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CONTENTS

WHAT IS INSURANCE?

Life is full of risks and uncertainties. And that's what makes it so interesting and exciting! But some unexpected events can really set you back.

Insurance helps us to protect ourselves and the things we value, such as our homes, our cars and our valuables, from the financial impact of risks, big and small - natural calamities like flood, storm and earthquake, to man-made calamities like theft, car accidents, fire and even from the costs of legal action against us.

In general, insurance works by spreading the cost of unexpected risks amongst a large number of people who share similar risks. It is founded on a simple idea. Even though an event like an accident or a fire can come as a terrible economic blow to someone, when we take the society as a whole, during any given year, only a few would suffer such a loss. If a small contribution is collected from everyone in the community and pooled to create a common fund, the amount so pooled can be used to pay money to the few unfortunate members who have been subject to the loss.

Insurance is thus, a financial tool specially created to reduce the financial impact of unforeseen events and to create financial security. Indeed, everyone who wants to protect himself against financial hardship should consider insurance. The following example explains the concept of insurance:

In a village, there are 400 houses, each valued at ₹20,000. Every year, on an average, 4 houses get burnt, resulting into a total loss of ₹ 80,000.

Number of houses	400
Value of each house	₹20,000
Houses that get burnt every year (average)	4
Total loss (4 houses x ₹20,000)	₹80,000
Contribution to be made by 400 house owners to compensate for loss of ₹80,000	₹200 (₹80,000 / 400)

If all the 400 owners come together and contribute ₹200 each, the common fund would be ₹80,000. This is enough to pay ₹20,000 to each of the 4 owners whose houses got burnt. Thus, the risk of 4 owners is spread over 400 house-owners of the village.

UNDERSTANDING RISKS, PERILS AND HAZARDS

Every day, we hear stories about accidents and other misfortunes that someone has suffered. Some of these include:

- People fall seriously ill
- Motor vehicles are stolen
- People die or get injured in accidents
- Houses and belongings are destroyed by fire
- Large scale loss of lives and destruction of property in cyclones and tsunamis

Protecting oneself, one's families and society from these uncertain events has been one of the biggest concerns of man for centuries.

- "Risk" is a term that we use to refer to the chance of suffering a loss as a result of uncertain events
- The events that give rise to such risks are known as "Perils"
- "Hazard" makes a peril more likely to occur

For instance, fire is a peril because it causes losses, while a fireplace is a hazard because it increases the probability of loss from fire. Some things can be both a peril and a hazard. Smoking, for instance, causes cancer and other health ailments, while also increasing the probability of such ailments.

WHY BUY INSURANCE?

- Life is full of uncertainties. We face various risks in our day to day life including risks to our life, health, property and so on

- We don't know whether something unfortunate will happen to us or when, but it is certainly possible for us to take measures to reduce the financial impact of these risks and protect ourselves financially

- Insurance is a financial tool specially created to reduce the huge financial impact of unforeseen events and create financial security

- Insurance works on the law of large numbers where contributions by many in the form of premium pay for the losses of a few. By paying a premium for protecting against a certain type of loss, you will be protected for a certain sum of money that you will receive if you face that loss

Chapter 2
DIFFERENCE BETWEEN LIFE & GENERAL INSURANCE

Insurance can be classified broadly into:

- Life insurance
- General or Non-life insurance

LIFE INSURANCE

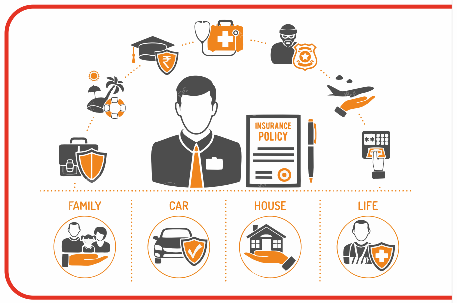
Does life insurance insure your life? Not exactly. But you're insuring a very important part of your life - your income and the financial stability it provides your family.

Think about the present. If both of your parents work and one of them dies, who would support you? Would you be able to live in the same house? Who will pay the bills?

Now think about the future. If at some point in the future you and your spouse took out a car loan or a home loan together, what would happen if you died? How would the loan be repayed?

In any situation where you're responsible for someone or something, life insurance helps make sure there is enough money to pay your bills and meet your family's needs after you are gone.

Various types of life insurance policies can be described as under:



- Term policy provides protection against risk of premature death. Benefit becomes payable only in the unfortunate event of death of the insured person
- Endowment policy provides protection against death risk and provides bonus on maturity of the policy. Benefits are payable either in the event of death of the insured person or upon maturity of the policy
- Unit linked policies provides dual benefits of life insurance as well as savings. Certain portion of premium is invested and the customer enjoys the returns based on market performance
- Pension plan provides benefit post retirement. People contribute small sum during the policy period as per their income levels and life style. After attaining the retirement age, Life Insurance company agrees to give a monthly pension to the insured to take care of expenses after retirement

GENERAL INSURANCE

"General Insurance" also known as non-life insurance, offers a gamut of insurance covers against eventualities such as illness, property damage, motor accidents, etc. Assets have a value of their own and are susceptible to damages. The specific General Insurance cover can protect the economic value of the asset and prevent huge financial loses.

For example, a home insurance policy can protect your home and the valuables inside from calamities and theft. That means, if something goes wrong, you're much less likely to have to spend your savings or your investments, borrow money, ask family or friends for financial help, or sell your assets to pay for repairs, treatment or outstanding loans. Suitable General Insurance covers are necessary for every family. It is important to protect one's property, which one might have acquired from one's hard earned income. A loss or damage to one's property can leave one shattered. Losses created by catastrophes such as the tsunami, earthquakes, cyclones, etc. have left many homeless and penniless. Such losses can be devastating but insurance could help mitigate them. A Health Insurance policy can provide financial relief to a person undergoing medical treatment whether due to a disease or an injury.

Most General Insurance covers are annual contracts. However, there are few products that are long-term.

Some categories of General Insurance policies are:

- Motor Insurance
- Health Insurance
- Fire Insurance
- Marine Insurance
- Travel Insurance
- Home Insurance
- Crop Insurance

Insurance business is governed by certain guiding principles. The following are the principles of insurance:

- Insurable Interest
- Utmost Good Faith or Uberrima Fides
- Indemnity
- Subrogation
- Contribution
- Proximate Cause
- Principle of Loss Minimization

INSURABLE INTEREST

The person getting an insurance policy must have an insurable interest in the property or life insured. A person is said to have an insurable interest if he is benefited by its existence and be affected by its destruction. The presence of insurable interest is a legal requirement. So an insurance contract without the existence of insurable interest is not legally valid and cannot be claimed in a Court.

The intent behind this principle is that the insured must be in a position to financially suffer if a loss occurs. This principle helps in preventing gambling by way of taking insurance on a property and waiting for a loss to occur. In case of life insurance contracts it reduces moral hazard whereby a person takes life insurance on another person and prays for his/ her death for insurance claims.

Example
If the house you own is damaged by fire, you suffer a financial loss resulting from the fire. By contrast, if your neighbour's house, which you do not own, is damaged by fire, you may feel sympathy for your neighbour but you have not suffered a financial loss from the fire. You have an insurable interest in your own house, but not in your neighbour's house.

UTMOST GOOD FAITH OR UBERRIMA FIDES

Principle of Utmost Good Faith or Uberrima Fides is the primary principle of insurance. An insurance contract is a contract of utmost good faith. The most important aspect is that the prospective insured must accurately disclose to the insurer everything that he knows and that is or would be material to the risk to be insured. Something is material if it would influence an insurer in determining whether to cover the risk, and if so, upon what terms.

Disclosure of all material information has to be made by both the parties to the contract i.e. Insured and Insurer. Since the insurance concept is based on the probability of a loss occurring, complete disclosure of the risk to be insured is of paramount importance in assessing the quality of risk and pricing of premium.

Example
John took a Health Insurance policy. At the time of taking the policy, he was a smoker and he did not disclose this fact. He got cancer. Insurance company would not pay the claim as John did not reveal the important facts.

PRINCIPLE OF INDEMNITY

The essence of insurance is the principle of indemnity that the person who suffers a financial loss is placed in the same financial position after the loss as before the loss occurred. He neither profits nor is disadvantaged by the loss.

The principle of indemnity is applicable to all types of insurance policies except life insurance. Indemnity means security, protection and compensation given against damage, loss or injury. The insurer promises to help the insured in restoring the financial position before loss has occurred. Whenever there is a loss of property, the loss is compensated. The compensation payable and the loss suffered should be measurable in term of money. The insured will be compensated only up to the amount of loss suffered by him.

All insurance policies mention the sum insured which represents the maximum liability under the contract. Depending upon the type of insurance policy, the sum insured represents:
- The value of a car
- The value of a house
- The estimated medical expenditure
- The amount that would take care of a family's financial needs in case of the breadwinner's death

Example

Jayesh had a shop which caught fire and as a result, a part of the goods that were stored was destroyed. The shop was insured for its full value of ₹5,00,000. Jayesh claimed ₹5,00,000 since he had insured his shop for ₹5,00,000. The insurance company's surveyor examined the damage and estimated that the loss was only ₹64,000. The insurance company paid ₹64,000 as compensation, even though Jayesh had a policy of ₹5,00,000 and claimed for more. Here the insurance company has applied the "principle of indemnity". Since only part of the goods were destroyed, only a part of the sum insured is paid as compensation under the policy. You get compensated for what you lose - no more, no less.

SUBROGATION

Subrogation is the right of an insurer to legally pursue a third party who caused a loss to its insured. When you file a claim with the insurance company and another driver or party is at fault, the insurance company will generally:

- Pay the claim in order to indemnify you (cover your damages and injuries)
- Seek to recover the money they paid - or at least a part of it - from the parties that are at fault in the accident

According to the principle of subrogation, when the insured is compensated for the losses due to damage to his insured property, then the ownership right of such property shifts to the insurer. The insurer's right of subrogation arises only when the insurer has paid for the loss. If the insured party gets a compensation for the loss suffered by him, he cannot claim the same amount of loss from any other party. It prevents the insured being indemnified from two sources in respect of the same loss.

Example

On his transfer from Kolkata to Mumbai, Rajan sends his household goods worth ₹1,00,000 through Jayant Transports. During the transit, part of the goods got damaged due to the truck driver's negligence. The insurer assessed the loss and found that the value of the damage was ₹30,000 and paid this amount to Rajan as indemnity. However, Rajan took up the matter against Jayant Transports with the Court of Law and the Court ordered Jayant Transports to pay ₹30,000 to Rajan. Having already received ₹30,000 from the insurer, Rajan would be making a profit out of the loss if he gets ₹30,000 from the transporter also.

From this situation, one should observe the following:

- The insurance company has to compensate Rajan, as per the insurance contract at the earliest without making him wait for the Court's judgement
- Rajan should not get two compensations and make a profit out of his loss. In such situations, the insured's right to claim from anywhere else is taken over by the insurer when he pays a claim. This taking over of the insured's right by the insurer is called 'subrogation' in insurance parlance. In other words, on payment of the claim, the insured's right to claim from anywhere else gets 'subrogated' to the insurer.

CONTRIBUTION

Sometimes a property is insured with more than one company. The insured cannot claim more than the total loss from all the insurance companies put together. He cannot claim the same loss from different insurance companies. If one insurer pays full compensation then that insurer can claim proportionate claim from the other insurers. A person cannot be restored to a better position than before the loss occurred. The total loss suffered by the insured will be contributed by different companies in proportion to the value of policies issued by them.

Example

Kishore had a car worth ₹5,00,000 and he took full insurance for this car from two insurance companies. The car was totally damaged in an accident and total loss was ₹5,00,000. Kishore filed a claim with the 1st company and got paid ₹5,00,000. He goes to the 2nd insurance company and makes a claim for ₹5,00,000. The second company informed Kishore that he was not eligible for getting anymore claim because he was already indemnified by the 1st Company. If the 2nd company had also paid him, he would have made a profit out of his loss, which is against the principle of indemnity. As per the principle of contribution the 1st insurance company can recover proportionate claim from the 2nd insurer who is also liable for the loss.

PRINCIPLE OF PROXIMATE CAUSE

Principle of Proximate Cause means when a loss is caused by more than one causes, the proximate or the nearest or the closest cause should be taken into consideration to decide the liability of the insurer. This principle is found very useful when the loss occurs due to series of events. The principle states that to find out whether the insurer is liable for the loss or not, the proximate (closest) and not the remote (farthest) must be looked into.

However, in case of life insurance, the principle of Proximate Cause does not apply. Whatever may be the reason of death the insurer is liable to pay the amount of insurance.

Under this rule, in order to determine whether a loss resulted from a cause covered under an insurance policy, a court looks for the predominant cause which sets into motion the chain of events producing the loss, which may not necessarily be the last event that immediately preceded the loss.

Example

Prathamesh had taken an accident insurance policy which covered death by accident. While walking on the road one day, he was hit by a car. He was rushed to the hospital. Being a person with a weak heart, he could not stand the shock of the event and died after a few hours from heart failure. The insurance company disputed the claim saying it was the heart attack rather than the accident which had caused his death. The court ruled that even though the immediate cause of death may have been collapse of the heart, the proximate cause of death was the accident and ordered the company to pay the claim.

PRINCIPLE OF LOSS MINIMIZATION

According to the Principle of Loss Minimization, insured must always try his level best to minimize the loss of his insured property, in case of sudden events like fire etc. The insured must take all necessary steps to control and reduce the losses and to save what is left. This principle makes the insured more careful in respect of this insured property, just as any prudent person would do in those circumstances. If he does not do so, the insurer can avoid the payment of loss attributable to his negligence. But it must be remembered that though the insured is bound to do his best for his insurer, he is, not bound to do so at the risk of his life.

The insured must not neglect and behave irresponsibly during such events just because the property is insured. Hence it is a responsibility of the insured to protect his insured property and avoid further losses.

Example

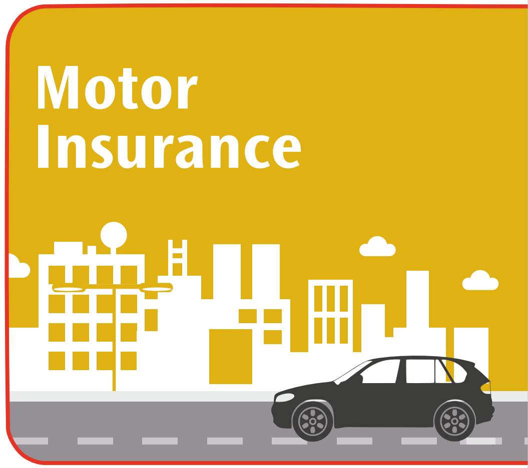
John's house catches fire due to an electric short-circuit. In this tragic scenario, John must try his level best to stop fire by all possible means, like first calling nearest fire department office, asking neighbours for emergency fire extinguishers, etc. He must not remain inactive and watch his house burning hoping, "Why should I worry? I've insured my house."

Chapter 4
TYPES OF INSURANCE PRODUCTS

- Motor Insurance
- Personal Accident Insurance
- Travel Insurance
- Property Insurance
- Burglary Insurance
- Health Insurance
- Home Insurance
- Crop Insurance
- Fire Insurance
- Marine Insurance

MOTOR INSURANCE

Travelling by vehicle is inevitable and a routine for most of us now. While they are essential for commuting, they also expose us to multiple risks - bodily as well as financial. Hence, security becomes a necessity in case of vehicle damage, loss of vehicle, third-party liability, etc. A Motor Insurance safeguards your finances and gives you the desired coverage in the event of such incidents.



In extreme situations, vehicle owners may find themselves saddled with high financial liability if proper care is not taken. What is the way out for vehicle owners against such potential risks related to vehicles? Motor Insurance deals with the insurance covers for the loss or damage caused to the vehicle or its parts due to natural and man-made calamities. It provides accident cover for individual owners of the vehicles while driving and also for passengers and third-party legal liability.

Driving a motor vehicle without insurance in a public place is a punishable offence in terms of the Motor Vehicles Act, 1988.

It is better to be safe, than sorry. Accidents happen unexpectedly, and it can heavily weigh on your finances. To attain peace of mind when it comes to getting the right coverage, take a Third Party or Comprehensive insurance that meets your requirements.

Motor Insurance protects you financially from:

- Damage to your own car
- Damage to someone else's car or property
- Injuries/ Death of Insured resulting from an accident
- Injury or Death of Third Party (Pedestrians/ Cyclists etc.)

Liability Only policy is mandatory at law, for all vehicles registered by RTO and plying on a public road. The policy covers liability on account of bodily injury and/ or property damage and pays for what you are financially responsible for, after an accident.

Whether it is an injury to another driver or passenger, or the property damage caused by the accident, liability coverage pay these type of costs. This kind of insurance can provide cover for damage caused by your vehicle to other vehicles or property, but does not provide cover for your own vehicle.

You would usually opt for this type of cover if you have a low-value vehicle, so that you are not left financially exposed to having to pay for the damage your car might do to a more valuable vehicle or other property that belongs to someone else.

Comprehensive policy offers the greatest peace of mind to vehicle owners. It covers the repair or replacement of your vehicle for events including accidental damage, theft, fire, malicious damage and weather-related damage.

It also covers the repair and replacement of any other vehicles that are damaged by your vehicle in an accident, and damage to property. Injury or death resulting from an accident for Insured and third party is also covered under the policy.

Important factors considered while insuring motor vehicles:

1. Type of vehicles: Vehicles are broadly classified as follows for the purpose of Motor Insurance:
   a. Private Car
   b. Two Wheelers
   c. Passenger Carrying Commercial Vehicles
   d. Goods Carrying Commercial Vehicles
   e. Other Miscellaneous types of vehicles like ambulance, crane etc.
2. Insured's Declared Value (IDV) is the value for which the vehicle is insured and represents the maximum liability of the insurance company in the event of a total loss
3. Cubic capacity denotes the power of the engine, higher the CC, higher the premium
4. Make and model of the vehicle
5. Year of manufacture represents the age of the vehicle. Higher the age, higher the premium
6. Geographical zone where the vehicle is registered/ used

What is not covered?

1. Consequential loss which are indirect losses due to accident
2. Depreciation: Gradually with passage of time there is a gradual decline in the value of the vehicle. In case of any loss, insurance company deducts reasonable amount towards depreciation to ensure that insured is placed in the same financial position as he was before the loss in line with the principle of indemnity
3. Wear and tear: With passage of time and usage various parts of the vehicle are worn out and needs to be replaced. Such kind of loss which is due to normal usage is not covered under the insurance policy
4. Mechanical or electrical breakdown of vehicle/ parts since the damage is not caused due to accidents
5. Loss when the vehicle is driven under influence of intoxicating liquor or drugs. It is illegal to drive vehicle under influence of intoxicating liquor or drugs, hence any loss suffered is not covered under insurance if insured has not followed the law of the land in connection with usage of the motor vehicle
6. Loss when vehicle is driven by a person without valid licence: It is illegal to drive a vehicle without a valid licence and any loss suffered while driving without valid licence shall not be covered
7. Loss when vehicle is being used beyond the permitted usage as per registration: Each vehicle is registered under separate categories and can be used as per the permitted usage. E.g. if a vehicle is registered as a private car then it cannot be used as a taxi. If any such violation is done then any loss or damage suffered shall not be covered
8. Compulsory excess: Each motor policy has a compulsory excess. This means any loss or damage up to the amount of compulsory excess shall not be covered under the policy. If loss amount is higher than compulsory excess then the loss shall be paid by insurer after deducting compulsory excess. This provision is to ensure that insured takes reasonable care of the vehicle and also do not claims for minor damages
9. Any accident outside the geographical area specified. As per standard policy the specified geographical area is India. Any accident happening if the vehicle is outside India is not covered

What is No Claim Bonus?

No Claim Bonus (NCB) is a discount in premium offered by insurance companies if a vehicle owner has not made a single claim during the term of the motor insurance policy.

If a claim is made during the policy period then no NCB will be given in the next year on renewal of the policy. The slab of No Claim Bonus starts from 20% and can go up to 50%.

HEALTH INSURANCE

You're young, you spend more time in the gym than an Olympic athlete, you rarely get anything worse than a cold. Why bother spending money on Health Insurance? Aren't the odds pretty good that you'll never get seriously sick?

We hope so. But every day, thousands of perfectly healthy people break bones, need stitches, get into car accidents, find out they have illnesses, or are told they need surgery.

You may never be one of them. But what if you are? Medical bills from even a minor car accident can mess up your finances. A major illness can wipe out your family's savings. Insurance may be expensive, but not having it might cost way more.

Health Insurance is a way to pay for health care and associated costs. It protects you from paying the full costs of medical services when you're injured or sick. Just like car insurance or home insurance, you choose a plan and agree to pay a certain rate, or premium. In return, your health insurer agrees to pay a portion of your covered medical costs.

The idea behind health insurance is simple: Medical care can be expensive. Most people can't pay for it all out of their own pockets. But if a group of people gets together, and each person pays a fixed amount (whether they need medical care at that time or not), the risk is spread out over the whole group. Each person is protected from high health care costs because the burden is shared by many.

Coverages under a Health Insurance policy:

A Health Insurance Policy covers costs associated with hospitalization, whether due to accidents or sickness. Usually, a 24-hour hospitalization treatment is required for the coverage to set in. However, due to medical advancements, there are newer treatment modes available that do not require patients to be hospitalized for 24 hours. Common example is Cataract surgery wherein the patient goes home post surgery. These are referred as "Day Care" procedures which are also covered in the policy.

The costs associated with the medical treatment which includes the following are covered:

- Expenses incurred for room and operation theatre
- Fees for the services of doctors e.g. surgeon, anaesthetist, physician, consultants, specialists and nurses
- Costs for medicines, blood, oxygen, surgical appliances, diagnostic materials, X-ray etc
- Pre and Post Hospitalization charges - Expenses incurred on diagnostics, medicines, doctor consultations etc. before and after the hospitalization, up to a maximum number of days and sum insured are also covered.

Types of Health Insurance

1. Individual Health Insurance generally covers an individual or a family for a specific sum insured against each individual. Here each family member is separately covered up to the sum insured mentioned and do not share the sum insured with other family members. E.g., John has a family of four members having his spouse and two kids. John can buy a individual health policy for a sum insured of ₹4,00,000 for each member which means the policy shall provide protection against unforeseen medical expenses up to ₹4,00,000 for each member during the policy period. In this policy the maximum liability of insurance company shall be ₹16, 00,000 if all the members claim during the same policy period.
2. Family Floater Policy is a policy that provides protection to a family for a fixed sum insured. However in this policy the entire family is covered under single sum insured or in other words all family members are jointly covered under a single sum insured. The term "floater" means the sum insured floats over all the members.

   In the above example, if John opts for a family floater cover then the sum insured of ₹4,00,000 shall be available to all family members, so each family member can claim up to ₹4,00,000 however jointly all family members can't claim more than ₹4,00,000 during the same policy period.
3. Group Health Policy is a policy generally taken by a group administrator for a specific group of people. Generally these policies are taken by employers for all employees as part of employment benefits.

Terminology associated with Health Insurance

- Sum Insured (SI): The Sum Insured offered may be on an individual basis or on floater basis for the family as a whole

- Cumulative Bonus (CB): It is an increase in the sum insured by a specified percentage for every claim free year, subject to a maximum limit without any additional premium.
- Cashless Facility: Cashless hospitalization is a facility provided by the Insurance Company wherein the Insured can get admitted and undergo the required treatment without paying directly for the medical expenditure. The eligible medical expenses incurred are settled by the Insurance Company directly with the hospital.
- Inpatient: Insured who undergoes treatment after getting admitted in the hospital

Tax Benefits for Health Insurance

Health Insurance comes with attractive tax benefit as an added incentive, under Section 80D with an annual deduction of ₹25,000 from the taxable income for payment of Health Insurance premium for self, spouse and dependent children. For senior citizens, this deduction is higher, and is ₹50,000.

Exclusions under a Health Insurance policy:

1. 30-day waiting period is applicable for hospitalisation claims during the first 30 days. However, there is no waiting period for hospitalization due to accidental injury.
2. 2-year Exclusions: Claims for certain named diseases like Tonsils, Sinus, Internal Tumours etc are not payable within the first 2 years of the policy.
3. Pre-existing diseases: Any hospitalisation for conditions existing prior to purchase of health insurance is not covered
4. Treatment related to HIV or AIDS
5. Dental treatment unless requiring hospitalisation
6. Plastic surgery or cosmetic surgery unless necessary as part of treatment of burns, cancer or accident
7. Conditions for which hospitalisation is not required
8. Hospitalisation primarily for diagnosis purpose and not related to any illness
9. Vaccination and immunizations expenses
10. Naturopathy treatment
11. Intentional self-injury, use of intoxicating drugs/ alcohol

Note: Tax benefits subject to change in tax laws

Renewal and Grace Period

Health Insurance policies are usually annual policies. Some policies may offer a 2-year coverage as well. The insured is required to renew the policy before expiry to ensure continuation of policy benefits.

The Insurance company also provides a 30 days period for renewal of expired policies for the benefit of policy holders. However, coverage would not be available for the period for which no premium is received by the Insurance company. The policy will lapse if the premium is not paid within the grace period.

Free look period in Health Insurance policies

A 15-day period is provided from the date the policy is received by the customer for him to review the policy terms and conditions. In case the customer decides not to continue with the policy, the Insurance company will refund the premium in full. This is to ensure that there are no fake promises made to the customer at the time of selling the policy and also provide an opportunity for the customer to review the policy and decide without losing any money.

Portability in Health Insurance
As you are aware that with passage of time, the coverage under Health Insurance policy increases and various waiting periods are either reduced or completed thereby providing full coverage to the insured. This is called "Continuity Benefit". When you change your Health Insurance policy from one insurance company to another, you should not lose the benefits you have accumulated with previous insurer across the previous years. In the past in health insurance policies, such a move resulted in you losing the "continuity benefits". Now, as per IRDAI regulations, you can port your policy to another insurer of your choice along with full continuity benefits.

PERSONAL ACCIDENT INSURANCE

Accidents don't come scheduled. They happen anytime and anywhere. The personal accident policy covers a number of eventualities, including train and road accidents, plane crashes, murder and even a slip in the bathroom.

In the event of you being bedridden, your income will stop. Who will provide for the financial commitments of your family? Buying such a policy is the best way to prepare yourself against any eventualities in life. This becomes more important if you are the only earning member in your house and have many dependents. Your entire family's future financial goals depend on your income stream and should that stop because of an accident you meet with; they would be unable to meet any of their future dreams.

Why risk it?
While minor accidents can affect you temporarily, major ones can severely impact your life and well-being. The value of the human life is immeasurable, but with a view to provide some relief to the injured person or a dependent, insurance companies offer a personal accident policy. It refers to an insurance which offers compensation in the event of accidental death, bodily injuries or temporary/ permanent disablement. Accidents caused by rail, road, air travel, or injuries due to collision, falls, burns, drowning etc is covered under the policy.

You should buy a personal accident policy because it plugs an important hole in your insurance portfolio. Firstly, it will provide financial support to the policyholder if he is disabled after an accident. Secondly, the magnitude of the mishap doesn't matter; even minor ones like falling off a bicycle and breaking an arm, or fracturing a leg while playing football are covered by the policy.

Types of Personal Accident Insurance
1. Individual Personal Accident policy provides a specified sum insured for a single person insured under the policy
2. Group Personal Accident policy provides cover to a defined group of individuals e.g. employers cover their employees for accidental risks through a group policy

The premium calculation for a personal accident policy may depend on various factors like age, number of family members and occupation of the insured.

Policy Coverages
1. Accidental Death: In the unfortunate event of accidental death, the sum insured is paid out to the nominees
2. Permanent Total Disablement: Pays the total sum insured in case of an accident results in permanent total disability E.g. Total loss of eyesight
3. Permanent Partial Disablement: Pays a specified percentage of sum insured in case of an accident results into permanent partial disability E.g. Loss of hearing in one ear
4. Temporary Total Disablement: Pays a weekly compensation for the total period of temporary total disability due to an accident up-to a maximum of 52 weeks. E.g. Fracture of leg
5. Broken Bones: Pays the specified sum insured if an accident results in a broken bones E.g Fractures of hand or leg
6. Hospital Cash: Pays the specified sum insured each day subject to a maximum number of days are an accident leads to hospitalization
7. Accidental Hospitalization is covered u/s 80 D

Exclusions
- Injury or death due to self injury, suicide or attempted suicide
- Under the influence of intoxicating liquor or drugs
- Participation in hazardous sports
- War, civil war and similar situations

HOME INSURANCE

Whether you own or rent, our homes and our possessions are precious. Choosing to insure them, and making sure you have the right insurance products for your circumstances, offers peace of mind and lowers the financial pain of repairing your home and replacing damaged or stolen belongings. You can choose to insure your property, its contents, or both.

Common types of coverage available are:
- Fire Insurance: covers financial losses associated with damage or loss of a property you own
- Contents Insurance: covers financial losses caused by the loss, theft or damage of your possessions

Methods of fixing the Sum Insured
The sum insured should represent the replacement value for building and contents except personal affects.

For personal belongings the sum insured should be based on market value.

TRAVEL INSURANCE

Whether you need to travel overseas for business or for personal reasons, any trip away from your home involves planning, expense and some risk.

Travel insurance can cover you for financial losses caused by a wide range of events that can affect your trip, whether they occur before, during or even after your trip. These might include travel modification, cancellation or interruption, medical expenses, baggage damage or theft & more.

Travel insurance should be a priority in all travel arrangements, whether you travel regularly, occasionally or you are setting off on a once-in-a-lifetime trip.

You should purchase a travel insurance policy as soon as you have paid for your trip. That way you may be covered for unused travel and accommodation in the event that you must cancel your trip due to a covered event, such as illness or a natural disaster.

Most travel insurers offer policies that cover families and couples, and some also offer multi-trip and annual policies for frequent travellers.

Most international travel insurance policies cover overseas medical and dental expenses, lost or stolen luggage, liability cover, accidental death or disability, and expenses if you incur a financial loss due to delays, cancellations or rescheduled arrangements.

Some travel insurers offer additional services, such as 24-hour medical emergency translation, which can make a huge difference to the quality of treatment you get while travelling.

Medical treatment in some countries can be exceptionally expensive and in some cases it can be difficult to be admitted to a hospital and receive treatment unless you are able to guarantee payment. When you travel overseas, you are personally liable for covering your medical costs. It's not uncommon for even a short stay in, for example, an American hospital to cost tens of thousands of dollars.

Travellers who are not covered by insurance are personally liable for covering the medical and associated costs they incur overseas.

- Persons up to 70 years can be covered
- Premium is payable in Rupees but cover is in US dollars
- Age and duration of trip are factors deciding the premium
- The cover given is either worldwide excluding USA and Canada OR including USA and Canada

What is not covered?

- Intentional self injury
- Injury or sickness while under the influence of intoxicating liquor or drug
- Injury or sickness while participating in any sport as a professional player
- Injury sustained while participating in any criminal act, violent labour disturbance, riot, civil commotion or public disorder
- Bodily injury sustained while participating in any hazardous sport like parachuting, hangliding, parasailing, skiing or bungee jumping
- Medical expenses incurred due to pre-existing diseases
- Injury due to terrorism
- Bodily injury or sickness due to war
- Bodily injury or sickness due to pregnancy
- Bodily injury or sickness due to HIV/ AIDS

CROP INSURANCE

Crop or Agriculture Insurance covers risks and provides financial support in case of loss in yield of various crops due to unforeseen events. The Crop Insurance is covered through various 'Schemes' or 'Programme'. The Schemes operate on principles of 'Area Approach' for assessment of loss/shortfall in yield. The Scheme has been made voluntary for all the farmers which includes both loanee and non-loanee farmers.

The main Schemes available to farmers in respect of crop insurance are as under:

- Pradhan Mantri Fasal Bima Yojna (PMFBY)
- Restructured Weather Based Crop Insurance Scheme (RWBCIS)
- Coconut Palm insurance scheme (CPIS)
- Pilot Unified Package insurance scheme UPIS)

Which crops are covered?

The scheme covers all food, oilseeds and annual commercial/ horticultural crops for which historical yield data is available and crop cutting experiments are planned for the current year. State Governments issues notifications containing names of crops, areas eligible for insurance, rates of premium etc. at the beginning of each cropping season, post acceptance of all provisions, modalities and guidelines of the scheme.

MARINE INSURANCE

Marine Insurance is broadly of two types

- Marine Cargo Insurance
- Marine Hull Insurance

Marine Cargo Insurance provide insurance cover in respect of loss of or damage to goods during transit by rail, road, sea or air.

Marine Hull Insurance is concerned with the insurance of ships (hull, machinery, etc.).

Important factors considered in Marine cargo insurance:

- Type of cargo, like edible items, cement, glass, bulk cargo like wheat etc, electrical, electronic items, garments, jewellery, petroleum products etc
- Type of packaging, cartons, boxes, bags, containers etc
- Type of journey - by sea, rail, road or air
- Class of ocean going vessel

How Marine Cargo Insurance helps:

Cargo can be damaged on exposure to a wide variety of risks, including an accident of the vehicle carrying the cargo, damage due to jolts, jerks etc. In the international trade, both consignor and consignee need to ensure safety of the goods. Marine Insurance protects both parties and in case of any loss to the cargo, the equivalent compensation is paid by the insurer which provides financial stability to both consigner and consignee.

What is covered in a Marine Cargo policy?

Generally all risk policies are taken which covers loss or damage due to all causes except if caused by listed exclusions. The exclusions are as under:

- Loss or damage due to wilful misconduct of insured
- Ordinary leakage, ordinary loss in weight or volume, ordinary wear and tear
- Loss or damage due to insufficiency or unsuitability of packing
- Loss or damage due to inherent vice or nature of the subject matter
- Loss or damage caused by delay
- Loss or damage due to insolvency or financial default of owners/ operators of vessel
- Loss or damage due to war, strikes, riots and civil commotion
- Loss or damage due to nuclear perils
- Loss or damage due to unseaworthiness of the vessel

Duration of coverage in Marine Insurance

Marine Insurance covers do not provide fixed period coverage like fire insurance and generally covers the goods from warehouse to warehouse. The coverage stages when the goods leave the warehouse and ends when the goods are delivered to the warehouse at destination.

Chapter 5
MAKING OF AN INSURANCE POLICY

Insurance policy is divided into many sections and it is very important to understand the construct of the policy. The major sections of the policy are given below:

- Heading identifies the class of the policy and is displayed at the top of first page. This section states what kind of policy it is viz. fire policy, burglary policy, motor policy, marine policy etc.

- PREAMBLE clause in the policy primarily states that insured has paid the premium and signed the proposal form which forms the basis of this insurance contract

- Operative clause details the type of the event insured. This contains the promise of insurance company to compensate for any loss or damage suffered due to operation of the peril insured under the policy. The detailed list of perils covered under the policy is captured to ensure that both parties are on the same page regarding the coverage offered

- Exclusions gives details of the items specifically not covered under the contract of insurance. This is very important to clarify what may not be covered to avoid any disputes

- Definitions details the meaning of various terminology used in the insurance policy. This helps bring clarity on the understanding of various terms since the general meaning may be different than what is applicable in the context of insurance

- General conditions capture the standard conditions as applicable to the insurance contract. The conditions specify the rights & duties of both insured and insurer. Also treatment of some specific circumstances is also detailed to avoid any dispute

- Schedule captures the specific details of the insured and the property insured like name, address, sum insured, details of items covered, period of insurance etc.

- Grievance redressal procedure contains the procedure to be followed, in case customer is not happy with the services of insurance company in any manner. The section captures details of the various authorities who can be contacted for redressal of the grievance in a fair manner

The Insurance sector also plays a vital role in the economic development by providing various useful services like mobilizing savings, intermediating in finance, promoting investment, stabilizing financial markets and managing both the social and financial risk. Realizing the potential of insurance sector in mobilizing the savings for the productive use and social safety, Government has taken various steps to improve its quality, reach and popularity. Insurance market in India was opened up for private sector in 2000 with the enactment of Insurance Regulatory and Development Authority of India (IRDAI) Act. From just five state-owned companies, IRDAI now regulates 24 life insurance and 34 non-life insurance companies.

Post-liberalization, the insurance industry in India has recorded significant growth. The gross direct premiums for the non-life insurance segment grew at 5.19% with a total Gross Direct Premium Income (GDPI) of INR 1.98 trillion ($27 bn) in FY21.

In FY21, non-life insurers (comprising general insurers, standalone health insurers and specialized insurers) recorded a 5.19% growth in gross direct premiums. The market share of private sector companies in the general and health insurance market has increased from 47.97% in FY19 to 48.03% in FY20.

The industry has been spurred by product innovation, vibrant distribution channels, coupled with targeted publicity and promotional campaigns by the insurers. The market share of private sector companies in the general and health insurance market has increased from 47.97% in FY19 to 48.03% in FY20 where as the Life Insurance Industry recorded a total premium of INR 5.73 trillion ($81.3 bn) in FY20 witnessing a growth of 12.75% over the previous year and the private insurers accounted for 33.7% of total premium underwritten by the industry.

A well-developed and evolved insurance sector is a boon for economic development as it provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country. Considering its ever growing population and demographic dividend, it has a huge unexplored potential yet to be explored.

ROAD AHEAD

Going forward, General Insurance companies will be key beneficiaries of the opening-up of economies, especially with improved trade activity increasing demand for motor and health insurance. Strong growth in the automotive industry over the next decade is expected to boost the motor insurance market. The increase in the FDI (Foreign Direct Investment) in Insurance from 49% to 74% announced in Union Budget (Feb'21) shall further help in driving increased penetration and coverage by enabling additional avenues for capital support required for the expansion.

The Private Non-Life insurance segment is forecasted to grow at 16% in FY22 and 14% in FY23. Standalone Health Insurers are expected to grow by over 25% in FY22 due to the increased focus on healthcare. The New Business Premium for Life Insurers is expected to grow at 12.5% CAGR over the next decade (2020-30) led by specialized products such as protection and annuities

The future looks promising for the insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers. Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian insurance industry.

Insurance Regulatory and Development Authority of India (IRDAI) regulates the Indian insurance industry to protect the interests of the policyholders and work for the orderly growth of the industry.

IRDAI's Mission: To protect the interests of policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto.

IRDAI'S ACTIVITIES

- Frames regulations for insurance industry in terms of Section 114A of the Insurance Act 1938
- From the year 2000 has registered new insurance companies in accordance with Regulations
- Monitors insurance sector activities for healthy development of the industry and protection of policyholders' interests

FUNCTIONS OF IRDAI

IRDAI has been set up mainly
- To protect the interests of holders of insurance policies
- To regulate, promote and ensure orderly growth of the insurance business and reinsurance business

INSURANCE COMPANIES IN INDIA

There are a total of 34 Non Life Insurance Companies in India - 4 public sector companies, 2 specialized insurers, 7 stand-alone health insurance companies and 21 general insurance companies. List of players is given below along with details of Indian and foreign partners:

PUBLIC SECTOR INSURERS

Sr. No.	Insurance Company	Ownership
1	National Insurance Co. Ltd.	Government of India
2	New India Assurance Co. Ltd.	Government of India
3	Oriental Insurance Co. Ltd.	Government of India
4	United India Insurance Co. Ltd.	Government of India

PRIVATE SECTOR INSURERS

Sr. No.	Insurance Company	Indian Partner	Foreign Partner & Country
1	Acko General Insurance Limited	Catamaran Ventures, Accel and SAIF Partners & Others	No foreign partner
2	Aditya Birla Health Insurance Co. Ltd.	Aditya Birla Nuvo Ltd.	South Africa's MMI
3	Bajaj Allianz General Insurance Co. Ltd.	Bajaj Finserv Ltd.	Allianz SE of Germay
4	Bharti AXA General Insurance Co.Ltd.	Bharti Enterprise	AXA Group of France
5	Cholamandalam General Insurance Co. Ltd.	Murugappa Group	Mitsui Sumitomo Insurance Group of Japan
6	Edelweiss General Insurance Company Limited	Edelweiss Group	No foreign partner
7	Future Generali India Insurance Co. Ltd	Future Group	Generali Group of Italy
8	Go Digit General Insurance Limited	Fairfax Group	No foreign partner
9	HDFC ERGO General Insurance Co. Ltd.	HDFC Ltd.	ERGO International AG of Germany
10	HDFC ERGO Health Insurance Limited (Formerly Apollo Munich Health Insurance Company Limited)	HDFC Ltd.	ERGO International AG of Germany
11	ICICI Lombard General Insurance Co. Ltd.	ICICI Bank	Lombard Canada Ltd.
12	IFFCO-Tokio General Insurance Co. Ltd.	IFFCO	Tokio Marine of Japan
13	Kotak Mahindra General Insurance Co. Ltd.	Kotak Mahindra Bank	No foreign partner
14	Liberty General insurance Company limited	Enam securities and DP Jindal group	Liberty Group of USA
15	Magma HDI General Insurance Co. Ltd.	Magma Fincorp Ltd.	HDI Group of Germany
16	Manipal Cigna Health Insurance Company Limited	TTK Group	Cigna Corporation of USA
17	Max Bupa Health Insurance Co. Ltd.	Max India Ltd.	Bupa Finance PLC of UK
18	Navi General Insurance Ltd.	Navi General Insurance Ltd.	No foreign partner
19	Raheja QBE General Insurance Co. Ltd.	Raheja Group	QBE Insurance Group of Australia
20	Reliance General Insurance Co. Ltd.	Reliance Group	No foreign partner
21	Reliance Health Insurance Ltd.	Reliance Group	No foreign partner
22	Care Health Insurance Ltd (formerly known as Religare Health Insurance Co. Ltd.)	Religare Enterprise Ltd., Union Bank of India & Corporation Bank	No foreign partner
23	Royal Sundaram Alliance Insurance Co. Ltd.	Sundaram Finance	Ageas Insurance International N.V
24	SBI General Insurance Co. Ltd.	State Bank of India (SBI)	Insurance Australia Group (IAG) of Australia
25	Shriram General Insurance Co. Ltd.	Shriram Capital Ltd.	No foreign partner
26	Star Health Allied Insurance Co. Ltd.	Star Health Investments Pvt. Ltd.	ETA Ascon Group & Oman Insurance of West Asia
27	TATA AIG General Insurance Co. Ltd.	TATA Group	American International Group of USA
28	Universal Sompo General Insurance Co. Ltd.	Allahabad Bank, Karnataka Bank, Indian Overseas Bank & Dabur	Sompo Japan Nipponkoa Insurance Inc of Japan

SPECIALIZED INSURERS

Sr. No.	Insurance Company	Ownership
1	Export Credit Guarantee Corporation of India Ltd.	Government of India
2	Agriculture Insurance Company of India Ltd.	Government of India

Headquartered in Mumbai, India, HDFC ERGO General Insurance Company Limited is a joint venture between HDFC Ltd. and ERGO International AG, the primary entity of Munich Re Group. As on June 30, 2020, HDFC Limited and ERGO International AG held 50.471% and 48.429% stake respectively in the Company. Founded in the year 2002, HDFC ERGO General Insurance Company operates with over 202 branches and 6,400+ employees across the country.

VISION

"To be the most admired Insurance Company that enables the continued progress of customers by being responsive to their needs."

This vision acts as our guiding light and helps all of us be proud of the organization that we belong to. This happens by earning the respect of both, the customers and the industry.

Values
One single thing that takes us closer to our vision is our set of values -
(SEED) Sensitivity, Excellence, Ethics and Dynamism

Sensitivity
We will build our business on empathy and an inherent understanding of both our internal and external customers' needs.
Excellence
We will always strive to offer innovative products and services and endeavour to set new benchmarks to do things better each time.
Ethics
We will honour our commitments and be transparent in our dealings with all our stakeholders.
Dynamism
We will be pro-active with a "can-do" approach.

BOARD OF DIRECTORS

Mr. Deepak S. Parekh is the Chairman of the Company and its holding company - Housing Development Finance Corporation Limited (HDFC), India's premier Housing Finance Company

- He is a fellow of The Institute of Chartered Accountants (England and Wales). He joined HDFC in a senior management position in 1978
- He was inducted as a Whole-time Director of HDFC in 1985 and subsequently appointed as its Managing Director (designated as 'Chairman') in 1993.
- He retired as the Managing Director of HDFC on December 31, 2009

List of Board of Directors as under:

Sr.No.	Directors	Category
1	Mr. Deepak S. Parekh	Non-Executive Chairman
2	Mr. Keki M. Mistry	Non-Executive Director
3	Ms. Renu Sud Karnad	Non-Executive Director
4	Dr. Oliver Martin Willmes	Non-Executive Director
5	Dr. Clemens Matthias Muth	Non-Executive Director
6	Mr. Bernhard Steinruecke	Independent Director
7	Mr. Mehernosh B. Kapadia	Independent Director
8	Mr. Arvind Mahajan	Independent Director
9	Mr. Ameet P. Hariani	Independent Director
10	Mr. Samir H. Shah	Executive Director and CFO
11	Mr. Anuj Tyagi	Deputy Managing Director
12	Mr. Ritesh Kumar	Managing Director and CEO

KEY PERSONS

List of Key Persons of HDFC ERGO General Insurance Company Limited as per Guidelines for Corporate Governance for insurers in India issued by IRDAI are as follows:

Name of Key Person	Designation
Mr. Ritesh Kumar	Managing Director & CEO
Mr. Anuj Tyagi	Deputy Managing Director
Mr. Samir H. Shah	Executive Director & CFO
Mr. Mehmood Mansoori	President - Shared Services & Online Business
Mr. Anurag Rastogi	President - Chief Actuary and Chief Underwriting Officer
Mr. Ankur Bahorey	President - Bancassurance
Mr. Parthanil Ghosh	President - Motor Business & CSR
Mr. Ravi Vishwanath	President - Accident & Health Business
Mr. Sanjay Kaw	President- Commercial Business
Mr. Rahul Ahuja	Deputy CFO & President - Finance
Ms. Sudakshina Bhattacharya	Chief Human Resource Officer
Mr. Hiten Kothari	Appointed Actuary
Mr. Sanjay Kulshrestha	Chief Investment Officer
Mr. Sanjay Mishra	Chief Risk Officer
Mr. Dayananda V. Shetty	Head - Secretarial & Compliance & Company Secretary
Ms. Vyoma Manek	Chief Compliance Officer

CURRENT FINANCIAL STATUS

The year 2020 gone by was unlike any other we have experienced before. The COVID-19 pandemic led to lockdowns in economies across the globe. While the lockdowns were eased gradually, the lower economic activity and resultant subdued demand had a severe impact on global growth. Towards the end of the fiscal year, the vaccine roll-out commenced even as some countries, including India, began to experience fresh waves of infections. The stimulus package announced by the Government of India and the liquidity and financial stability measures undertaken by the Reserve Bank of India helped revive growth in the Indian economy. India's Gross Domestic Product (GDP) is estimated to contract by 9.5% in FY21 but is expected to revive and be amongst the fastest growing major economies in FY22. These projections, of course, will depend on the intensity and duration of the second wave of infection. The General Insurance (GI) industry grew by ~5% to ₹ 2 trillion in FY21. While the motor segment witnessed a negative growth on account of low vehicle registrations, retail health insurance remained the fastest growing segment, reinforcing the need for adequate health insurance cover. The merger of HDFC ERGO Health Insurance Limited (HEHI) with the Company, combined with the strong growth in FY21, resulted in the Company becoming the second largest retail health insurer in the country with ~10% market share. In line with the HDFC group's core values of trust, integrity and transparency, the Company takes pride in servicing its over 15 million customers. During the year, the Company ensured that all its customers, especially health policyholders, were serviced seamlessly using innovative digital technologies delivering timely service. During the year, the Company serviced over 45,000 COVID-19 related claims. The limit on Foreign Direct Investment (FDI) in insurance companies was increased from 26% to 49% in 2015. In the Union Budget 2021-22, it was announced that this would be further increased to 74%. Over the medium to long-term, this is expected to attract new foreign promoters to the Indian market and provide incumbent insurers access to increased foreign capital. This is likely to further augment growth prospects of the industry and deepen insurance penetration in the country. Yet, there are challenges ahead as the country currently fights against the second wave of the virus. The impact on the GI industry and on the Company in terms of overall premium growth and claims remains uncertain. The regulatory amendments aimed at development of the GI industry, increasing competitive intensity and widespread adoption of digital initiatives, necessitated by the pandemic situation, are expected to result in a more customer centric set of insurance solutions and deeper insurance reach, more specifically in rural India.

MERGER OF HDFC ERGO HEALTH INSURANCE LIMITED (TRANSFEROR COMPANY) WITH THE COMPANY

The National Company Law Tribunal, Mumbai Bench (NCLT) vide Order dated September 29, 2020 sanctioned the Scheme of Amalgamation ("Scheme") for merger of HDFC ERGO Health Insurance Limited ('Transferor Company/HEHI') (formerly Apollo Munich Health Insurance Company Limited) with the Company. The Insurance Regulatory Development Authority of India, vide its letter dated November 11, 2020 gave its final approval for the said merger. The Appointed Date and the Effective Date for merger were March 1, 2020 and November 13, 2020 respectively. Pursuant to the said approvals, the entire undertaking of HEHI including but not limited to all assets, properties, liabilities, contracts, employees, legal and other proceedings were transferred to and vested in the Company on a going concern basis, with effect from the Appointed Date.

PRODUCTS AND SERVICES

HDFC ERGO General Insurance Co. Ltd. offers complete range of General Insurance products ranging from Motor, Health, Travel, Home & Personal Accident in the retail space and customized products like Property, Marine & Liability Insurance in the corporate space. The firm offers insurance policies and policy renewals through its website, offices and intermediaries. Its market insurance products include Health Insurance, Motor Insurance, Travel Insurance, Personal Accident Insurance, Home Insurance, Commercial Insurance and Rural Insurance. HDFC ERGO is expanding its network across the country and is today present in 202 branches, with an employee base of over 6,400+ professionals. The Company also has a wide distribution network comprising of brokers, retail and corporate agents, bancassurance besides its own direct sales force.

HDFC ERGO has received 'iAAA' rating by ICRA indicating its claim paying ability. The company has been certified with ISO certification for our claim services, policy issuance, customer servicing and standardization and uniformity of Information Security processes being followed across all branches and locations.

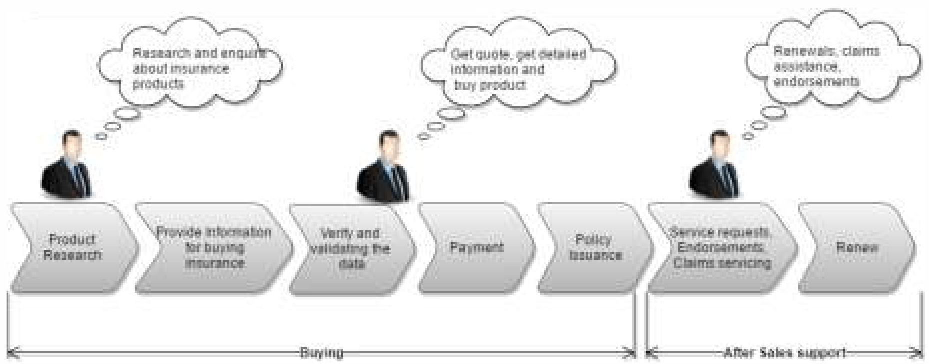
Chapter 9
TECHNOLOGY TRENDS IN INSURANCE

Initially, the Insurance companies used physical documents, files which severely limited their speed, capacity and ability to grow. However, developments in information technology have helped insurance companies overcome these limitations. Now, they use Information technology to store, process, manage policy data and handle policy holders' service requests.

Why IT is important in managing Insurance business?

- To dramatically reduce the amount of paperwork dealing with policies to effectively meet the needs of customers in much less time than traditionally expected
- To empower the business drivers/ enablers (like sales person, agents, brokers) with updated product information, real-time customer information to enable serve better
- To empower end customer by providing access to his insurance portfolio on portal, mobile devices and host of self service features
- Help Underwriters, Risk Managers to provide quick quotes, approvals for policy issuance, endorsements, improve/ come up with new products

Policy Issuance Life Cycle



1) Product Promotion
   a. Traditional way
      i. Person connects and interacts with Insurance agents to understand the product, coverages as per their needs
   b. Information Technology
      i. Helps Insurance companies in educating, promoting and advertising its products to large number of customers much faster than before
      ii. User can not only use the web channel to know more about the product and its prices, they can also compare product coverages, premium amount with other insurance companies
      iii. Insurance companies use Internet, website, Social media platforms, mobile applications to provide information about their various product offerings

2) Buying
   a. Traditional way
      i. Person willing to buy insurance provides the required information, documents, premium cheque to Insurance agents, who in turn fills a proposal form and submits to insurance company
      ii. Policy is issued by Insurance company once the cheque is cleared
   b. Information Technology
      i. E-commerce, Online Buying through web, mobile channel has helped Insurance companies in issuing the insurance products online
      ii. Users can make online payment
      iii. Insurance companies are using this platform of upsell, cross of products

3) Customer Support
   Information technology has provided a new channel for after sales service to the customers. During the policy tenure, the customer might have to make changes in the policy document or register a claim. To enable hassle-free services, customers can call up at the Contact Center powered by CRM system that is integrated with core policy administration system.

Chapter 10
GUIDELINES FOR A CUSTOMER

- What insurance to buy?
- What kind of policy to purchase?
- How to buy insurance and whom to buy it from?
- What are the precautions to be taken while purchasing insurance through online i.e. via internet?
- What are the customer rights and duties?

WHAT INSURANCE TO BUY?

Insurance is available for unpredictable events such as death, accident, sickness, loss or damage to motor vehicle, property etc. These are some of the risks against which you should protect yourself from and accordingly buy life insurance, personal accident insurance, health insurance, motor insurance, property insurance etc.

The insurance policy that you buy must meet your requirements. This means you must first identify what our needs are. You must choose your life insurance policy depending on which life-stage you are in and your aspirations for the future. Insurance need may differ depending on whether you are about to start a family or have growing children with education needs or want to plan for your retirement. You should join a health insurance scheme while young and ensure continuous coverage. While third party motor insurance is statutory, i.e., it is required under the Motor Vehicles Act 1988, it would be wise to buy a comprehensive motor insurance policy that covers damage to vehicle as well. Protecting house and contents against the risks of fire, flood and earthquake will secure your hard earned savings to meet your other financial needs instead of using them for rebuilding.

HOW TO BUY INSURANCE AND WHOM TO BUY IT FROM?

A. Purchase insurance policies only from the following:
   i. Registered Insurance Companies
   ii. Licensed Insurance Agents (including corporate agents and micro-insurance agents)
   iii. Licensed Insurance Brokers

B. Verify genuineness of the person and entity before making any payment:
   i. Ask for an identity proof and particulars of IRDAI license of the person/ entity soliciting insurance
   ii. Ask for the details of address and telephone number of the person and entity concerned, especially in case of telesales
   iii. Check the IRDAI website to verify the details of insurance companies, brokers and web-aggregators and use the agent locator on IRDAI web-site to check for agents.

If any unlicensed intermediary or an unregistered insurer solicits insurance, intimate IRDAI. Any payment you make to such unlicensed intermediaries or unregistered insurers is at your own risk.

WHAT ARE THE CUSTOMER RIGHTS & DUTIES?

As a smart consumer, you should be aware of your duties and rights about your policy coverage, claims and grievance redressal. The rights and duties during various stages of the life-cycle of insurance policy are briefly discussed here:

When you buy an insurance policy:

Fill the proposal form yourself correctly and truthfully. You will be responsible for any information in this document as it bears your signature.

- Disclose "all material information" about the risk you want to cover
- Ensure to register nomination under your policy. Fill the nominee's name correctly
- DO NOT LEAVE ANY COLUMN BLANK
- DO NOT SIGN A BLANK PROPOSAL FORM

After you submit the proposal:

- Once the proposal is submitted, you should hear from the insurance company in 15 days about their decision on issue or refusal of grant of insurance
- If not, take up the matter in writing
- If any additional documents are asked for, comply immediately
- If the insurer refuses grant of insurance, it should be informed in writing with reasons

After you buy the insurance policy:

- The policy document should reach you within a reasonable period of time after the proposal is accepted by the insurance company
- If not received, contact the insurance company about it
- When policy document is received, check it and be sure that the policy is the one that you wanted
- Go through all the policy conditions and be sure that these are the same that were explained to you by the intermediary/ insurance company official at the time of sale
- In case of doubts, contact the intermediary/ insurance company official immediately for clarification
- Wherever possible, contact the insurance company directly

Ensure that you are buying right insurance by taking the following precautions:

- Be wary of the unauthorized calls
- Be suspicious in case of lucrative offers or low premiums; call the insurance company to check the credentials, in case of a doubt
- Do not sign blank insurance proposal form
- Avoid paying premium in cash. Pay by cheque in favour of insurance company
- Request for receipt as evidence of payment of premium
- Examine the policy after receipt of the same and ensure that the requested coverage and premium terms are mentioned correctly

ABBREVIATIONS

AML	:	Anti Money Laundering
AOG	:	Act Of God
CAR	:	Contractors All Risks Policy
CC	:	Cubic Capacity
CL	:	Consequential Loss
CPM	:	Contractors Plant & Machinery Policy
EAR	:	Erection All Risks Policy
ECGC	:	Export Credit & Guarantee Corporation
GDP	:	Gross Domestic Product
GIC Re	:	General Insurance Corporation of India
HNI	:	High Networth Individual
IDV	:	Insured Declared Value
IGMS	:	Integrated Grievance Management System
IRDAI	:	Insurance Regulatory & Development Authority
LIC	:	Life Insurance Corporation
MACT	:	Motor Accident Claim Tribunal
MB	:	Machinery Breakdown
MLOP	:	Machinery Loss Of Profits Policy
MV	:	Market Value
NBFC	:	Non Banking Financial Company
NCB	:	No Claim Bonus
PA	:	Personal Accident
PED	:	Pre-Existing Disease
PPD	:	Permanent Partial Disablement
RBI	:	Reserve Bank Of India
RIV	:	Reinstatement Value
RSMD	:	Riot, Strike, Malicious Damage
SEBI	:	Securities & Exchange Board Of India
SMES	:	Small & Medium Enterprises
STFI	:	Storm, Tempest, Flood And Inundation

TAT	:	Turn Around Time
TPA	:	Third Party Administrator
TTD	:	Temporary Total Disability
WC	:	Workmen's Compensation
WWW	:	World Wide Web
ESIS	:	Employees' State Insurance Scheme
PHC	:	Primary Health Centre
NBFC	:	Non-Banking Financial Company
RSBY	:	Rashtriya Swasthya Bima Yojana
ICU	:	Intensive Care Unit
RMO	:	Resident Medical Officer
OPD	:	Outpatient Department
OT	:	Operation Theatre
AYUSH	:	Ayurved, Yoga, Unani, Siddha, Homeopathy
BPL	:	Below Poverty Line
PMSBY	:	Pradhan Mantri Suraksha Bima Yojana
PTD	:	Permanent Total Disability
PPD	:	Permanent Partial Disability
TTD	:	Temporary Total Disability
MOU	:	Memorandum Of Understanding
WHO	:	World Health Organisation
NGO	:	Non Government Organization
PSU	:	Public Sector Undertaking
INR	:	Indian Rupee
HRD	:	Human Resource Development
GIC	:	General Insurance Council

NOTES