III. Long Answer Type Questions

Question 1. Explain different types of life insurance policies.
Answer: The life insurance policies Eire of many types. The principal types of policies are discussed below:

1. Whole life Policy: Under this policy premiums are paid throughout life and the sum insured becomes payable only at the death of the insured. The policy remains in force throughout the life of the assured and he continues to pay the premium till his death. This is the cheapest policy as the premium till his death. This is the cheapest policy as the premium charged is the lowest under this policy. This is also known as 'ordinary life policy. This policy is suitable to persons who want to provide for payment of estate duty, make bequeathments for charitable purposes and to provide for their families after their death.
2. Children's Endowment Policy: This policy is taken by the person for his or her children to meet the expenses of education or marriage. The agreement states that a certain sum of money will be paid by the insurer when the children attain a particular age. There will be no need of paying premium if the person entering into the contract dies before maturity.
3. Endowment Policy: It runs only for a limited period or up to a particular age. Under this policy the sum assured becomes payable if the assured reaches a particular age or after the expiry of a fixed period called the endowment period or at the death of the assured whichever is earlier. The premium under this policy is to be paid up to the maturity of the policy, i.e., the time when the policy becomes payable. Premium is naturally a little higher in the case of this policy than the whole life policy. This is a very popular policy these days as it serves the dual purpose of family and old age pension.
4. Double Endowment Policy: Under this policy the insurer agrees to pay to the assured double the amount of the insured sum if he lives on beyond the date of maturity of the policy. This policy is suitable for persons with physical disability who are otherwise not acceptable for other classes of assurance at the normal tabular rates. Premiums are to be paid for a selected term of years or until death, if earlier.
5. Joint Life Policy : This policy covers the risk on two lives and is generally available to partners in business. Policies are however, issued on the lives of husband and wife under specified circumstances. Sum assured becomes payable at the end of the selected term or on the death of either of the two lives assured, if earlier.
6. Fixed term (marriage) Endowment Policy and Education Annuity Policy: It is a policy suitable for making provisions for the marriage or education of children. Premiums are payable for a selected term or till prior death. The benefits are payable for selected term or till prior death. The benefits are payable only at the end of selected term. Tn case of the marriage endowment, the sum assured is paid in lump sum, but in case of the educational annuity, it is paid in equal half- yearly

installments over a period of five years.

7. Annuities : It is a policy under which the insured amount is payable to the assured by monthly or annual installments after he attains a certain age. The assured may pay the premium regularly over a certain period or he may pay the premium regularly over a certain period or he may pay a lump sum of money at the outset. These policies are useful to persons who wish to provide a regular income for themselves and their dependants.

Question 2. What is the difference between life, fire and marine insurance?
Answer: It is summarized in the table given below:

Basis	Life Insurance	Fire Insurance	Marine Insurance
Subject Matter	Subject matter of insurance is human life.	Subject matter of insurance is physical property or assets.	Subject matter of insurance is ship, cargo or fright.
Purpose	Protection and investment both.	Protection only.	Protection only.
Insurable Interest	It must be present at the time of acquiring the policy and it is not necessary at the time of maturity.	It must be present at the time of contract and also when claim falls due.	It must be present at the time when claim falls due.
Policy Amount	It can be any amount.	It can't be more than the value of subject matter.	It can't be more than market value of goods.
Duration	It is taken for long duration like ranging from 5-30 years or whole life.	It is taken for one year.	It is taken for one year or period of voyage or mixed.
Indemnity	It is not based on principle of indemnity.	It is based on principle of indemnity.	It is based on principle of indemnity.
Measurement of Loss	Not possible	Possible	Possible
Surrender Value	It has a surrender value, i.e., it can be surrendered before maturity.	It does not have a surrender value.	It does not have a surrender value.
Contingency of risk	Element of risk is certain because amount has to be paid either on death or on maturity whichever is earlier.	Element of risk is uncertain as mishappening may not take place.	Element of risk is uncertain as mishappening may not take place.

Question 3. Write a short note on GATS.
Answer: The creation of the GATS was one of the landmark achievements of the Uruguay be came Round, whose results entered into force in January 1995. While services currently account for over 60 per cent of global production and employment, they represent no more than 20 per cent of total trade (BOP basis). This —seemingly modest—share should not be underestimated, however. Many services, which have long been considered genuine domestic activities, have increasingly become internationally mobile. This trend is likely to continue, owing to the introduction of new transmission technologies (e.g., electronic banking, tele-health or tele-education services), the opening up in many countries of long entrenched monopolies (e.g. voice telephony and postal services), and regulatory reforms in hitherto tightly regulated sectors such as transport. Combined with changing consumer preferences, such technical and regulatory innovations have enhanced the "tradability" of services and, thus, created a need for multilateral disciplines.
All WTO members, some 140 economies at present, are at the same time members of the GATS and, to varying degrees, have assumed commitments in individual service sectors.
The GATS schedule largely follows a classification. It classifies services into 12 sectors which are as follows:

1. Business services;
2. Communication services;
3. Construction and related engineering services;

4. Distribution services;
5. Educational services;
6. Environmental services;
7. Financial services;
8. Health related and social services
9. Tourism and travel related services;
10. Recreational, cultural and sporting services;
11. Transport services;
12. And other services.

Question 4. Write a short note on Indian insurance sector.
Answer: The health of the insurance sector reflects a country's economy. This sector not only generates long term funds for infrastructure development, but also increases a country's risk taking capacity. India's economic growth since the turn of the century is viewed as a significant development in the global economy. This view is helped in no small part by a booming insurance industry.
The future of the Indian insurance sector looks bright. The sector which stood at a strong US$ 72 billion in 2012 has the potential to grow to US$ 280 billion by 2020. This growth is driven by India's favourable regulatory environment which guarantees stability and fair play. This environment has given rise to an insurance market which encourages foreign investors to tap into the sector's massive potential.
Ever since the Indian government liberalised the insurance sector in 2000 and opened the doors for private participation, the sector has become stronger. The resultant competition has provided the' consumer with a never-before-seen range of products and providers, and also enhanced service levels markedly. Consistent growth in the insurance sector depends on a few factors. Some of these are:

1. Effective distribution channels: The efficiency and cost of the various distribution strategies used by companies are significant to their success in the insurance business. This particularly holds true for the retail business.
2. Focus on overall financial inclusion: As time evolves, so must the approach of the insurance sector in India. The objective of the insurance sector should ideally be to offer a broader range of activities to a wider populace.
3. Consumer needs and preferences: The growth of India's insurance industry can be attributed to product innovation, dynamic distribution channels, and vibrant publicity and promotional campaigns run by insurance companies. Benefits attached to the products and the manner in which they are delivered (through various marketing tie-ups) have helped bring customers and insurance companies closer to each other and made the latter more relevant.
4. Health Insurance is an up-and-coming segment in this sector: Currently, it caters for 10 per cent of the overall US$ 30 billion healthcare expenditure in India. Consequently, there is plenty of scope for players in this area.
5. The life insurance segment contributes about 4 per cent to India's gross domestic product (GDP) in terms of total premiums underwritten annually. There are 23 private companies in the segment. The state owned Life Insurance Corporation (LIC) dominates the field, with about 71 per cent of the market share, according to Insurance Regulatory and Development Authority (IRDA).

IV. Higher Order Thinking Skills (HOTS)

Question 1. Manju obtained a life insurance policy of her husband. After 5 years, she divorced her husband. After one year of divorce, her husband died in a car accident. Can she claim the amount of

policy from the insurance company?
Answer: Yes, she can claim because in life insurance insurable interest has to be present at the time of affecting the policy but need not be present at the time when the claim falls due.

Question 2. A person gets his stock of goods insured, but he hides the fact that the electricity board has issued him statutory warning letter to get his factory's wiring changed later on, the factory catches fire due to short circuit. Can he claim compensation? State the name of "Principle".
Answer: No, he cannot claim the compensation because the principle of utmost good faith is not followed. According to this principle, it is the duty of the insurer and insured to voluntarily make full accurate disclosure of all facts, material to the insurance contract.

Question 3. Anju has taken a loan from Avi against the security of his factory. Can Avi take a fire insurance policy of that factory?
Answer: No, she cannot. Because in case of fire insurance, insurable interest has to be present both at the time of affecting the policy and also when the claim falls due.

V. Value Based Questions
Question 1. A person took an insurance policy and did not disclose that he is a patient of cancer. Which value is missing in this case?
Answer: Honesty is missing in this case and the principle of utmost good faith is violated and hence the person's beneficiary cannot get the claim for his policy.

Question 2. There are three types of services: Business Services, Social Services and Personal Services. Which of the services in your opinion are of utmost importance and why?
Answer: In my opinion, these services are complementary to each other and hence, they have their own importance. I can't say that tourism or recreation (Personal Service) is less important than services of a charitable hospitals (Social Service) or vice-versa. Similarly I can't say that banking (Business Service) is less important than services of restaurants (Personal Service) or vice-versa. Still if I have to choose one, I will select social services because:

- They benefit to a larger section of society.
- They are sometimes provided without a payment in lieu.
- They have long lasting effects on our society and economy.

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