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INSURANCE CAPSULE

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INSURANCE CAPSULE

INSURANCE

An arrangement by which a company or the state undertakes **to provide a guarantee of compensation for specified loss**, damage, illness, or death in return for payment of a specified premium. Insurance is a **means of protection from financial loss**. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss.

TYPES OF INSURANCE

There are **two main types** of insurance, which covers different aspects in your life:

- **LIFE INSURANCE**
- **GENERAL INSURANCE**

LIFE INSURANCE

Life insurance is an insurance coverage that pays out a certain amount of money to the insured or their specified beneficiaries upon a certain event such as death of the individual who is insured. This protection is also offered in a Family takaful plan, a Shariah-based approach to protecting you and your family. Life insurance is a contract that **offers financial compensation in case of death or disability**.

The coverage period for life insurance is **usually more than a year**. So this requires periodic premium payments, either monthly, quarterly or annually.

The **risks** that are covered by life insurance are:

- Premature death
- Income during retirement
- Illness

The **main products** of life insurance include:

- **Whole life**
- **Endowment**
- **Term**
- **Investment-linked**
- **Life annuity plan**
- **Medical and health**

Type of Insurance Policy	Features
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Whole Life Policy	The policyholder pays regular premiums until his death, upon which the corpus is paid out to the family.
Endowment Plans	Endowment plans pay out the sum assured under both scenarios - death and survival
Term Life Insurance	Term insurance is a life insurance product offered by an insurance company which offers financial coverage to the policy holder for a specific time period.
Investment-Linked Insurance	An investment-linked insurance plan is a life insurance that combines investment and protection. Your premiums provide not only a life insurance cover, but part of the premiums will also be invested in specific investment funds of your choice.
Life Annuity Plan	A life annuity is an annuity, or series of payments at fixed intervals, paid while the purchaser (or annuitant) is alive.
Medical and Health Insurance	Health insurance is insurance that covers the whole or a part of the risk of a person incurring medical expenses, spreading the risk over a large number of persons.
Unit Linked Insurance Plans	ULIP is a life insurance product, which provides risk cover for the policy holder along with investment options to invest in any number of qualified investments. The first ULIP was launched in India in 1971 by Unit Trust of India (UTI).
Money Back Policy	Money back plan is a life insurance product as well as an investment plan which provides life insurance cover against death of the policy holder along with periodic returns as a percentage of sum assured.

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GENERAL INSURANCE

General insurance is basically an insurance policy that **protects you against losses and damages** other than those covered by life insurance. For more comprehensive coverage, it is vital for you to know about the risks covered to ensure that you and your family are protected from unforeseen losses.

The coverage period for most general insurance policies and plans **is usually one year**, whereby premiums are normally paid on a one-time basis.

The **risks** that are covered by general insurance are:

- Property loss, for example, stolen car or burnt house
- Liability arising from damage caused by yourself to a third party
- Accidental death or injury

The **main products** of general insurance includes:

- **Motor insurance**
- **Fire/ Houseowners/ Householders insurance**
- **Personal accident insurance**
- **Medical and Health insurance**
- **Travel insurance**

Type of Insurance Policy	Features
Motor Insurance	Motor Insurance can be divided into two groups, two and four wheeled vehicle insurance
Health Insurance	Common types of health insurance includes: individual health insurance, family floater health insurance, comprehensive health insurance and critical illness insurance.
Travel Insurance	Travel insurance can be broadly grouped into: individual travel policy, family travel policy, student travel insurance, and senior citizen health insurance.
Home Insurance	Home insurance protects a house and its contents.

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Commercial Insurance	Commercial insurance encompasses solutions for all sectors of the industry arising out of business operations.
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DIFFERENCE BETWEEN LIFE INSURANCE AND GENERAL INSURANCE

Life Insurance	General Insurance
Amount assured becomes payable on death or maturity	Actual financial loss suffered becomes payable subject to the limit of sum assured
It is for whole life or for a specified period	Usually for a period of one year
It promotes savings along with financial protection	It provides financial protection only
Often used as a form of investment	Usually serves its purpose
Premium usually paid annually	Premium can be paid annually or lumpsum at one time

LIFE INSURANCE COMPANIES IN INDIA

Life Insurance Companies in India	About	Tagline	Chairman / Managing Director	Head quarters	Type
Life Insurance Corporation of India	It is an Indian state-owned insurance group and investment company. It was founded in 1956.	Yogakshemam Vahamyaham	V. K. Sharma	Mumbai, Maharashtra	Public
Aviva India	It is an Indian life assurance company, and a joint venture between Aviva plc, a	Kal Par Control	Mr. Trevor Bull	Gurgaon, Haryana	Private

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	<p>British assurance company, and Dabur Group, an Indian conglomerate.</p> <p>As per the Indian insurance sector regulations, Aviva plc has a 49% stake and Dabur has a 51% stake in the JV partnership. It began its operations in July 2002.</p>				
Bajaj Allianz Life Insurance	<p>It is a joint venture between Bajaj Finserv Limited (formerly part of Bajaj Auto Limited) owned by the Bajaj Group of India and Allianz SE, a European financial services company. It began operations on 12 March 2001.</p>	JiyoBefikar	TarunChugh	Pune, India	Private
Birla Sun Life Insurance Company Limited	<p>It is a joint venture between the Indian conglomerate Aditya Birla Group, and Sun Life Financial Inc., an international financial services organisations</p>	Your Dreams, Our Commitment	A. Balasubramanian	Mumbai, Maharashtra	Private

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	from Canada. In April 2016, Sun Life Financial increased their stake in Birla Sun Life Insurance to 49%.				
Exide Life Insurance	It is a 100% Indian owned life insurance company, owned by the Exide Industries. It has been operating since 2001. It is formerly called ING Vysya Life Insurance Company.	lambasathbharose kibaat	Kshitij Jain	Bangalore, Karnataka	Private
HDFC Standard Life Insurance	It is a joint venture between Housing Development Finance Corporation Ltd (HDFC), one of India's leading housing finance institution and Standard Life Aberdeen PLC (UK). HDFC Life was established in 2000 becoming the first private sector life insurance company in India.	Saruthakejiyo	VibhaPadalkar	Mumbai, Maharashtra	Private
ICICI Prudential Life	It is a joint venture between ICICI Bank and	ZimmedarikaHum safar	N.S. Kannan	Mumbai, Maharashtra	Public

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Insurance	Prudential plc (UK)				
IDBI Federal Life Insurance	It is a three-way joint-venture of IDBI Bank, Federal Bank, and Ageas, a multinational insurance giant (Europe).	-	VighneshShahane	Mumbai, Maharashtra	-
India First Life Insurance Company	It is a joint venture between two of India's public-sector banks – Bank of Baroda (44%) and Andhra Bank (30%), and UK's financial and investment company Legal & General (26%)	-	R.M.Vishakha	Mumbai, Maharashtra	Private
Max Life Insurance	It is formerly known as Max New York Life Insurance Company Limited provides life insurance in India. The company is a no.1 subsidiary of Max Financial Services Limited. It was founded in 2000 and its operations began in 2001. It is a joint venture between Max Financial Services and	KaroJyadakaIraad a	Analjit Singh	New Delhi, India	Private

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	Mitsui Sumitomo Insurance Company				
Peerless Group	It is an Indian business conglomerate. It was established in 1932. Its major holding company is Peerless General Finance & Investment Co Ltd, which is the India's largest Registered Residuary Non-Banking Company.	-	D. Basu	Kolkata, West Bengal	Public
PNB MetLife India Insurance Company	It is one of the leading life insurance companies in India present since 2001. PNB MetLife has as its shareholders MetLife International Holdings LLC (MIHL), Punjab National Bank Limited (PNB), Jammu & Kashmir Bank Limited (JKB).	Now be double sure	Ashish Kumar Srivastava	Mumbai, Maharashtra	Private
SBI Life Insurance Company	It is a joint venture life insurance company between State Bank of India (SBI), and BNP Paribas Cardiff (France). SBI owns 70.1% of the	With Us, You are Sure	Sanjeev Nautiyal	Mumbai, Maharashtra	Private

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	total capital and BNP Paribas Cardiff 26% of the capital. It started its operations in the year 2001.				
Edelweiss Tokio Life Insurance	It is a new age life Insurance company in India. It is a joint venture between Edelweiss, a diversified financial services conglomerate in India, and Tokio Marine, one of the oldest life insurance companies in Japan.	-	Rashesh Shah	Mumbai, Maharashtra	Private
Aegon Life Insurance Company	Aegon Life Insurance Company (formerly known as AegonReligare Life Insurance Company) is an Indian life insurance provider founded in 2008. It is a joint venture between Dutch Aegon N.V., a multinational insurance, pensions and asset management company, and The Times Group (also	-	Vineet Arora	Mumbai, Maharashtra	Private

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	called Bennett Coleman & Co. Ltd), one of India's largest media conglomerates				
Kotak Life Insurance	Kotak Life Insurance Limited is a private Life Insurance company in India. The company was founded in 2001.	-	G Murlidhar	Mumbai, Maharashtra	Private
Reliance Life Insurance	Reliance Nippon Life Insurance Company (RNLI) is one of the largest life insurance companies in India with a market share of 5%.	-	Anmol Ambani,	Mumbai, Maharashtra	Private
Sahara India Pariwar	Sahara India Pariwar is an Indian conglomerate. The group has been a major promoter of sports in India and was the title sponsor of the Indian national cricket team, Indian national hockey team and many other sports.	-	Subrata Roy	Lucknow, Uttar Pradesh	Private

GENERAL INSURANCE (Non-Life Insurance) COMPANIES IN INDIA

General Insurance	About	Tagline	Head/Chairman	Headquarters	Type
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Companies in India					
Agriculture Insurance Company of India	It offers yield-based and weather-based crop insurance programs in almost 500 districts of India. The initial paid-up capital was Rs. 200 crores, which was subscribed by the promoting companies, General Insurance Corporation of India GIC (35%), NABARD (30%) and the four public-sector general	Sampann Bharat Ki Pehchan, BeemitPhasalKhushalkis an	Smt. Alamelu T. Lakshmanachari	New Delhi, India	Public

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	insurance companies (8.75%) each, viz., National Insurance Co. Ltd., Oriental Insurance Co. Ltd., New India Assurance Co. Ltd., and United India Insurance Co. Ltd.				
United India Insurance Company	It is a wholly owned by the Government of India, is the 2nd Largest general insurance company with Premium of	Rest Assured with Us	Vijay Srinivas & S Gopakumar (Joint In-charge)	Chennai, Tamil Nadu	Public

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	Rs.16000+ Crore in India. It was incorporated on 18 February 1938, and was nationalised in 1972.				
Export Credit Guarantee Corporation of India	It is a company wholly owned by the Government of India. It provides export credit insurance support to Indian exporters and is controlled by the Ministry of Commerce. Government of India had	-	GeethaMuralidhar	Mumbai, Maharashtra	Public

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	initially set up Export Risks Insurance Corporation (ERIC) in July 1957. It was transformed into Export Credit and Guarantee Corporation Limited (ECGC) in 1964 and to Export Credit Guarantee Corporation of India in 1983.				
The Oriental Insurance Company	It was incorporated on 12 September 1947 as a government-owned non-life insurance	Prithvi, Agni, Jal, Akash, Sabki Suraksha HamarePaas	A V Girija Kumar	New Delhi	Public

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	company. It was Nationalised in 1956.				
New India Assurance	It was founded in 1919, and was nationalised in 1973. New India Assurance is the first Indian non-life company to reach Rs.18,000 crore global gross premium. It is fully owned by GOI.	India's Premier General Insurance Company	Hemant Rokade & C Narambunathan (Joint In-charge)	Mumbai, Maharashtra	Public
National Insurance Company	It is a state owned general insurance company in India. It was established	Trusted Since 1906	K Sanath Kumar	West Bengal, Kolkata	Public

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	in 1906 and nationalised in 1972.				
GIC Re (Re Insurance Companies)	It was the sole reinsurance company in the Indian insurance market with over four decades of experience.	AapatkaleRakshisyami	Alice G. Vaidyan	Mumbai, Maharashtra	Public
Royal Sundaram General Insurance	A subsidiary of Sundaram Finance, is the first private sector general insurance company in India to be licensed in October 2000 by IRDAI.	-	MS Sreedhar	Chennai, Tamil Nadu	Public
Apollo Munich Health	It is Founded on 8 August	We Know Healthcare, We Know Insurance	Antony Jacob	Gurgaon, Haryana	Private

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Insurance	2007, it is a joint venture between the Apollo Hospitals group and Munich Health (Germany).				
Cholamandala m MS General Insurance	It is an Indian insurance firm and a joint venture between the Murugappa Group, an Indian conglomerate, and the Mitsui Sumitomo Insurance Group (MSIG), a Japanese insurance company.	-	S.S Gopalaratnam	Chennai, Tamil Nadu	Public
Bajaj Allianz General	The company is a joint	JiyoBefikar	TapanSinghel	Pune, Maharashtra	Private

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Insurance	venture between Bajaj Finserv Limited (formerly part of Bajaj Auto Limited) owned by the Bajaj Group of India and Allianz SE, a German financial services company.				
Bharti AXA General Insurance	It is a joint venture between Bharti Enterprises and AXA business Group that operates in India. Bharti Enterprises shares 51%	Jeevan Suraksha kaNayaNazariya	Sanjeev Srinivasan	Mumbai, Maharashtra	Private

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	<p>stake in the venture while AXA Group shares 49% stake. It has started its operations in India from August 2008.</p>				
Cigna TTK	<p>It is a health insurance firm established as a joint venture between the Cigna, the global insurance player and TTK Group, an Indian conglomerate. It was incorporated on 12 March 2012, under the Company's</p>	-	Prasun Sikdar	Mumbai, Maharashtra	Private

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	Act of 1956				
HDFC ERGO General Insurance Company	It is a 51:49 joint venture between HDFC Ltd. and ERGO International AG, a Germany-based company that is part of the Munich Re Group. Larsen & Toubro Limited has divested its 100% stake in L&T General Insurance Company Limited to HDFC ERGO	-	Ritesh Kumar	Mumbai, Maharashtra	Private

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	General Insurance Company Limited on June 3, 2016, vide a share Purchase Agreement.				
ICICI Lombard	Established in 2001, ICICI Lombard General Insurance Company is a joint venture between ICICI Bank and Fairfax Financial Holdings Limited - a financial services company based in Toronto. ICICI bank	Quick easy Smart	BhargavDasgupta	Mumbai, Maharashtra	Private

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	had 64% stake venture. It is the largest private sector general insurance company in India in the venture while Fairfax had 35% in the joint				
IFFCO Tokio	It is a joint venture between Indian Farmers Fertiliser Cooperative (IFFCO) and its associates and Tokio Marine and Nichido Fire Group. IFFCO holds 51%		Warendra Sinha	Gurgaon, Haryana	Private

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	shareholding and TOKIO MARINE holds 49% shareholding in IFFCO-Tokio General Insurance.				
Liberty Videocon General Insurance	It is a joint venture between the Boston-based insurance company Liberty Mutual Insurance Group and India-based Videocon Industries	-	Roopam Asthana	Mumbai, Maharashtra	Private
Reliance General Insurance	Reliance General Insurance was incorporated on 17 August 2000.	-	Rakesh Jain	Mumbai, Maharashtra	Private

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Religare Health Insurance Company Limited	Founded in 1984, initially Religare was a stock brokerage firm called Religare Securities Ltd (RSL) and was admitted to the National Stock Exchange (NSE) in 1994. It offers an integrated suite of financial services through its underlying subsidiaries and operating entities, includes	Value that Bind	Anuj Gulati	New Delhi	Public
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	Loans to Small and Medium Enterprises (SME)'s.				
Star Health and Allied Insurance	It is an Indian insurance company that commenced its operations in 2006. The company primarily focuses on Health Insurance, Travel Insurance and Accident policies.	-	V. Jagannathan	Chennai, Tamil Nadu	Private
Tata AIG General	It is a joint venture between the Tata Group and American International	-	Neelesh Garg	Mumbai, Maharashtra	Private

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	Group (AIG). Tata Group holds 74 per cent stake in the insurance venture with AIG holding the balance 26 percent.				
Universal Sampo General Insurance Company	It is a private public joint venture in general insurance where two nationalized banks, namely Allahabad Bank and Indian Overseas Bank, one private sector bank namely Karnataka Bank Ltd,	-	Rajiv Kumar	Mumbai, Maharashtra	Public Private Partnershi p

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one FMCG namely Dabur Investment Corp and a leading general insurer from Japan namely Sompo Japan Nipponkoa Insurance Inc have formed a general insurance company. It is India's first Public - Private Partnership in General Insurance Industry.				
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IRDAI

The **I**nsurance **R**egulatory and **D**evelopment **A**uthority of **I**ndia (**IRDAI**) is an autonomous, statutory agency tasked with regulating and promoting the insurance and re-insurance industries in India. It was constituted by the Insurance Regulatory and Development Authority Act, 1999, an Act of Parliament

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passed by the Government of India. The agency's **headquarters** are in **Hyderabad, Telangana**, where it moved from Delhi in 2001. There are 28 general insurance companies, including the Export Credit Guarantee Corporation of India and the Agriculture Insurance Corporation of India, and 24 life-insurance companies operating in the country.

Section 4 of the **IRDAI Act 1999** specifies the authority's composition. IRDAI is a **10-member body** including the chairman, five full-time and four part-time members appointed by the **government of India**. This body was chaired by **Subhash Chandra Khuntia** and its full-time members were P. J. Joseph, Nilesh Sathe, V. R. Iyer, Pournima Gupte and D. D. Singh.

About IRDAI Act, 1999:

An Act to provide for the **establishment of an Authority** to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto and further to amend the **Insurance Act, 1938**, the **Life Insurance Corporation Act, 1956** and the **General Insurance Business (Nationalisation) Act, 1972**.

List of Important Terms and its Definition Under Insurance Sector

Absolute Assignment:

An **absolute assignment** is the act of complete transfer of the ownership (all rights, benefits and liabilities) of the policy completely to other party without any terms and condition.

For instance, a policy owner X wants to gift his life insurance policy to another person named Y. Hence X is doing absolute assignment. Here X is the assignor and Y is the assignee. Now all benefits, returns and even the liabilities are in the name of Y. If Y wants, he can further use absolute assignment and transfer the policy to other party.

Actuaries:

A person with expertise in the fields of economics, statistics and mathematics, who helps in risk assessment and estimation of premiums etc for an insurance business, is called an **actuary**. Actuaries play a crucial role in the operation and profitability of any insurance business.

Actual Cash Value:

A **valuation of the damaged property**, i.e. its monetary worth at market value immediately preceding the occurrence of the loss, is called **actual cash value** of the property. It gives the estimate of the cost of replacement or repair of the damaged asset.

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Agent:

An **agent** is a person who represents an insurance firm and sells insurance policies on its behalf. Their services can be rewarded in the form of salary or commission. There are **two types** of agent. They are

➤ **Independent agents**

It may represent **many insurance firms** and receive commission for their services accordingly.

➤ **Captive or Exclusive agents**

It is exclusively employed by a **particular insurance firm** and sell policies of the same.

Aggregate Limit:

Usually refers to liability insurance and indicates the amount of coverage that the insured has under the contract for a specific period of time, usually the contract period, no matter how many separate accidents might occur.

Appraisal Value:

Appraisal value is used to measure the value of an insurance company. It is also known as actuarial appraisal value. It includes:

1. Present Value of existing business, also called **Embedded Value**.
2. Value of new business, that is the present value of the future business profits.
3. Adjusted book value.

Assessed Value:

For taxation, a property is assessed for its monetary worth. This ascertained price is known as **assessed value**. This assessment is done at an annual basis, considering factors such as property values and market conditions in the neighboring areas. Insurance companies may not use these valuations for indemnification, etc. In general, this assessed value tends to be **less than the fair** or actual market price of the property.

Assignor:

A party or entity who transfers the rights of the contract they hold to another party (assignee) is called the **assignor**. Assignor transfers the complete rights of ownership and benefits pertaining to the contract to the assignee. For instance, party A gives an absolute assignment to party B of an insurance policy of Rs. 1 lakh. Here A becomes the assignor.

Bailee:

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Bailee is person legally holding the goods of another, may be for payment or other reason. Motors garages and watch repairers have a responsibility to take care of the items in their custody and this gives them an insurable interest even though he is not owner.

Bancassurance:

Bancassurance means selling insurance product through banks. Banks and insurance company come up in a partnership wherein the bank sells the tied insurance company's insurance products to its clients.

Cede or Ceding Company:

Ceding company is an insurance company that transfers the insurance portfolio to a reinsurer. The insurer however is liable to pay the claims in the event of default by the reinsurer.

Concealment:

Concealment is the act of hiding or not putting forward any relevant fact in front of the insurer that need to be revealed. An applicant commits this fraudulent act intentionally or unintentionally that may lead to loss to the insurer. Hence concealment **may lead to risk** for the insurer.

Contingent Beneficiary:

For instance, the owner of the policy chooses his/her spouse as the primary beneficiary. However, the spouse dies at the same time as that of the insured. Here the children of the insured will become the **contingent beneficiary**.

Deferred Acquisition Cost:

The practice of deferring the outlays incurred in the acquisition of new business over the term of the insurance contract is called **deferred acquisition cost**.

Expense Loading:

Expense loading is the amount included in the **premium charged by an insurance company** to cover its administrative and maintenance costs.

General Insurance:

Insurance contracts that do not come under the ambit of life insurance are called **general insurance**. The different forms of general insurance are fire, marine, motor, accident and other miscellaneous non-life insurance. Like life insurance, general insurance products come at a price in the form of premium.

Group Policy:

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Group policy provides coverage to a group of people which can be a professional group like employee-employer group or an informal group. Group policy provides coverage at a **lower cost per person** in the group. Therefore, a group policy is more affordable than an individual policy. If the participant wishes to leave the group, his/her coverage might be ceased.

Guaranteed Survival Benefit:

Guaranteed survival benefits are benefit given to the policy holder during or upon completion of the policy tenure. Survival benefit applies only in the case the insured is alive. If not, the insured is entitled to receive death benefits.

Indemnity:

Indemnity means making compensation payments to one party by the other for the loss occurred. Indemnity is based on a **mutual contract** between two parties (one insured and the other insurer) where one promises the other to compensate for the loss against payment of premiums.

Lapsed Policy:

The policy for which all benefits to the policy holder cease and is terminated due to non - payment of premium amount on the due date or even after the grace period is called a **lapsed policy**. To avoid losses to all parties, generally the revival and reinstatement is encouraged and facilitated.

Life Annuity:

Life annuity is an insurance product in which the annuitant receives a series of future payments for his/her lifetime after retirement. The annuitant must pay a predetermined payment or a series of regular payments till he/she is working.

Mitigation:

Mitigation means reducing risk of loss from the occurrence of any undesirable event. This is an important element for any insurance business to avoid unnecessary losses.

Nominee:

A person who receives the benefit in case of death of the insured person is a **nominee**. The insured person chooses or nominates his/her nominee at the time of buying the life insurance policy. Nominee is usually the spouse, children or parents. The insured person can nominate one or more person as his/her nominee.

Premium:

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Premium is an amount paid periodically to the insurer by the insured for covering his risk. The premium paying frequency can be different. It can be paid in monthly, quarterly, semi-annually, annually or in a single premium.

Paid Up Policy:

Paid-up policy falls into the category of **traditional insurance plans**. The sum assured is limited to the paid-up value. It is calculated as the ratio of number of premiums paid to the total number of premiums that were supposed to be paid according to the policy multiplied by the sum assured at maturity.

Penetration Rate:

Penetration rate indicates the level of development of insurance sector in a country. Penetration rate is measured as the ratio of premium underwritten in a particular year to the GDP.

Proposal Form:

Proposal form is the most important and basic document required for life insurance contract between the insured and insurance company. It includes the insured's fundamental information like address, age, name, education, occupation etc. It also includes the person's medical history.

Reinsurance Risk:

Reinsurance risk refers to the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost. The inability may emanate from a variety of reasons like unfavourable market conditions, etc.

Reinstatement:

If an insured person fails to pay the premium due to various circumstances and as a result the insurance policy gets terminated, then the insurance coverage can be renewed. This process of putting the insurance policy back after a lapse is known as **reinstatement**.

Retention Limit:

The maximum amount of risk retained by an insurer per life is called **retention**. Retention is computed on the basis of Net Amount at Risk. Beyond that, the insurer cedes the excess risk to a reinsurer. The point beyond which the insurer cedes the risk to the reinsurer is called **retention limit**.

Revival Period:

Insurance policy lapses when the insured defaults on the **payments of renewal premium beyond a grace period**. Insurance companies provide an option of reactivating the lapsed policy, within a specific period of time post the grace period. This period offered by the insurer to revive the policy and avail

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benefits pertaining to it is termed as **revival period**. In this case, the policy holder needs to pay the interest along with the unpaid premium.

Risk Assessment:

Risk assessment, also called underwriting, is the methodology used by insurers for evaluating and assessing the risks associated with an insurance policy. The same helps in calculation of the correct premium for an insured.

Surrender Value:

It is the amount the policyholder will get from the life insurance company if he decides to **exit the policy before maturity**.

As per a recent Insurance and Regulatory Development Authority (IRDA) directive, life insurance companies have been asked not to levy surrender charges if the policyholder chooses to terminate the cover after **five years**.

Third Party Insurance:

It is referred to as a '**third-party**' cover since the beneficiary of the policy is someone other than the two parties involved in the contract (the car owner and the insurance company). The policy does not provide any benefit to the insured. However, it **covers the insured's legal liability** for death/disability of third-party loss or damage to third-party property.

Vesting Bonus:

Vesting bonus is the bonus given by the insurer to the policy holder after ascertaining its assets and liabilities. If, however, the policy is surrendered before maturity, the vesting bonus is added to the paid-up value (reduced sum assured) provided the policy has completed a stipulated period of time.

ABBREVIATIONS

ACA - Association of Corporate Counsel

ACCA - Association of Chartered Certified Accountants

ACAS - Associate of the Casualty Actuarial Society

ACSR - Accredited Customer Service Representative

ADB - Accidental Death Benefit

ADR - Alternative Dispute Resolution

AIAF - Associate in Insurance Accounting and Finance

AIRB - Aviation Insurance Rating Bureau

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- ANSI** - American National Standards Institute
- AIP** - Annual Implementation Plan
- AIPSO** - Automobile Insurance Plans Service Office
- AIRAC** - All Industry Research Advisory Council
- AIRB** - Aviation Insurance Rating Bureau
- AIRMIC** - Association of Insurance and Risk Managers in Industry and Commerce
- ALOP** - Advance Loss of Profit
- ALOS** - Average Length of Stay
- AMW** - Average Monthly Wage
- ARS** - Auction Rate Security
- ART** - Alternative Risk Transfer; Annual Renewable Term (life insurance)
- ASLI** - Associate in Surplus Lines Insurance
- BIC** - Business Income Coverage
- BPF** - Basic Premium Factor
- BPL** - Bankers Professional Liability
- CAPM** - Capital Asset Pricing Model
- CARE** - Credit Analysis and Research Limited
- CARF** - Commission on Accreditation of Rehabilitation Facilities
- CAD** - Capital Account Deficit
- COI** - Certificate of Insurance
- COR** - Cost Of Risk
- CPI** - Consumer Price Index
- C&S** - Capital and Surplus
- CVA** - Captive Value Added
- DCC** - Domestic Cell Captive
- DCF** - Discounted Cash Flow
- DEP** - Direct Earned Premium
- DFA** - Dynamic Financial Analysis (risk model)
- DFIRM** - Digital Flood Insurance Rate Map
- DICGC** - Deposit Insurance and Credit Guarantee Corporation of India

INSURANCE CAPSULE

- DPP** - Deferred Premium Payment Plan
- ECI** - Export Credit Insurance
- EFT** - Electronic Funds Transfer
- ELP** - Excess Loss Premium
- ELR** - Expected Loss Rate
- EP** - Earned Premium
- ESOP** - Employee Stock Ownership Plan
- EPS** - Earnings Per Share
- ERD** - Expected Reinsurer Deficit
- FAA** - Federal Arbitration Act
- FASB** - Financial Accounting Standards Board
- GAAR** - General Anti- Avoidance Rule
- GFD** - Gross Fiscal Deficit
- GWP** - Gross Written Premium
- ICIA** - International Credit Insurance Association
- ICSID** - International Center for the Settlement of Investment Disputes
- IPT** - Insurance Premium Tax
- LPT** - Loss Portfolio Transfer
- MCR** - Minimum Capital Requirement
- PMF** - Package Modification Factor
- PMI** -Private Mortgage Insurance
- SLR** - Stop-Loss Reinsurance
- ULIPs** - United Linked Insurance Plans
- UPR** - Unearned Premium Reserve
- WACC** - Weighted Average Cost Of Capital
- WP** - Waiver of Premium Rider
- YRCT** - Yearly Renewable Convertible Term
- YRT** - Yearly Renewable Term