performs responsibilities such as:

Designing retirement plan documents

Preparing employer and employee benefit statements

Ensuring the plan is in compliance with the IRS non-discrimination requirements

Preparing annual returns and reports required by IRS, DOL or other government agencies

The **Department for Work and Pensions** (DWP) is responsible for welfare, pensions and child maintenance policy. As the UK's biggest public service department it administers the State Pension and a range of working age, disability and ill health benefits to around 20 million claimants and customers.

DWP are responsible for:

- understanding and dealing with the causes of poverty rather than its symptoms
- encouraging people to work and making work pay
- encouraging disabled people and those with ill health to work and be independent
- providing a decent income for people of pension age and promoting saving for retirement
- providing value for money and reducing levels of fraud and error
- reducing work-related death and serious injury in workplaces through the Health and Safety Executive

The Pensions Regulator (TPR) is the public body that protects workplace pensions in the UK. It works with employers and those running pensions so that people can save safely for their retirement.

It is a strong, visible regulator so that we build people's confidence in pensions.

It is responsible for:

- making sure employers put their staff into a pension scheme and pay money into it (known as 'automatic enrolment')
- protecting people's savings in workplace pensions
- improving the way that workplace pension schemes are run
- reducing the risk of pension schemes ending up in the Pension Protection Fund (PPF)
- making sure employers balance the needs of their defined benefit pension scheme with growing their business

What is an annuity?

To buy an annuity you sell your pension pot to an insurance company which then promises to pay you a guaranteed, regular income for life. You can take your 25% tax-free lump sum from your pot before you do this and the amount of income you receive each year is a percentage of the value of your pot when you sell it. This percentage (also known as the annuity rate) depends on a number of factors including your age

What is pension drawdown?

From the age of 55 you can start to take money from all private pensions and many types of company schemes. You can take your money as and when you like, with the first 25% being tax free. So, you could choose to take a sensible, regular income with the aim of making your pot last for the rest of your life. Alternatively, you could take your whole pot in one go, although this could leave you with a hefty tax bill and no money to live off when you retire.

With pension drawdown you can pass on any money left in your pot when you die to whoever you choose.

Differences between an annuity and pension drawdown?

Keeping ownership of your pension

If you buy an annuity then you no longer own your pot, if you opt for pension drawdown then you do. By owning your pot and keeping it invested there is potential for it to grow and therefore you could have more money that you had planned for in your retirement. On the flip side, if stock markets perform badly then you could be left with less money than you had hoped for.

An annuity offers security rather than this potential to balance risk and reward. Annuities are not completely risk-free, though. Current annuity rates are much lower than they were a few years ago and generally the income you receive will decrease in real terms over time because of the effects of inflation.

The flexibility to vary your income

With pension drawdown you can vary the amount of money you take from your pot as and when you like. This gives you the flexibility to adapt to changes in your life, although you need to be careful not to take too much too early and run out of money. If you have bought an annuity then you cannot choose to vary the income you receive, the amount is set depending on what type of product you have purchased.

Receive a guaranteed income for life

If you buy an annuity then an insurance company is promising to pay you a guaranteed amount of money each year for the rest of your life. With pension drawdown there are no such guarantees. The good news is there are new products that can offer you some of the flexibility of drawdown with the security of a guaranteed income for life.

Leaving a legacy to your family

With an annuity you cannot pass on any money to your family when you die, unless you buy a joint-life or certain type of guaranteed product. Even then your options are limited compared to pension drawdown which lets you leave any remaining money in your pot to whoever you choose when you die.

SEMESTER III

COMMERCE (BUSINESS PROCESS SERVICES)

BUSINESS PROCESS SERVICES IN INSURANCE

POSSIBLE QUESTIONS

SECTION A (1X20=20Marks)

1 Mark Questions Online

SECTION B (5X2=10Marks)

1. What is retirement planning?
2. What do you mean by asset allocation?
3. Define asset classes
4. What are the life stages of an investor?
5. What is a defined benefit?
6. What do you mean by defined contribution?
7. What is an IRA?
8. Who is a third party administrator for retirement services?
9. What is a DWP?
10. What is an Income Drawdown plan?

SECTION C (5X6=30Marks)

1. What is retirement planning? Explain the various methods of allocating assets.
2. What is an IRA? Explain its roles and responsibilities.
3. What is a TPR? Explain its roles and responsibilities.

4. What is a DWP? Explain its roles and responsibilities.
5. What do you mean by third party administrator for retirement services?
6. Explain in detail annuity and Income drawdown plan.
7. What are the categories of pension provided in UK?
8. What are asset classes? How are it classified?
9. What is pension? What is the importance of retirement planning?
10. What are the facts to be considered while planning for retirement plan in insurance?

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE

SUBJECT : Business Process Services in Insurance

SEMESTER : III

SUBJECT CODE : 17BPU303 A

CLASS : II B.COM BPS

UNIT V

S.NO	QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
1	…………is an option to generate income post retirement from work	superannuation	working	retirement	investment	superannuation
2	IRA stands for……………	Individual Retirement Arrangement	Indian railway authority	International retirement agreement	Industrial retirement agreement	Individual Retirement Arrangement
3	annuitant can enjoy ……………………………… Benefits in qualified annuities	tax	financial	future	retirement	tax
4	NRA stands for	normal retirement age	natural retirement age	non retirement age	normal retirement average	normal retirement age
5	……………is the type of pension paid by UK government to the individuals	State pension	company pension	occupational pension	personal pension	State pension
6	………………………… is the process of investing in different annuity schemes	planning	finance	investment	allocation	allocation

7	…………looks after welfare and pension policy in UK	Department for work and pension	Department of work and labour	Department of work and regulation	Department of work safety	Department for work and pension
8	…………provide maximum returns in annuity schemes	debts	equities	pension	money	equities
9	In UK work based pension schemes are controlled by…………	The pension regulator	the work department	the labour department	the work safety department	The pension regulator
10	……………… Is an option where individuals can draw income form their pension funds while their funds still remain invested	Income draw down	investment draw down	insurance draw down	return on investment	Income draw down
11	………………helps in striking that balance between risk and return	liabilities allocation	operating allocation	asset allocation	future allocation	asset allocation
12	pension is a financial arrangement for a…………..	short-term	long term	short period	long period	long term
13	Super annuation provides life and disability coverage for the members in the form of …………..	group insurance	individual insurance	gratuity	special scheme	group insurance
14	………………………is the personal tool for the retirement savings	IRA	DB	TAX	SAP	IRA
15	IRA is a trust which is mend for the ……………………	tax payers	tax receivers	tax income	tax added	tax payers
16	………………………pensions are paid by the UK government	government	state	district	taluka	state
17	……………… Is an option where individuals can draw income form their pension funds while their funds still remain invested	Income draw down	investment draw down	insurance draw down	return on investment	Income draw down
18	voluntary and mandatory after tax contributions are always vested to ………..	60%	100%	70%	98%	100%

19	…………………provides an income of a specified period if the insured cannot pursue any occupation due to any temporary disability or illness	income protection	annuity	group insurance	money back	income protection
20	retirement benefit does not depend on the ……………	payment	money	return on investment	payment	return on investment
21	…………funds are set up by the Federal and state government to cover public sector employees	public sector	retail	industry	corporate	public sector
22	………….. Can be used by an employee to increase his super annuation balance while reducing the level of income paid	salary sacrifice contribution	SG contribution	Award contribution	self employed contribution	salary sacrifice contribution
23	Income drawdown option is also known as …………..	unsecured pension	secured pension	Retirement	annuity	unsecured pension
24	…………works towards protecting the benefits of the members of work based pension schemes	TPR	RSR	TAF	TER	TPR
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26	……….sub account provide average return within specified time.	Equity	Bond	Asset	Cash	Bond
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36	…………..is a pension plan in which specific contributions are made into an individual account for every member	Defined benefit	defined contribution	high benefit	low benefit	defined contribution
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48	participants are permitted to withdraw form employer contribution after specified period of time is called……….	roll over contribution	inservice with drawals	normal withdrawals	harship withdrawals	inservice with drawals
49	……….should be attained by participant to withdraw from their retirement benefits	roll over contribution	inservice with drawals	normal withdrawals	harship withdrawals	normal withdrawals
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51	……………….reduces the plan expences in a retirement plan	third party administration	third policy admnstration	third premium administration	third plan administration	third party administration
52	………..decrease exposure to fiduciary risk in a retirement plan	third party administration	third policy admnstration	third premium administration	third plan administration	third party administration
53	…………..helps in effective record keeping in a retirement plan	third party administration	third policy admnstration	third premium administration	third plan administration	third party administration
54	at the time of retirement a member can take upto ……% of total balance in annuity fund	25	35	45	65	25
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58	………..is the process of investing in different categories of financial instruments to minimize the risk associated	diversification	investment	option	trade off	diversification
59	IRA is classified in to ……..types	2	4	5	3	2
60	Premium paid is deductible partly of fully form the contract owner's current taxable income is called……….	Traditional IRA	Roth IRA	Premium IRA	Annuity IRA	Traditional IRA

Register No________ [17BPU303A]

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed University)
(Established Under Section 3 of UGC Act 1956)
Coimbatore-21
(For the candidates admitted 2017 Onwards)
First Internal test – July 2018
II BCOM BPS
THIRD SEMESTER
BUSINESS PROCESS SERVICES IN INSURANCE

Time: 2 hours **Maximum :50 Marks**
Date:

PART A (20 X 1 =20 Marks)
Choose the Best Answer

1.Risk is possibility………………………
a.outcome of situation b.consider c.damage or a loss d.potential hazard

2.Claims arising out of risks other than …………………….. types will not be covered by insurance companies.
a.covered b.specified type c.certain type d.provide

3.Insurance is a …………………….. Technique.
a.insurable risk b.economic risk c.uninsurable risk d.risk transfer

4.Hazards is the underlying factor which enhance of the effect of …………………
a.insurance b.peril c.premium d.loss

5.Speculative risk are one of the …………… risk.
a.insurable risk b.economic risk c.uninsurable risk d.none

6.………………. is something of value which is exchange.
a.amount b.premium c.sum assured d.consideration

7.……………………. is the contract between the insurer or policy holder and the insurance company.
a. banking b.commerce c.insurance d.insurer

8. A person has unlimited insurable interest in his ………………..
a.insurable interest b.insurer c.own life d.other life

9.……………………. is used to determine the cost of total annual terms.
a.law of large number b.particular risk c.probability d.speculative risk

10. The contract must be capable of being performed by……………
a. partners b. both the parties c.insurer d.parties

11. The defined period for which the …………………. Is valid.
a.insurace b.agreement c.insurer d.insured

12. Business units are classified ………………………. Insurance company
a.11 b.12 c.3 d.20

13. Life insurance companies covers risks related to
a.Property b.business c.casualty insurance d.human lives

14. _______either provide monetary benefit or provide convenience
a.Profitb.Assets c.Liabilities d.Loss

15.The company which accept risk from insurance companies is called
a.Reassurance company b.Insurance company c.Liability insurance
d.Reinsurance company

16. .... Is the option for the policy holder to enjoy the policy benefits even if there is a default in premium payment
a.surrender value b.policy term c.non forfeiture d.assignment

17. The discontinue of a policy along with all its benefit due to non payment of all premiums.
a.surrender value b.policy lapse c.assignment d.assigner

18. Proposer is the person applying for and paying for a ………………………
a. proposer b. nominee c.insurance policy d.assignment

19………………… is the person applying for and paying for an insurance policy
a.beneficiary b.proposer c.nominee d.assignment

20…………………....is the consideration paid by the policyholder to the insurance
a. company shares b.premium c.payment d.receipts

PART B (3 X 2 =6 Marks)
Answer all the Questions

21.What is a risk?
22. What is law of large numbers?
23. Explain the term reinsurance.

PART C (3 X 8 =24 Marks)
Answer all the Questions

24. a)What are the characteristics of insurable risk?
OR
b) What are the different types of risk?

25.a) Explain the ways in which risk can be managed`
OR
b) Write any 8 important terminologies in non life insurance.

26. a)What is a claim? Explain about surrender and termination of policy.
OR
b) Write in brief the history and development of Insurance sector in India.

Register No________ [17BPU303A]

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Coimbatore-21
(For the candidates admitted 2017 Onwards)
Second Internal test – AUG 2018
II BCOM BPS
THIRD SEMESTER
BUSINESS PROCESS SERVICES IN INSURANCE

Time: 2 hours **Maximum :50 Marks**
Date:

PART A (20 X 1 =20 Marks)
Choose the Best Answer

1. ………………. Is the consideration paid by the policyholder to the insurance company.
   a. shares b. premium c. payment d. receipts

2. ………………… the period given to the policy holder in excess of the premium due date to clear off their outstanding premium.
   a. mortality b. grace period c. policy term d. sum assured

3. ……………… Is the transfer of title , rights and interest in an insurance policy to another.
   a. assignee b. assignment c. assigner d. assured sum

4. A plans where profit are not shared with policy holder is ……………………………
   a. endowment b. without profit c. with profit d. pure term plan

5. In the event of the claim where the insurer has full indemnified the insured, the insured's original interest can be taken over by the insurer is called………………
   a. Deductible b. hazard c. subrogation d. insurance

6. Property like house and possessions against fire and theft ,flood,storm,earthquake etc, are included in
   a. Life insurance b. Non-life insurance c. Insurance d. Benefits

7. ………………………. becomes of the owner of the policy totally
   a.assignee b. assignment c. life assured d. assignor

8. Anything that leads to a loss is called………………….
   a. effect b. hazard c. perils d. pdicis

9. Maximum amount of insurance that can be paid for a covered loss is called……………………………..
   a. unlimited b. limit c. hazard d. perils

10. …………………..refers to insurance protection to homes, cars and business
    a. Property/casualty insurance b. Insurance c. Property d. Casualty

11. Insurance market cycle has ……………………….
    a. one phase b. two phases c. three phases d. four phase

12. Vehicle insurance is also called ………………..
    a. Auto insurance b. Claim c. Semi insurance d. Loan

13. ………………… means purchasing insurance of value less than required
    a. limit b. indemnity c. inventory d. under insurance

14. The process of investing money in bond and stock in defined proportion is known as…………..
    a. Asset determination b. Asset allocation
    c. Asset revaluation d. Asset deduction

15. The person who receives annuity is called
    a. Insured b. Insurer c. Third party d. Annuitant

16. Personal property like carpet, furniture, etc is always valued at ……………
    a. Replacement cost b. Cash value c. market Value
    d. Actual cash value

17. After paying a claim on a damage property like a damaged car, the insurer can take over the damage property to reduce its extend of loss is called……………
    a. salvage b. subrogation c. claim d. annuity

18. There is only maturity benefit in a …………………………….. Plan
    a. Term insurance plan b. pure endowment c. ULIPs
    d. money bank policy

19. ………………………insurance covers medical costs in an accident for policy holders and passengers in the car.
    a. Property damage b. Collision c. Personal injury d. Comprehensive

20. ………………….is the period when annuity a benefit payment are given out.
    a. Maturity b. Lapse c. Payout period d. Post period

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PART B (3 X 2 =6 Marks)

Answer all the Questions

21. What is deferred annuity?
22. What do you mean by proximate clause?
23. What are the types of casualty insurance?

PART C (3 X 8 =24 Marks)
Answer all the Questions

24. a) Explain in detail about flood insurance.

(OR)

b) Write any 8 important terminologies in Non- Life insurance Policy

25. What is an annuity? What are its types?

(OR)

b) What are the principles of group insurance?

26. a) Write in detail

i. The steps involved in claim process of non-life insurance.
ii. The duties of the insured after a loss and a claim.
iii. What is vehicle insurance? What are the types of coverage done under vehicle insurance?

(OR)

b) Describe in brief the fixed annuity, equity indexed annuity and variable annuity