



# IEIFS JAIIB

## **Insurance Fundamentals**

A comprehensive guide to insurance principles, products and protection mechanisms

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What Is Insurance?

# A Contract of Protection



Insurance represents a **binding agreement** between two parties—the insurer and the insured.

The insurer promises to **indemnify financial losses** suffered by the policyholder.

This protection is secured through regular **premium payments**.

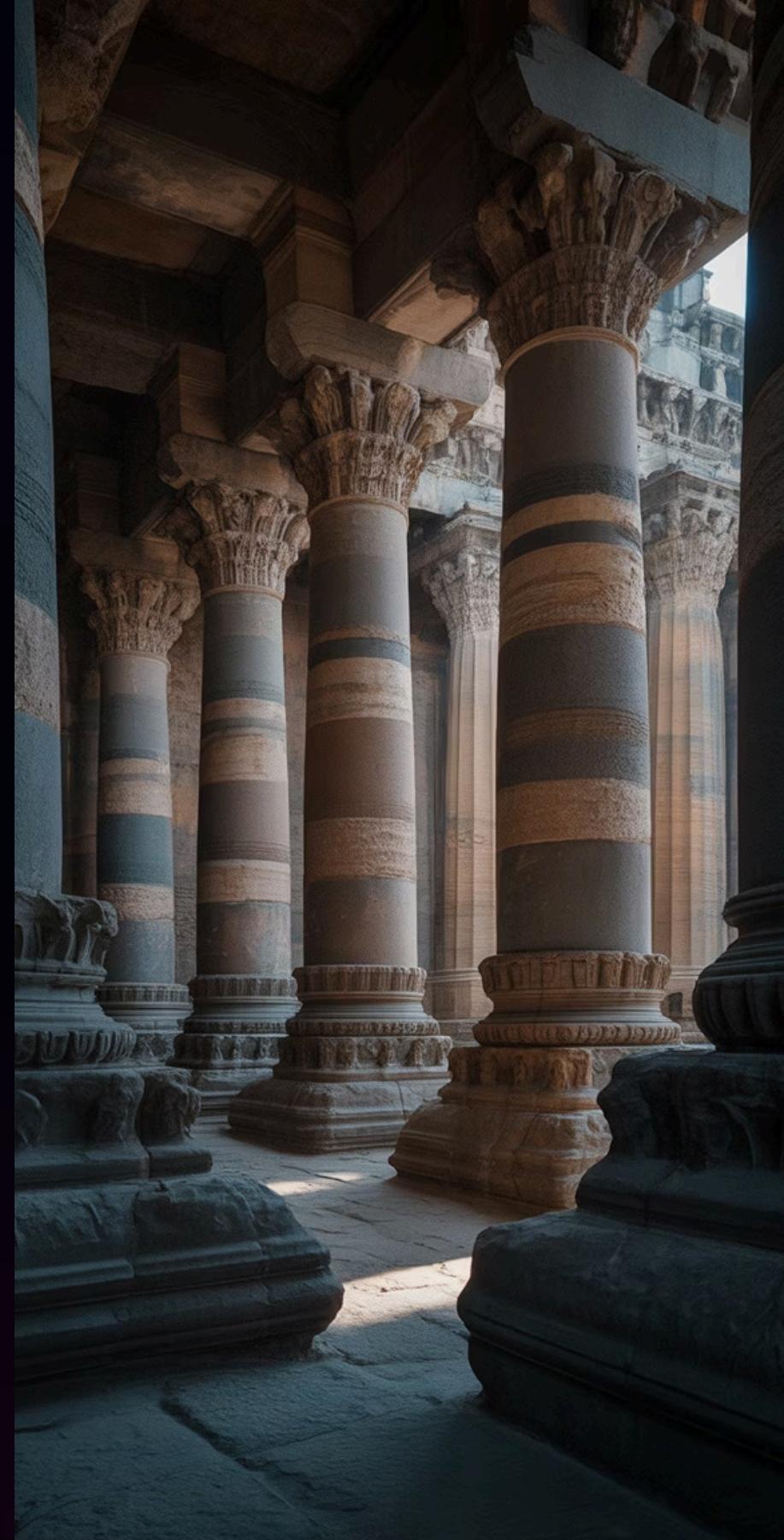




# Fundamenta 1 Principles

Six core principles govern every insurance contract

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# Principle of Utmost Good Faith



## Full Disclosure

Voluntarily reveal all material facts about the risk, whether requested or not



## Accurate Information

Provide complete and truthful details during policy application



## Consequences

Non-disclosure renders contract voidable—insurer can refuse compensation



# Principle of Insurable Interest

## Your Right to Insure

The policyholder must demonstrate a **legitimate financial stake** in the insured property or life.

Without insurable interest, the contract lacks validity.



(A) insures  
LIC

(B) insured  
LS



## Principle of Indemnity

### Compensation Only

Insurance exists solely to **cover actual losses**, not generate profit

### Exact Amount

Payment equals the **genuine financial loss**, nothing more

### Fair Balance

Prevents enrichment whilst ensuring adequate protection



# Principle of Subrogation



## Loss Occurs

Insured suffers damage to property

## Compensation Paid

Insurer indemnifies the policyholder

## Rights Transfer

Ownership rights pass to the insurer



# Principle of Contribution

## Multiple Policies, One Loss

When insured holds **several policies** for the same subject matter, contribution applies.

- Total compensation across all insurers
- Cannot exceed actual loss amount
- Prevents double recovery



Utmst good faith  
insurable int  
indemnity  
subrogation  
Contribution

Proximate  
cause



## Principle of Proximate Cause

01

### Multiple Causes

Loss results from two or more factors

02

### Identify Nearest Cause

Insurer determines the direct, immediate cause

03

### Coverage Decision

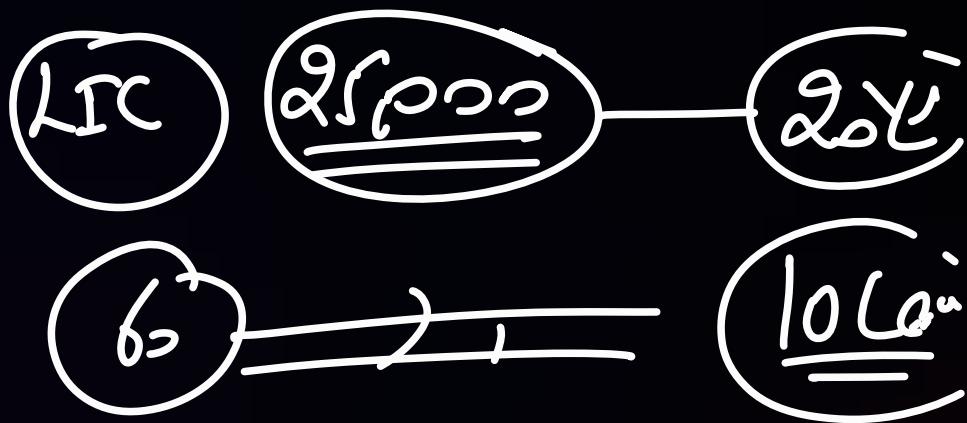
Compensation paid only if proximate cause is insured



# Classification of Insurance

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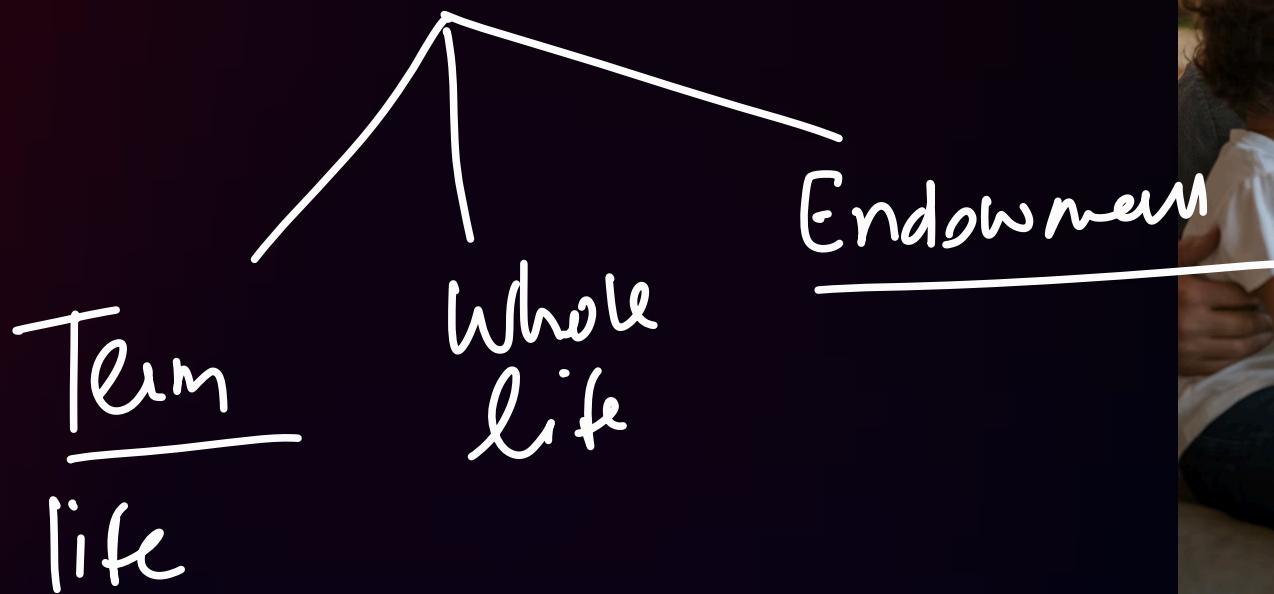
# Life Insurance

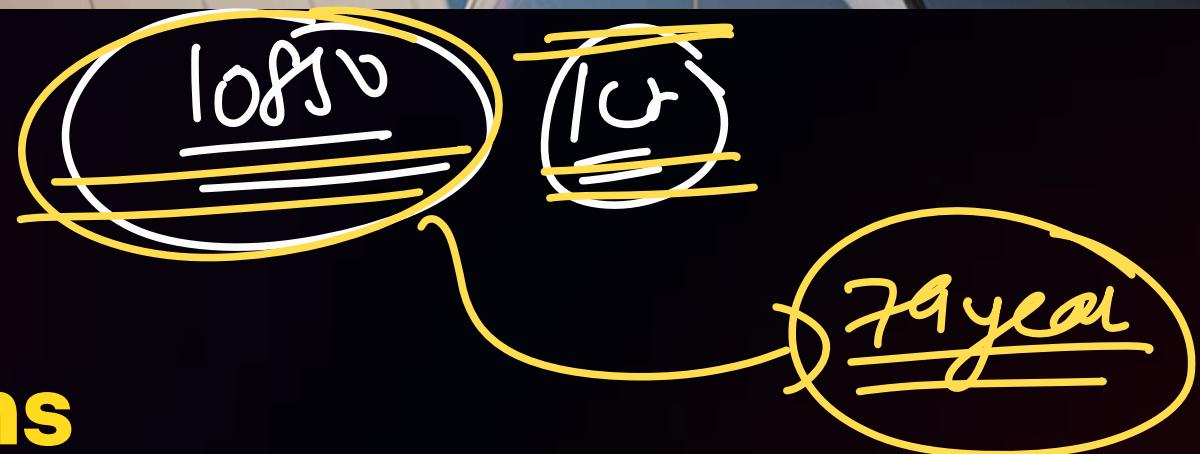
## Protection for Your Loved Ones

A **binding contract** between policyholder and insurer

Pays a sum upon death or after a set period

Secured through regular premium payments





## Term Insurance Plans

1

### Limited Protection

Coverage for a **specific number of years**

2

### Death Benefit Only

Face amount paid **only if death occurs** during term

3

### **No Maturity Value**

Nothing paid if policyholder survives the term



# Whole Life Insurance

## Lifetime Coverage

Provides insurance protection across **entire lifetime**

Face amount paid upon death, **regardless of when it occurs**

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# Endowment Insurance

## Dual Benefit

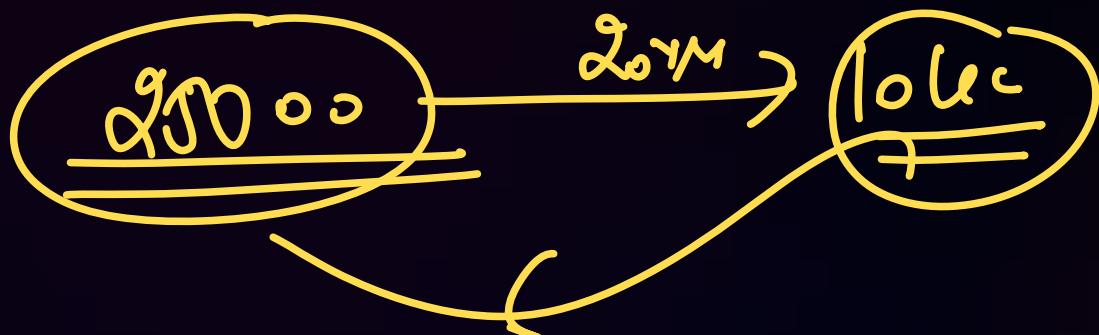
Life coverage plus savings component

## Maturity Payment

Sum paid if policyholder survives agreed period

## Death Benefit

Family protected if unfortunate event occurs

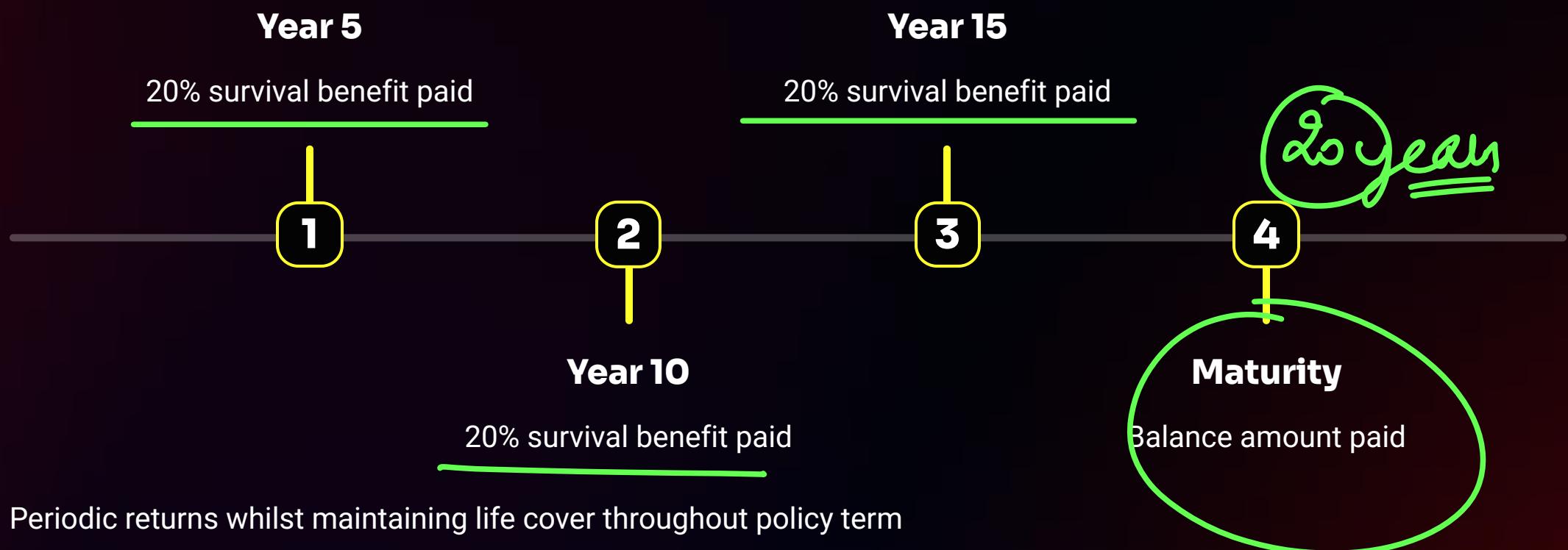


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# Money Back Plans



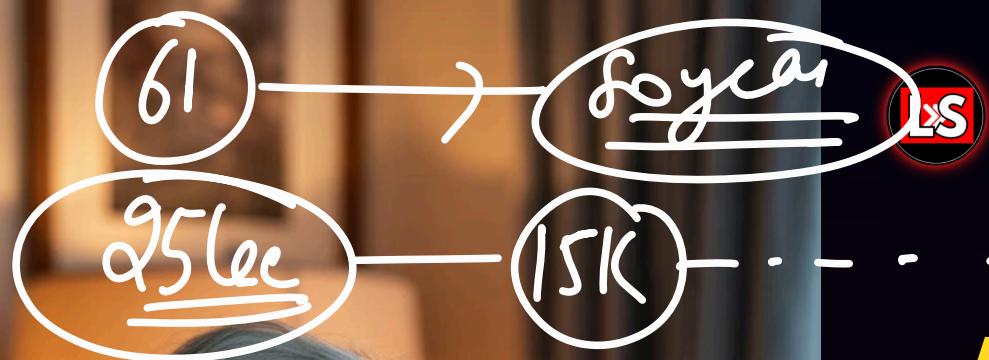
# Unit Linked Insurance Policy (ULIP)



## Investment Plus Protection

- Dual benefit structure
- Investment for long-term goals
- Life cover for family security
- Market-linked returns potential

long term goals  
life cover



# Annuity (Pension) Plans

## Regular Income for Life

Invest a lump sum today, receive **payments regularly** for your lifetime

### Immediate Annuity

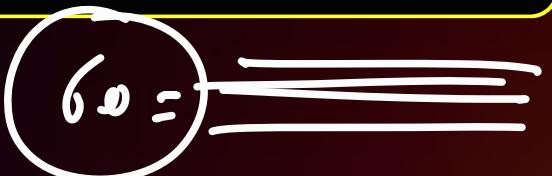
Payments start **immediately**

Lump sum premium in one instalment

### Deferred Annuity

Income begins at **future date**

Build wealth during accumulation phase





# Insurance Products

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# General Insurance

## Beyond Life Coverage

Any insurance **not** classified as life insurance



### Health

Medical expenses and hospitalisation



### Travel

Protection during journeys



### Motor

Vehicle damage and liability



### Property

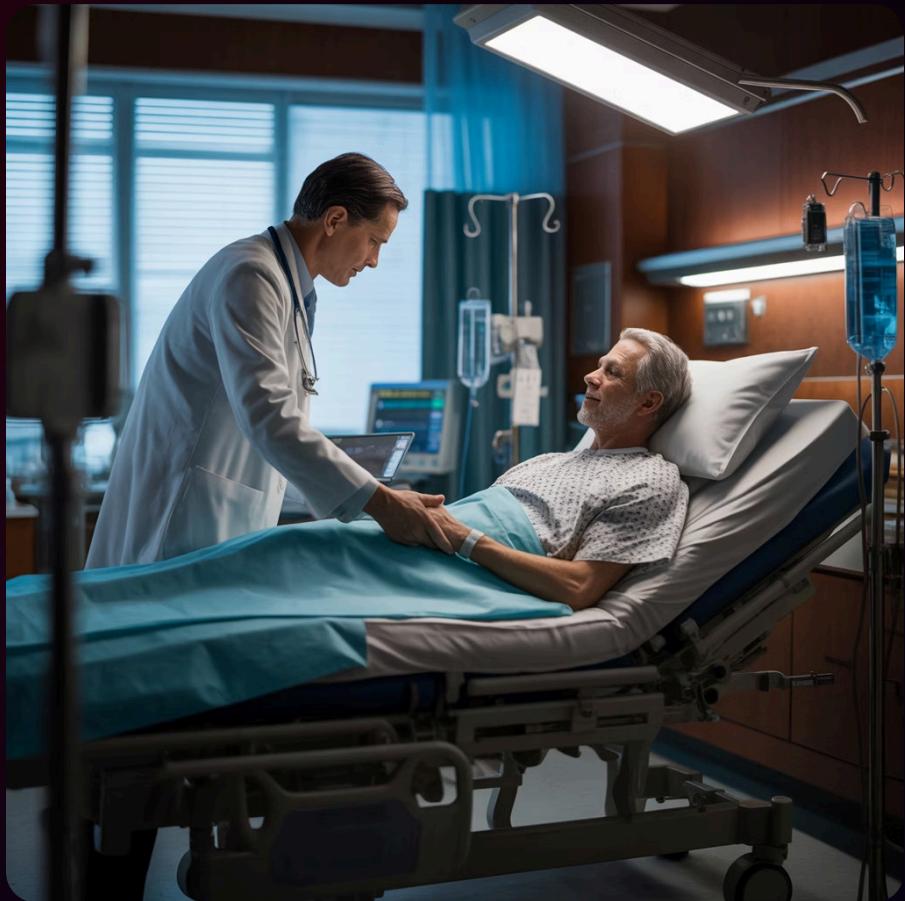
Buildings and contents protection

*Comprehensive*

*Comprehensive*



# Health Insurance



## Medical Emergency Shield

Risk mitigation tool for healthcare costs

Covers hospitalisation expenses up to sum insured



# Health Insurance Coverage



## Accommodation

Room and boarding expenses



## Medical Staff

Nursing, surgeon, anaesthetist, physician fees



## Treatment Costs

Anaesthesia, blood, oxygen supplies



## Surgical Expenses

Operation theatre and surgical charges



# Travel Insurance

## Accident Protection

Coverage for travel-related accidents

## Medical Expenses

Unexpected healthcare costs abroad

## Lost Belongings

Baggage loss, passport replacement

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# Motor Insurance

## Vehicle Owner Protection

Safeguards vehicle owners from **financial losses** due to:

- Vehicle damage
- Theft
- Third-party liability



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# Third Party Insurance



## Statutory Requirement

Legally mandated coverage



## Injury Coverage

Protects against third-party injury claims



## Claim Rights

Third party can claim insured amount directly





# Comprehensive Insurance

## Complete Vehicle Protection

- ✓ **Third-party cover included**
- ✓ **Own damage protection**
- ✓ **Theft coverage**

File claims for theft or damage and receive compensation



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# Motor Insurance Exclusions

1

## Invalid Licence

Driving without valid documentation



2

## Intoxication

Under influence of alcohol or drugs



3

## Geographical Limits

Accidents beyond covered territory



4

## Unlawful Use

Vehicle used for illegal purposes



5

## Mechanical Breakdown

Electrical or mechanical failures





# Property Insurance

## Asset Protection Coverage

Insurance for **buildings, machinery, and stocks** against:

### Fire Damage

Destruction from  
flames

### Allied Perils

Related hazards

### Burglary

Theft and break-ins

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# Fire Insurance

## Protection Against Flames

Coverage for **unforeseen loss or damage** from fire

### Covered properties:

- Dwellings
- Offices and shops
- Hospitals
- Places of worship



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# Burglary Insurance

## Property Coverage

Stocks and goods owned  
within premises

## Cash & Valuables

Funds in locked safes or  
cash boxes

## Securities

Documents in locked steel cupboards (upon specific request)



# Marine Cargo Insurance

## Transit Protection

Covers **loss or damage to goods** between origin and destination

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### Goods in Transit

Protection during movement

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### Ships

Vessel damage coverage

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### Terminals

Storage facility protection



# Group Insurance Scheme

PM SBY  
PM JO BY

## Collective Coverage

Life cover for **multiple persons** under single policy

Administered through **Master Policy**

Cost-effective protection for organisations





# Micro Insurance

## Affordable Protection

IRDAI Micro-Insurance Regulations, 2005

₹50K

**Maximum Sum Assured**

Accessible coverage for low-income groups

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18-50 years

1 June — 31st May  
next

# Pradhan Mantri Jeevan Jyoti Bima Yojana

PMJJBY: Life Insurance for All

## Eligibility

Age 18-50 years

## Premium

₹436 per annum

## Bank Account

Auto-debit consent required

## Cover Amount

₹2 lakhs death benefit





# PMJJBY Coverage Period





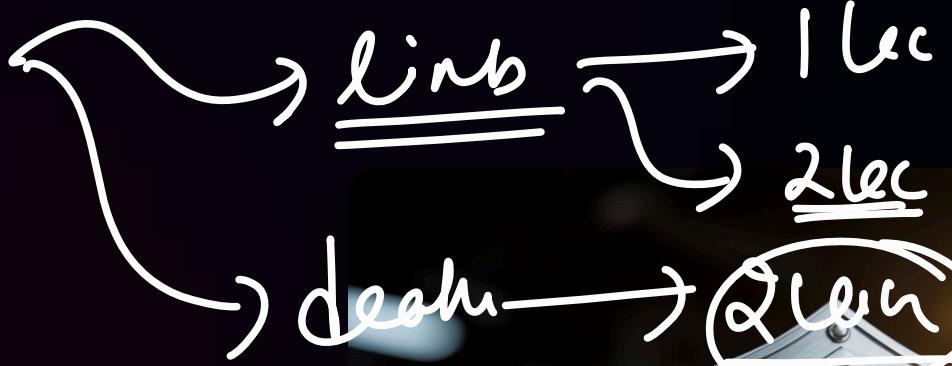
# Pradhan Mantri Suraksha Bima Yojana

## PMSBY: Accident Insurance



### Age Group

18 to 70 years



### Bank Account

Auto-debit consent required



### Coverage Period

1st June to 31st May annually



# PMSBY Benefits

## Death or Full Disability

₹2 lakhs compensation

## Partial Disability

₹1 lakh compensation

## Annual Premium

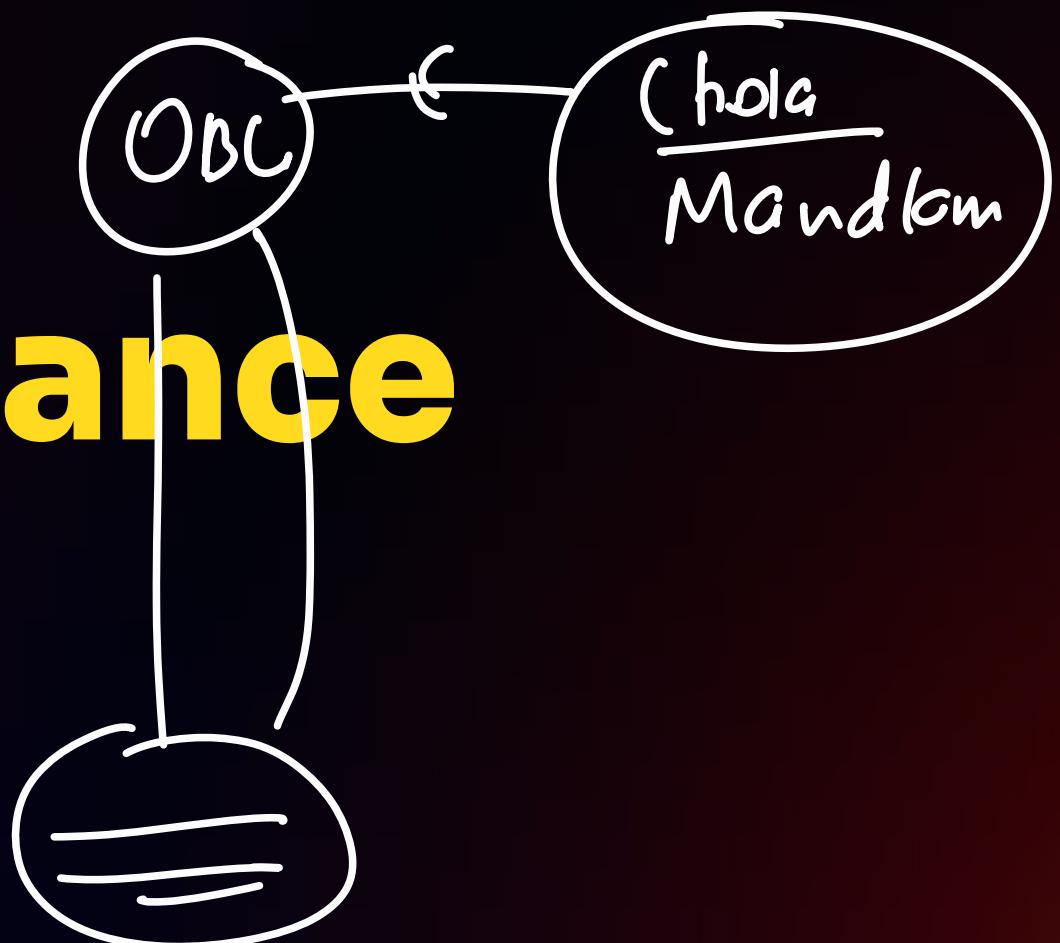
Only ₹20 per year

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# Bancassurance

Partnership between banking and insurance



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# What Is Bancassurance?



## Bank Partnership

Arrangement between bank and insurer



## Product Distribution

Insurance products sold to bank customers



## Mutual Benefits

Additional revenue and expanded reach



# Bancassurance Benefits

## For Banks

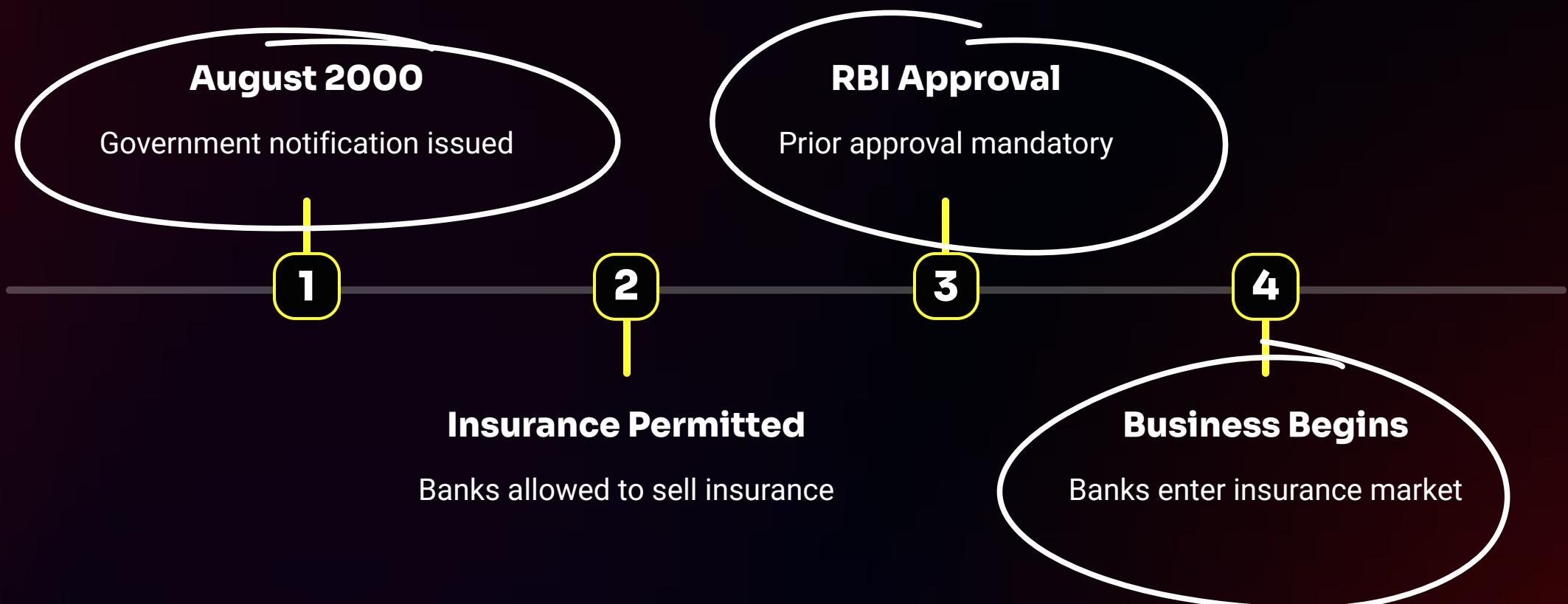
- ✓ Additional revenue streams
- ✓ Enhanced customer relationships
- ✓ Diversified product portfolio

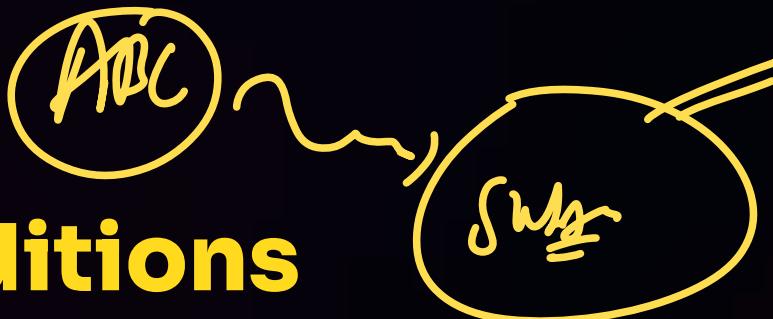
## For Insurers

- ✓ Expanded customer base
- ✓ Reduced distribution costs
- ✓ No additional sales force needed



# Bancassurance in India





## Bancassurance Conditions

1

### Agency Basis

Banks act as **agents on fee basis** without risk participation

2

### Bank Subsidiaries

Subsidiaries permitted to **distribute insurance products** as agents

3

### Joint Ventures

Eligible banks can establish JV companies with risk participation

W/o RBI approval



CRAR/CAR > 4%

NNPA < 3%



# Bancassurance Models



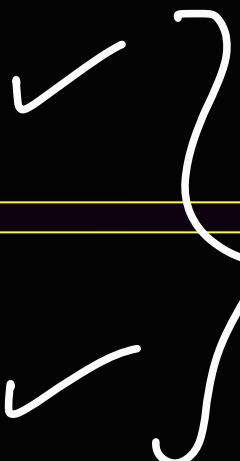
## Corporate Agency

Bank as corporate agent



## Referral Business

Customer referrals to insurers



## Joint Venture

Shared ownership and risk



## Own Operation

Build or acquire insurer



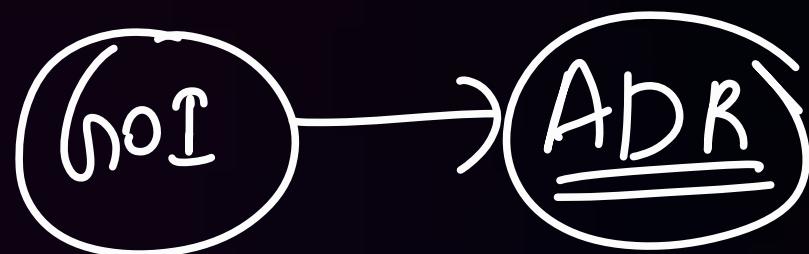
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# Insurance Ombudsma

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Your complaint resolution partner

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# Insurance Ombudsman Scheme



## Government Initiative

Created for **individual policyholders** to resolve complaints

- ✓ Cost-effective process
- ✓ Efficient resolution
- ✓ Impartial judgment



# When Can You Approach the Ombudsman?

01

## Insurer Approached First

You've complained to your insurance company initially

02

## Timeline Met

limrahm

Complaint made within **one year** of insurer's reply

03

## No Parallel Proceedings

Same complaint not pending in court, consumer forum or arbitration

04

## Value Limit

Claim value not exceeding ~~₹30~~ lakhs

50L



# Valid Complaint Categories



## Claim Settlement Delay

Beyond IRDAI-specified timeframes



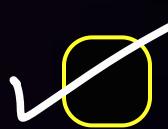
## Claim Repudiation

Partial or total rejection by insurer



## Premium Disputes

Disagreements about amounts paid or payable



## Misrepresentation

Incorrect policy terms and conditions



# More Valid Complaints

- **Policy Non-Conformity**

Policy differs from proposal form submitted

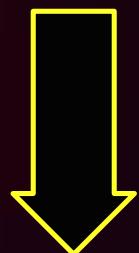
- **Non-Issuance**

Policy not issued despite premium receipt





# Ombudsman Recommendation Process



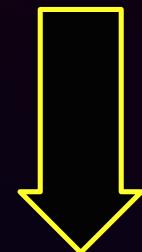
## Mediation

Ombudsman acts as neutral mediator



## Fact Analysis

Reviews evidence and dispute details



## Fair Recommendation

Issues balanced resolution proposal





# Ombudsman Award

## Binding Decision

If recommendation fails to resolve dispute:

### Timeline

Award passed within **3 months** of receiving requirements

### Enforcement

Binding on insurance company

*Jaib updates*



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# Key Takeaways



## Principles Matter

Six fundamental principles govern all insurance contracts



## Diverse Products

Life and general insurance offer comprehensive protection



## Bancassurance Growth

Banks expanding insurance access nationwide



## Consumer Protection

Ombudsman ensures fair complaint resolution

