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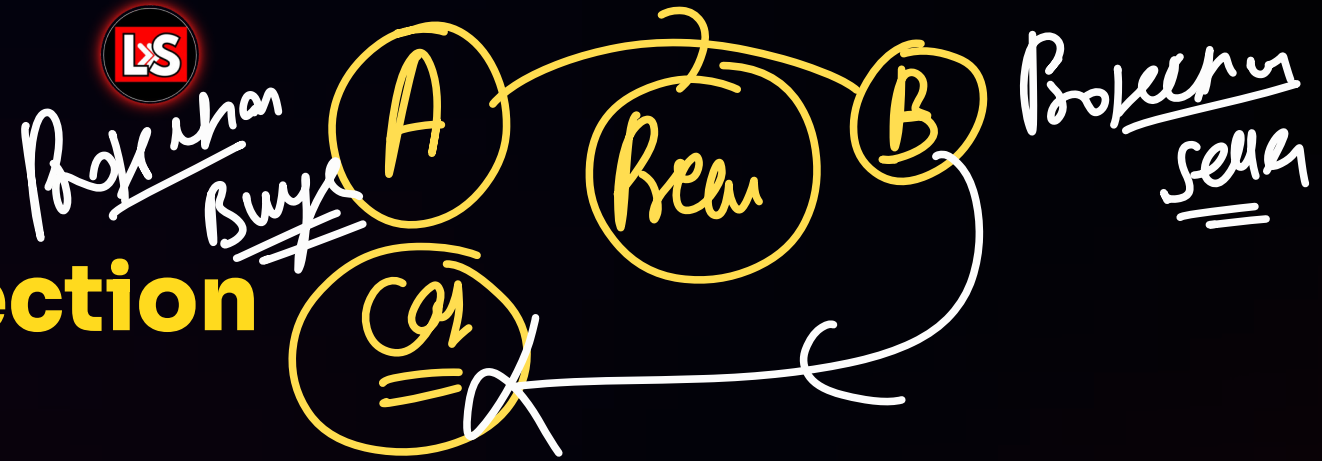
Insurance Fundamentals

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**.

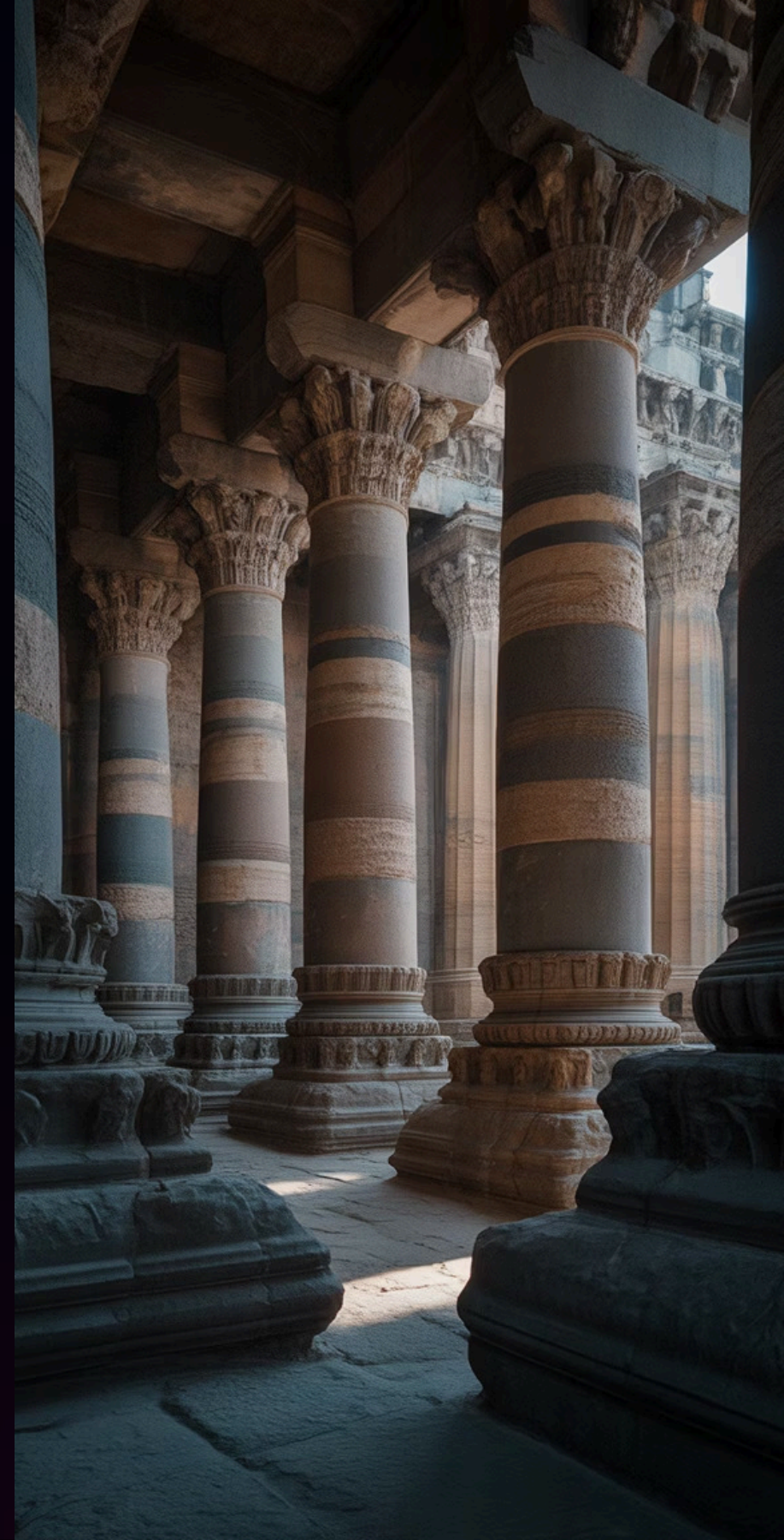




Fundamenta 1 Principles

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



loss

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

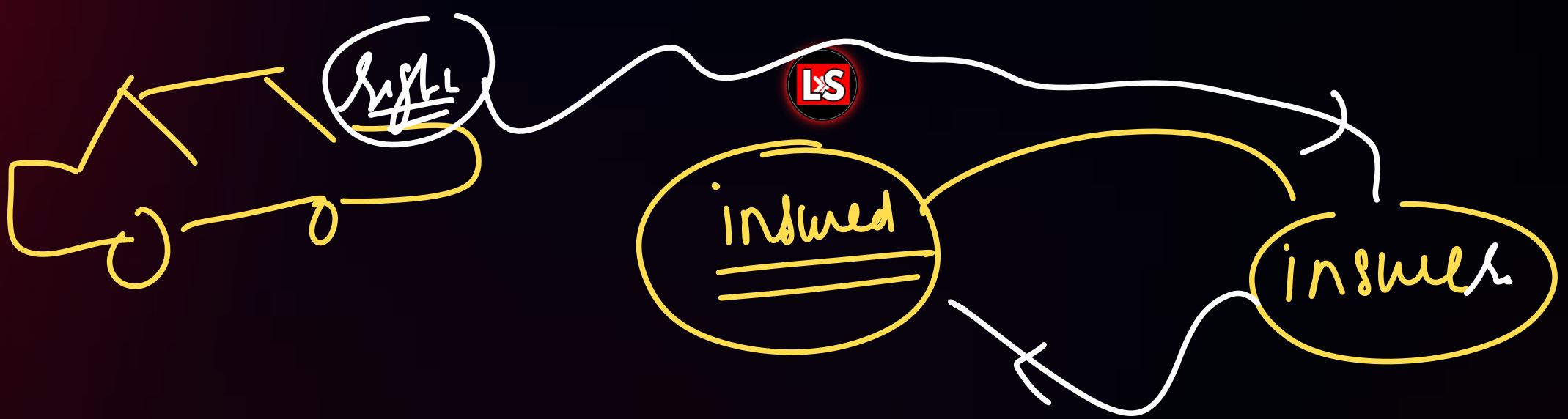
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A

ABC

XY2





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





Utmost 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



LIC 25000 — 20L
60 — 10L

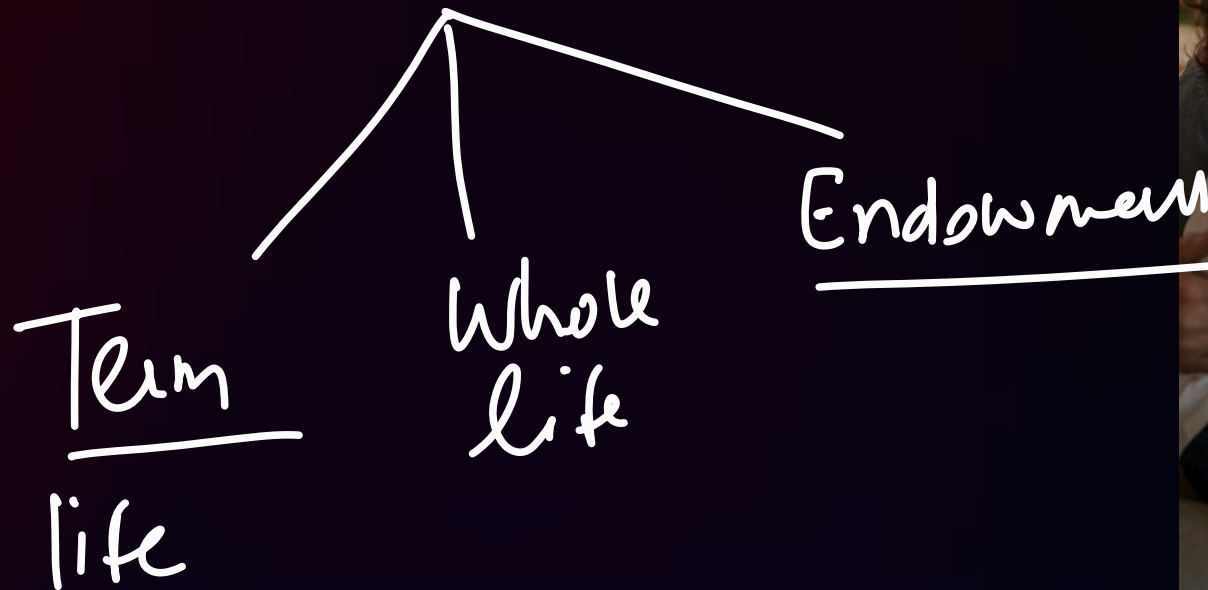
Life Insurance

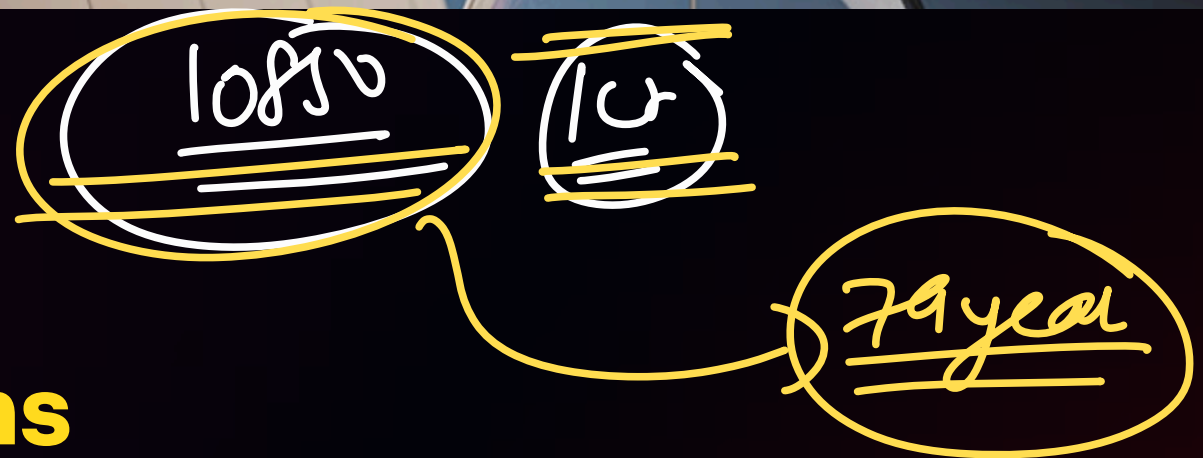
Protection for Your Loved Ones

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

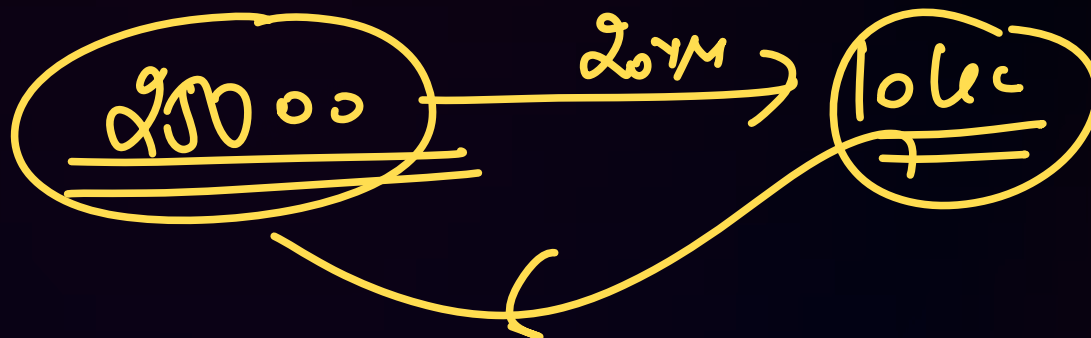
Life coverage plus savings component

Maturity Payment

Sum paid if policyholder survives agreed period

Death Benefit

Family protected if unfortunate event occurs

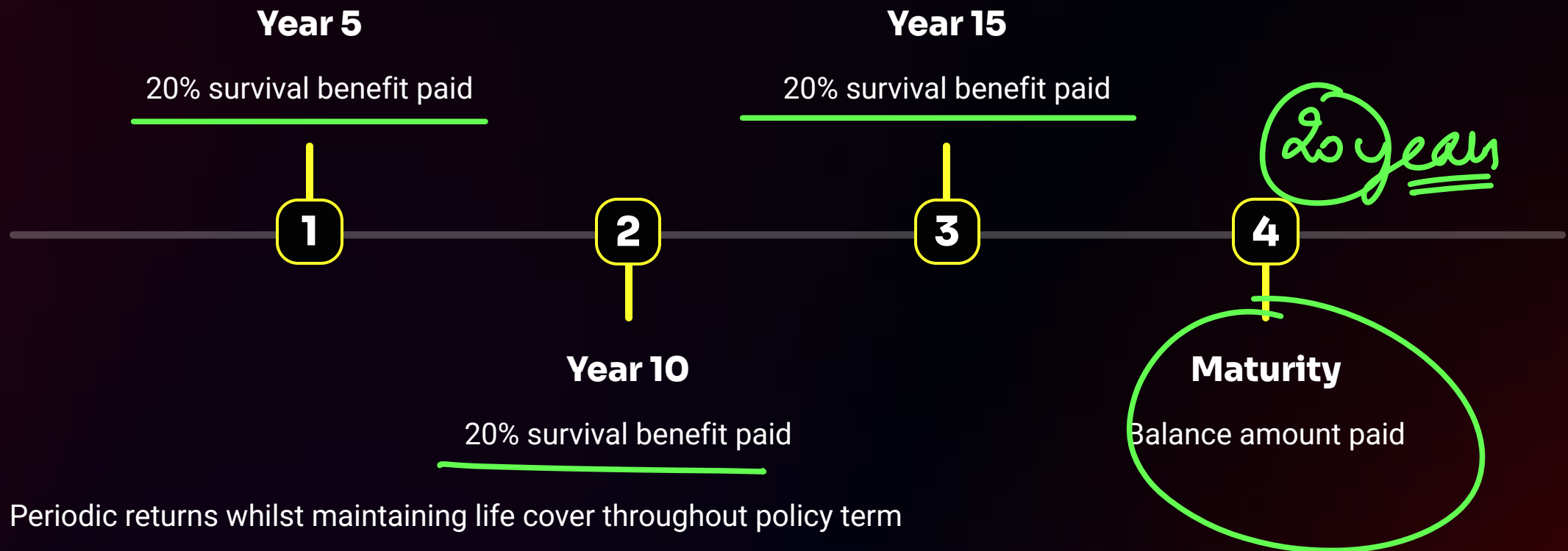


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Money Back Plans





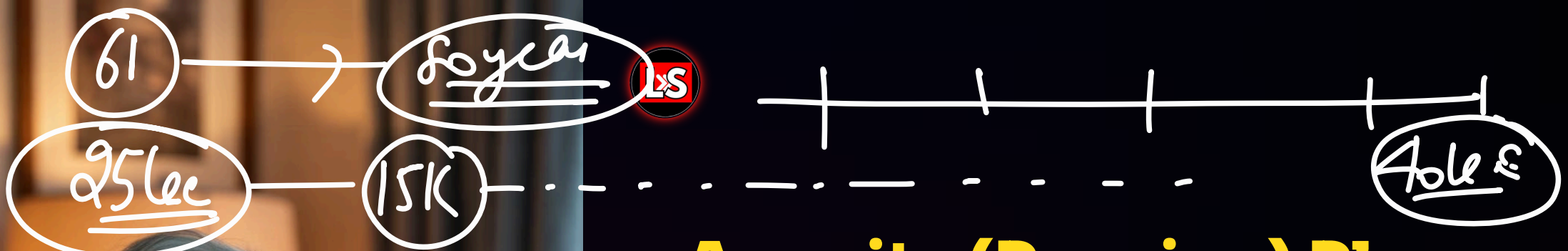
Unit Linked Insurance Policy (ULIP)

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
3rd party



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



Motor Insurance

Vehicle Owner Protection

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

- ✓ • Vehicle damage
- ✓ • Theft
- ✓ • Third-party liability





Third Party Insurance



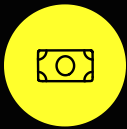
Statutory Requirement

Legally mandated coverage



Injury Coverage

Protects against third-party injury claims



Claim Rights

Third party can claim insured amount directly

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Comprehensive Insurance

Complete Vehicle Protection

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

File claims for theft or damage and receive compensation





Motor Insurance Exclusions

1

Invalid Licence

Driving without valid documentation

α

2

Intoxication

Under influence of alcohol or drugs

α

3

Geographical Limits

Accidents beyond covered territory

α

4

Unlawful Use

Vehicle used for illegal purposes

α

5

Mechanical Breakdown

Electrical or mechanical failures

α



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



Fire Insurance

Protection Against Flames

Coverage for unforeseen loss or damage from fire

Covered properties:

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





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

Goods in Transit

Protection during movement

Ships

Vessel damage coverage

Terminals

Storage facility protection

Mask



Group Insurance Scheme

PM SBY
PMJJBY



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 — ^{next} 31st May

Pradhan Mantri Jeevan Jyoti Bima Yojana

PMJJBY: Life Insurance for All

Eligibility

Age 18-50 years



Bank Account

Auto-debit consent required

Cover Amount

₹2 lakhs death benefit



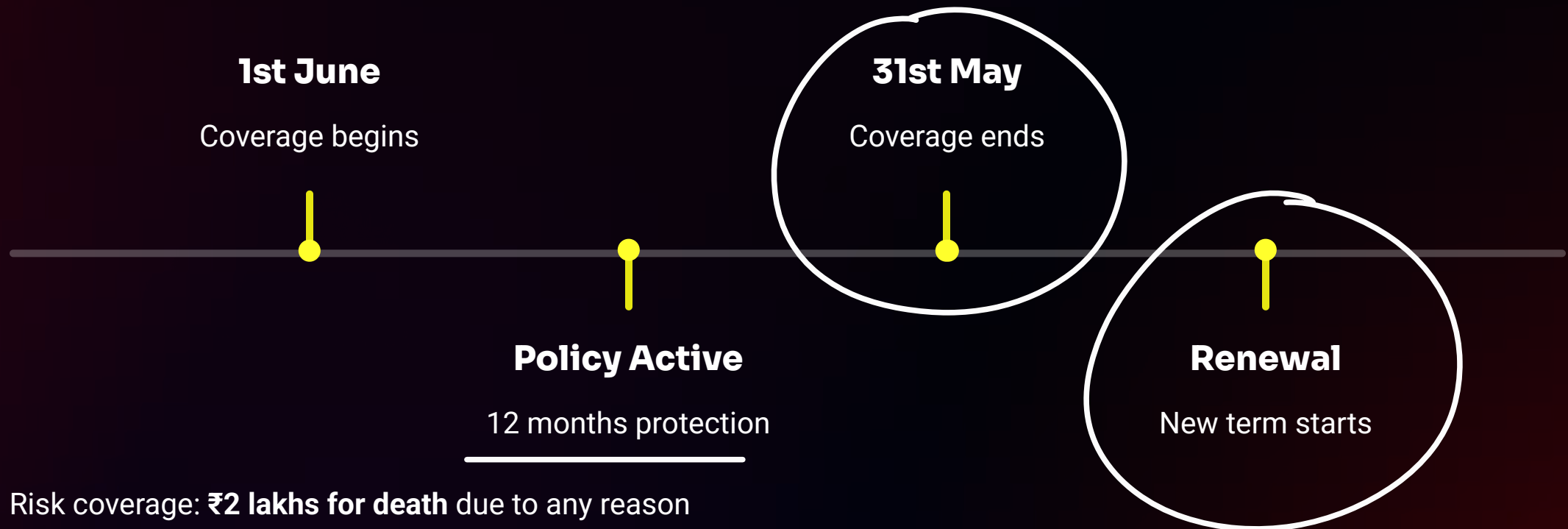
Premium

₹436 per annum

Yearly



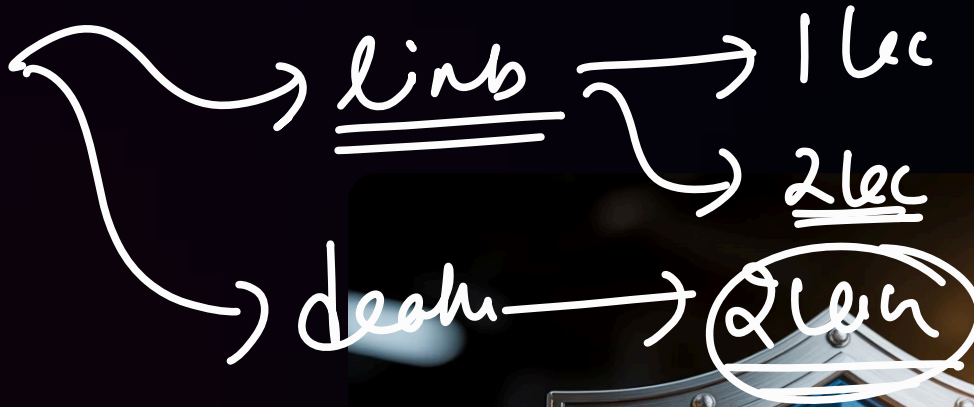
PMJJBY Coverage Period





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

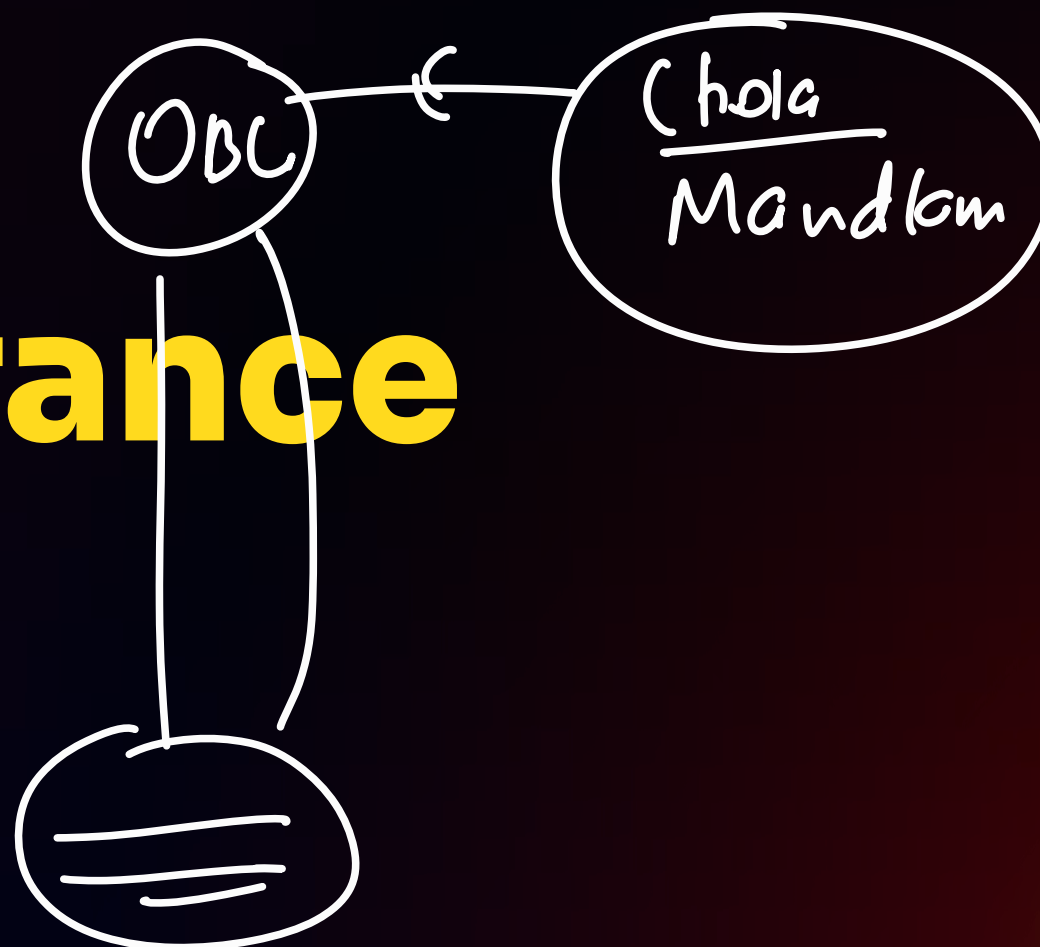
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Bancassurance

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

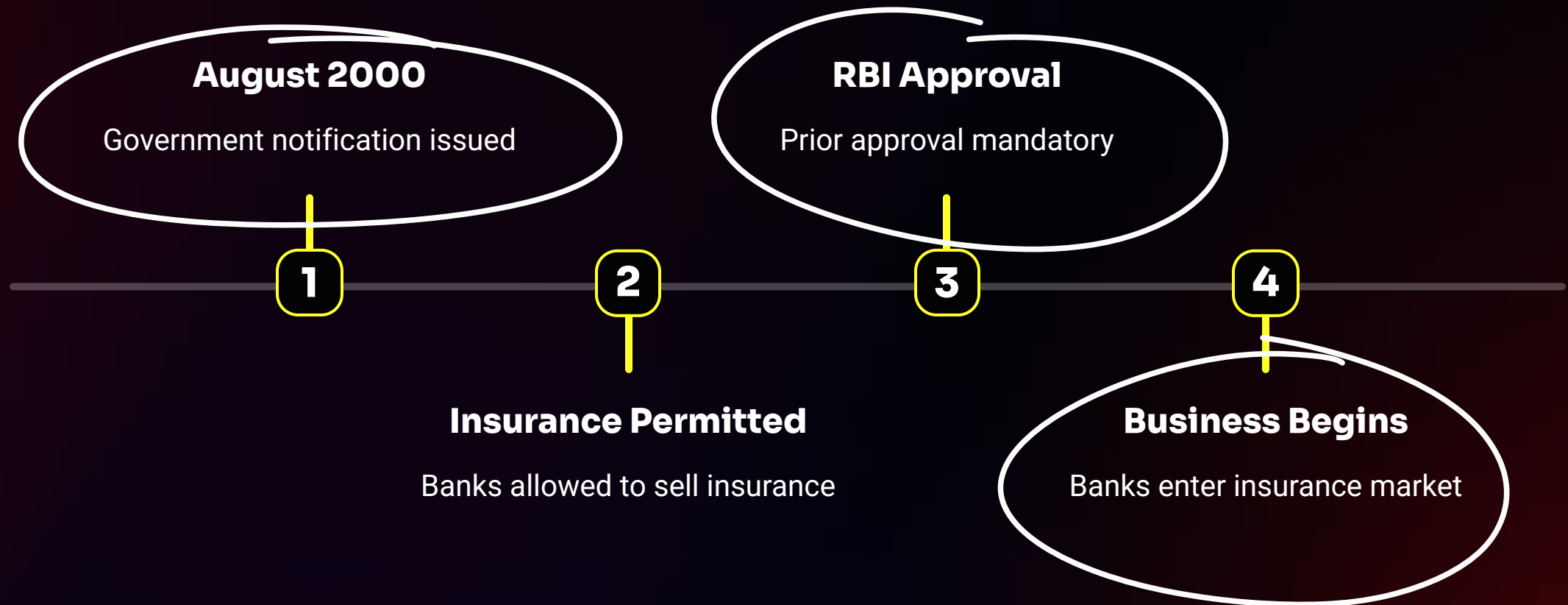
- ✓ • Additional revenue streams
- ✓ • Enhanced customer relationships
- ✓ • Diversified product portfolio

For Insurers

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



Bancassurance in India





ABC PNB Agent-like

ABC Sum

Bancassurance Conditions

1

Agency Basis

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



W/o RBI approval

2

Bank Subsidiaries

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

NW \$100 cr

3

Joint Ventures

Eligible banks can establish JV companies with risk participation

Risk

CRAR/CAR \neq 1%

NNPA < 3%



Bancassurance Models



Corporate Agency

Bank as corporate agent



Referral Business

Customer referrals to insurers



Joint Venture

Shared ownership and risk



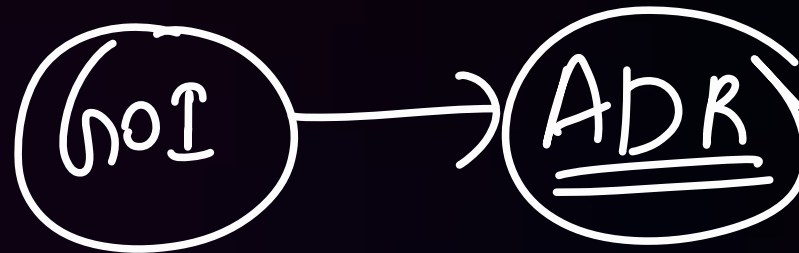
Own Operation

Build or acquire insurer





Insurance Ombudsman



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

limitation

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 ~~₹~~ 20 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

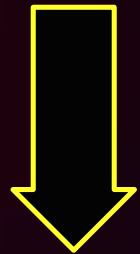
- **Non-Issuance**

Policy not issued despite premium receipt



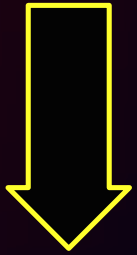


Ombudsman Recommendation Process



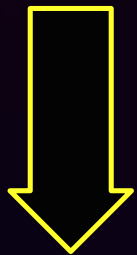
Mediation

Ombudsman acts as neutral mediator



Fact Analysis

Reviews evidence and dispute details



Fair Recommendation

Issues balanced resolution proposal

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Ombudsman Award

Binding Decision

If recommendation fails to resolve dispute:

Timeline

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

Enforcement

Binding on insurance company



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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

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