

Department of Commerce (CA)

CLASS : I M.Com (CA)

Semester : 2

Marketing of Financial Services (18MCC25E)

UNIT 4

Insurance services - Insurance sector

Reforms - Types of Insurance Companies - Need

of Insurance - Types of Insurance Policies -

Role of Life Insurance

Reference Book

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UNIT 4

Insurance Service

Meaning of Insurance Service.

Insurance service is a protection against loss. Companies that offer insurance service differ from each other in the types of products offered.

Among the available insurance services are contracts to protect property such as houses, furnishings and vehicles against loss; for reimbursement of healthcare costs; and to provide death benefits to designated beneficiaries for life insurance policyholders. Insurance service may differ from region to region.

Characteristics of Insurance Service Pg 39/2

1. Insurable Interest
2. Contract of utmost good faith
3. Indemnity
4. Mitigation of Loss
5. causa proxima

6. Subrogation
7. Contribution
8. Re Insurance.
9. Double Insurance
10. Nomination
11. Assignment

Benefits or Importance of Insurance or Need

1. Provides peace of mind
2. Promotes risk control
3. Promotes economic growth
4. Distribution of risk
5. Helps to get loan easily
6. Inculcates savings habits
7. Provides tax benefits
8. Efficient use of Insured resources
9. Reducing social burden - accident loss
10. Continuity of business - bearing loss

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Insurance reforms & their implications

Business Standard takes you through the reforms and their impact on the policyholder

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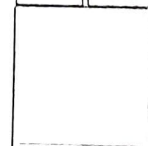
Winds of change in insurance boardrooms

The Insurance Regulatory and Development Authority of India (Irdai) is involved in bringing out an array of reforms in the insurance sector to bring it in tune with the Insurance Laws (Amendment) Act that has been passed by Parliament. In fact, till June-end alone, the regulator is expected to bring about more than half a dozen reforms that will have a significant impact on the customer. *Business Standard* takes you through the reforms and their impact on the policyholder

Bancassurance

- Banks till now were acting as corporate agents for only one life, one non-life and one standalone health insurer
- From now on, they would have to tie up with more than one insurer in each segment

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- For customers, this would mean each bank branch will no longer be pushing one insurer's product
- They will have many more policies to choose from and the bank will be liable for each product sold

Common service centres

- In rural areas, small micro-offices of insurers were the only avenue to buy insurance, apart from bank branches
- Now, common service centre (CSCs) will be empowered to sell insurance to people
- Simple and easy-to-understand insurance products will be sold across 100,000 plus CSCs across the country
- Renewals and claims will also be handled here

Agent remuneration

- A significant portion of first-year premiums goes towards paying agent commissions
- Irdai is expected to bring out regulations to ensure commissions are not concentrated only on first year
- First-year premiums might come down for policyholders due to a more spread out commission structure
- Greater thrust on yearly renewals will be put by respective agents, to ensure policies don't lapse

Electronic insurance

- The new insurance Act has talked about insurance repositories that will offer electronic insurance
- More policies expected to be digitised, which is free of cost to customers
- No fear of claim rejection due to loss of policy documents once it is digitised
- No additional KYC requirements since e-Insurance Account will hold all details

Claims rejection

- According to the new insurance Act, no insurance claim can be rejected after three years of completion of policy
- Insurers will be more stringent at the time of issuance of policy
- A policyholder's claim cannot be questioned on any ground
- Since fraudulent gangs operate to get fake claims cleared, too many such instances may increase risk of premium rise in particular segments, or absence of smaller ticket products

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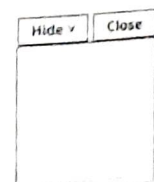
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Indian inv party after endorsement

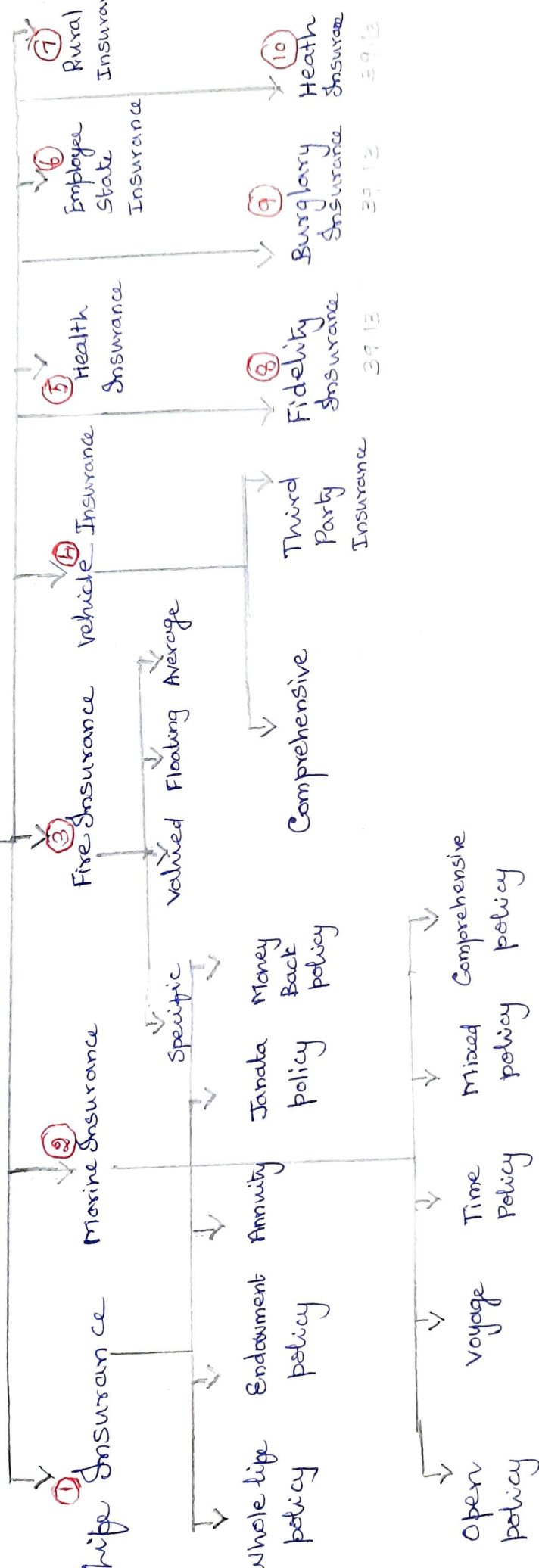
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Types of Insurance Companies

1. Life Insurance or Personal Insurance Company
2. Marine Insurance
3. Fire Insurance
4. Liability Insurance
5. Guarantee Insurance
6. Social Insurance
7. Health Insurance
8. Travel Insurance
9. Mobile Insurance
10. Cycle Insurance
11. Bite - Size Insurance

Types of Insurance



Life Insurance and its role

The Corporation has been established by the Insurance Act, 1956 passed by the Parliament. According to this provision, LIC began to function as an autonomous body. The Govt. of India nationalized LIC in 1956. The initial paid up capital of Rs. 5 Crores was wholly contributed by the Central Government.

Aims of LIC

1. To assure full protection to policy holders
2. To encourage and mobilise public savings
3. To utilise those savings effectively for national economic development.
4. To create liquidity position in public
5. To motivate savings habit among public
6. To provide tax concessions

Advantages

1. It ensures protection against risk
2. It encourages compulsory savings
3. It facilitates easy settlement

- ④ St provides tax exemption for policy holders
- ⑤ St facilitates easy loan facility

Functions

- ① To ensure security to policy holders
- ② To provide underwriting facility
- ③ To provide documents to policy holders as evidence
- ④ To provide individual and group schemes
- ⑤ To provide employment opportunity in LIC
- ⑥ To encourage resource mobilisation

Role of LIC in national economy.

- 1. Investment
- 2. Underwriting
- 3. Disbursing loans
- 4. Subscribing
- 5. Socially oriented
- 6. Shareholding
- 7. Control
- 8. Mutual fund
- 9. Boosting industrial growth
- 10. Claims and settlement

1. Investment

It acts as a capital market intermediary. It provides long term investment in Govt. securities, public sector, private sector and Joint sector.

2. Underwriting

It is the largest underwriter of capital issues in Indian capital market. till 1978. then it diversified into socially oriented projects.

3. Disbursing loans

Since 1970 LIC has been disbursing loans for industrial development. It gives loans for generation and transmission of electricity for agriculture and industrial use, housing schemes and piped water supply schemes. and development of road and transport. Out of the total disbursement of all financial institutions the contribution of LIC is 8%.

4. Subscribing to Debenture and Bonds

LIC subscribes to debentures and bonds of various financial institutions and development banks like IDBI and IFCI

5. Socially oriented

Since 1978 LIC has resorted to socially oriented schemes in a big way. This has brought down its activities in the capital market. Own Your House (OYH) scheme has been given priority. Apart from this loans for sewerage, road and transport and electricity generation have been given priority.

b. Shareholding

LIC has been recognised amongst the ten shareholding in one of 3 companies listed in the stock exchange. First it invested in equities later in debenture holdings. It did not interfere in the decisions of the management in the past.

7. Control

In the recent years, LIC has influenced the management to take proper decisions and to tone up the quality of working in the companies financed by it. This is intended to promote confidence in the minds of the public and to ensure control in the corporate sector.

8. Mutual Fund

It has set up in 1989, a mutual fund was operating various schemes for mobilisation of savings from the public particularly from the rural and urban areas and channel these funds to capital markets.

9. Boosting industrial growth

It helps small and medium scale ~~invest~~ industries by granting loans for setting up cooperative industrial estates and an amount of Rs. 45 crores has so far been advanced to industrial estates and industrial development corporations

10. claims and settlement

The settlement of claims

Contributes one of the important functions of the corporations. The payment of claims may be regarded as the primary service of insurance to the public.

Settlement of claims will be provided on the basis of sound knowledge of law, principles and practices governing insurance contracts, terms and conditions of standard policies.

Progress of LIC

It can be evaluated by the various indicators such as growth of new business, performance of business, progress of number of lives covered, investments, claims settlements and social development.