

IC 01 - PRINCIPLES OF INSURANCE

(Revised Edition: 2011)

Objectives

This course intends to provide a basic understanding of the insurance mechanism. It explains the concept of insurance and how it is used to cover risk. How insurance is transacted as a business and how the insurance market operates is also explained. The relationship between insurers and their customers and the importance of insurance contracts are discussed. Some commonly used insurance terms are also listed out. An overview of major life insurance and general insurance products is included as well.

Contents

Chapter 1: Risk Management: Provides an understanding of risk management – different types of risks – actual and consequential losses – management of risks – loss minimization techniques.

Chapter 2: The Concept of Insurance and its Evolution: The basics and nature of insurance – evolution and nature of insurance – how insurance operates today – different classes of insurance – importance of insurance – how insurance takes care of unexpected eventualities.

Chapter 3: The Business of Insurance: Management of risk by individuals – management of risk by insurers – fixing of premiums – reinsurance and its importance for insurers – role of insurance in economic development and social security – contribution of insurance to the society.

Chapter 4: The Insurance Market: The various constituents of the insurance market – operations of insurance companies – operations of intermediaries – specialist insurance companies – insurance specialists – the role of regulators – other bodies connected with insurance.

Chapter 5: Insurance Customers: Understanding insurance customers – different customer needs – importance of customers – customer mindsets – customer satisfaction – customer behavior at purchase point – customer behavior when claim occurs – importance of ethical behavior.

Chapter 6: The Insurance Contract: Terms of an insurance contract – principles which form the foundation of insurance – significance of the principle of insurable interest – the principle of indemnity – the principle of subrogation – the principle of contribution – disclosure of all relevant information – principle of utmost good faith – the relevance of proximate cause – the insurance contract.

Chapter 7: Insurance Terminology: Common terms used in insurance – terms common to both life and non – life insurance – terms are specific to life and non – life insurance – how insurance terms are used.

Chapter 8: Life Insurance products: The risk of dying early – the risk of living too long – different products offered by life insurers – term plans – pure endowment plans – combinations of plans – traditional products – linked policies – features of annuities and group policies.

Chapter 9: General Insurance Products: Risks faced by the owner of assets – exposure to perils – features of products covering fire and allied perils – products covering marine and transit risks – products covering financial losses due to accidents – products covering financial losses due hospitalization – products covering miscellaneous risks.

Annexure: A write up on the history of insurance is provided.



IC 11 - PRACTICE OF GENERAL INSURANCE

(Revised Edition: 2011)

Objectives:

This course primarily deals with practical aspects of General insurance within the framework of prevailing legislation and aims at familiarizing the reader with the market structure, procedures and practices, coverages under various insurance policies, underwriting practices, claims management, accounting, investments and customer service.

Contents:

Chapter 1: Insurance Legislation: The Insurance Act 1938 – Insurance Regulatory & Development Authority (IRDA) Act 1999 – General Insurance Councils – Amendments to Life Insurance Corporation Act 1956 – Amendments to General Insurance Business (Nationalisation) Act regulations issued by IRDA – Motor Vehicles Act 1988 – Other Acts – Exchange Control Regulations – Consumer Protection Act 1986 – Insurance Ombudsman, Market – Statutes & Regulations that affect conduct of business in India,

Chapter 2: Insurance Market: Historical – Present scenario – Agents – Corporate Agents – Brokers – Third Party Administrators (TPA) – Surveyors / loss Assessors – Overseas Markets – U K – U S A,

Chapter 3: Insurance Forms: Proposal Forms – Cover Notes – Certificate of Insurance – Policy Forms – Endorsements – Interpretation of policies – Co-insurance – Standard policies.

Chapter 4: Fire & Marine Insurance Coverages: Fire insurance Coverages – Marine insurance Coverages – Types of Marine insurance policies – Duty & increased value insurance.

Chapter 5: Miscellaneous Coverages: Motor insurance – Liability only policy – Package policy – Personal Accident insurance – health insurance – Burglary insurance – Baggage insurance – Legal Liability insurance – Public & Product Liability insurances – Professional Indemnity insurance – Workmen's Compensation insurance – Fidelity Guarantee insurance – Banker's Indemnity insurance – Carrier's Legal Liability insurance – Jeweller's Block insurance – Composite policies – Aviation insurance – Engineering insurance – Rural insurances – Micro insurance.

Chapter 6: Specialised Insurances: Industrial All Risks insurance – Advance Loss of Profits insurance – Oil & Energy Risks insurance – Satellite insurance.

Chapter 7: Underwriting: Objectives and approach – Underwriting policy – Class Rated Products – Individually Rated Products – Filing of products – Role of Actuary – Compliance officer – Underwriting Practice in different classes of insurance – Moral hazard – Underwriting of physical hazards – Declined risks – Risk inspections –

Reinsurance – Risk Management – Insurer’s role in risk management – Documentation procedure – Renewal procedure – Customer service – IRDA Regulation Protection of Policyholder’s Interest.

Chapter 8: Rating & Premium: Classification of risks – Discrimination – Bonus/Malus – Claims cost – Acquisition cost – Management expenses – Classification of products – Premium – Short period scales – Failure of consideration – Refund / return of premium – Advance payment of premium.

Chapter 9: Claims: Preliminary procedure – Loss minimization – Procedure – Claims form – Investigation & assessment – Surveyors and loss assessors – Claims documents – Arbitration – Discharge vouchers – Post settlement actions – Recoveries – Salvage & loss minimization – In-house settlement – Practices in U K & USA.

Chapter 10: Investment & Accounting: IRDA Investment Regulations 2000 – Accounting – Reserves for outstanding claims – Unexpired risk reserves – Other reserves – Final accounts – Profit & Loss account – Balance Sheet – Returns – Returns for Management control – Claims, underwriting and general administration returns – Database on computer.

References & recommended reading:

1. General Insurance, John Magee & David Bicklhaupt
 2. Operational Transformation of General Insurance Industry during the period 1950 to 1990 & Beyond, R. D.Samarth
 3. Study on Distribution Functions in General Insurance & Role of Intermediaries, Arun Agarwal / P R Rao
 4. General Insurance for Information Technology Professionals, Martin Frappoli.
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IC 56 - FIRE INSURANCE CLAIMS

((Revised Edition: 2011)

Contents:

Chapter 1: Basic Principles: Principles of Fire Insurance – Utmost Good Faith, Insurable Interest, Indemnity, Subrogation and Contribution –

Chapter 2: Standard Fire and Special Perils Policy: Coverage – General exclusions – Add-on Covers and related exclusions – Special Clauses applicable to basic cover and Add-on covers.

Chapter 3: Conditions and Warranties: Various Fire Warranties – Situations leading to Non-Standard Claims settlements and Ex-gratia settlement and their features

Chapter 4: Claims-Procedural Aspects: Preparation of Claim Notes – Office procedures relating to claims – Claim Forms – Appointment of Surveyors.

Chapter 5: Rights and Duties of Parties: Rights – Duties – Duty of the Insured – Onus of proof – Duty of the Insurers after a fire claim – Claims Under Special Policies – Reinstatement Value Policies Local Authority Clause – Declaration Policy – Floating Policy – Impact of ‘Omission to Insure Additions, etc.’

Chapter 6: The amount of Claim Payable-1: Clause – types of Losses – Meaning of Indemnity – Extent of indemnity & associated limitations – Meaning of Value and Depreciation – Reinstatement Value, Market Value, Depreciated Value and Book Value in Fire Insurance.

Chapter 7: The amount of Claim Payable-2: Issues Affecting Claim Amounts – Value of Salvage – underinsurance / pro-rata condition of average – Escalation Clause – Effects of Contribution – Subrogation – Claims under Concurrent & Non-concurrent Policies.

Chapter 8: Special Policies: Reinvestment Value Policy – Local Authority Clauses – Floater Declaration Policy – Salvage disposal Procedures – Arbitration Procedures.

Chapter 9: The Process of Surveying: Process Of Survey & Loss Assessment – Preliminary Survey Report – Final Survey Report – Loss minimization suggestions by the Surveyors –

Chapter 10: Claims-Some Legal Aspects: Proximate Cause – Case Laws Related To Fire Material Damage – Doctrine of Proximate cause – Insured Perils/ Excluded Perils/ Extended Perils (add-on covers) – Modifications in ‘excluded perils’ wordings under the Fire policy – Direct & Indirect Losses – “Without Prejudice” Waiver & Estoppel – Rules of Construction of policy Assignment of Claim Proceeds – Payment by mistake –

Chapter 11: Various Redressal Forums Available: Frauds in Fire insurance & Fraudulent claims – Case Studies on Complicated claims –Worked out sums for simple & complicated Fire Claims and related question solving – Insurance Ombudsman –

Various Redressal Forums Available in Relation to Fire Insurance Policies – Protection of the Policy Holders' & Other Stake Holders' Interest.



IC 58 – FIRE INSURANCE COVERAGES

(First Edition: 2011)

Objectives:

The course describes various types of Fire insurance policies as available and practiced in India & abroad. Objective of this course is to familiarize the reader with such policies along with the principles & practices of Rating & Underwriting of Fire insurance coverages.

Contents:

Chapter 1: Application of Basic Principles to Fire Insurance: Fire Insurance Cover – Meaning of Fire – A Legal Contract – Basic Principles viz. Insurable Interest – Indemnity – Utmost Good Faith – Proximate Cause – Average – Impact of Excess Clause,

Chapter 2: The Standard Fire & Special Perils Policy: Preamble – Perils covered viz. Fire, Lightning, Explosion/Implosion, Aircraft Damage, Riot, Strike, Malicious Damage, Flood Group of Perils, Impact Damage, Subsidence, Landslide including Rockslide, Bush Fire,

Chapter 3: General Conditions, Exclusions and Warranties: Deliberations on Conditions No. 1 to 15 – Policy Exclusions – Warranties,

Chapter 4: Special Types of Policies in the Indian Market: Reinstatement Value Policies – Floater Policies – Declaration Policies – Floater Declaration Policies,

Chapter 5: Structure, General Rules & Regulations of Erstwhile All India Fire Tariff: Tariff Structure – Sections with Headings – Policy Document together with Declarations, Schedule, Endorsements, Warranties, Clauses, Specification to form Part of the contract – Valued Policies – Long Term Policies – Mid-term Cover – Payment of Premium – Minimum Premium – Partial Insurance – Short Period Scale of Rates – Loadings – Cancellation Rules – Mid-Term Revision of Sum Insured – Escalation Clause – floater Policies – Declaration Policies – Floater Declaration Policies – Loadings & Discounts for Claims Experience – FEA Discounts – Silent Risks – Voluntary Deductibles – Rate Computation Method – Detariffed market Situation – Underwriter's Acumen – major issues in Detariffing – Regulator & Road Map – Data Collection – Detariffed Pricing Factors- Burning Cost & alternate Method,

Chapter 6: Policy Drafting, Endorsements & Premium Computation: Proposal form – Risk Inspection Report Scope & Purpose – Premium – The Schedule – Drafting of Policy – Endorsements – Renewal Notice,

Chapter 7: Add on Covers: Architects Surveyors & consulting Engineer's Fees – Removal of Debris – Spontaneous Combustion – Earthquake – Forest Fire – Spoilage Material Damage – Leakage & Contamination,

Chapter 8: Special Clauses: Agreed Bank Clause – Cost of Re-erection – Declaration Clause – Local Authorities Clause – Reinstatement Value Clause – Voluntary Deductible – Loss of Rent - Additional Expenses on Rent for Alternate Accommodation – Contract Price Clause – Designation of Property Clause – Temporary Removal of Stocks – Omission to Insure Additions, Alterations & extensions, Background of Growth and Fire Insurance Tariff – Classification of Flammable Materials – Tariff Definitions – Warranties – Rating Procedures – Voluntary Deductible – Industrial All Risks Insurance eligibility Criteria – IAR Policy Composition & Coverage Details – Deductibles – add-on Covers – Rating Considerations,

Chapter 9: Petrochemical Risks, Industrial All Risks & Mega Risks: Petrochemical Tariff Special Provisions – Salient Features – Scope – Definitions – Excess Clause – Silent Risks – Minimum Requirements – Rulings – Method of Rating – Rating Procedure – Various Hazard Factors & Rating Tables – Warranties for Discounts & Loadings – Mutual Aid Scheme, Industrial All Risks (IAR) Insurance – Eligibility – Policy Structure & coverage – Special Exclusions and Conditions – Rating Procedure – Add-on Covers, Mega Risks Policies – Definition – Structure – Sections, Proposal Forms and Additional Questionnaires, IRDA Regulation and its Important Features,

Chapter 10: Consequential Loss (Fire) Insurance: Background & History – Pre & Post Fire Situations Comparison Table – Loss of Earning Power – Interruption & Its Effects on Accounts – Consequential Losses Not covered – Moral Hazard – Percentage of Fire Loss Policies and Evolution of Coverage – Outline of Present Policy with Examples,

Chapter 11: Consequential Loss (Fire) Insurance Part II: Scope of Present Policy – The Standard Policy Form – material Damage Proviso – Policy Conditions – The Schedule – The Specifications for Turnover & Output Basis of Coverage – Indemnity Period – Accumulated Stocks – Standing Charges – Gross Profits – Rate of Gross Profits – Adjustment Clause – The Trend of business – Variations & special Circumstances – Increase in Cost of Working – Savings in Standing Charges – Average Illustration of Loss Computation,

Chapter 12: Fire Insurance Coverage in Global Markets (U K & USA): Practice in U.K. relating to Standard Fire cover / All Risks Policy / Treatment of Other Perils / Fixation of Sum Insured / Combined Policies / Package Policies – Practice in the U.S.A.

References & recommended reading:

1. Fire insurance: theory and practice, Smith & Francis
 2. Property and Liability Insurance Handbook, John Long & Davis Gregg
 3. Fire underwriting in theory and practice, George Hurren
 4. Principles and practice of fire insurance in the United kingdom, Frank Godwin
 5. Small fire surveys, J Hunter Cox
 6. Business Interruption Insurance, D Cloughton
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IC 59 – FIRE INSURANCE RATING & UNDERWRITING

(First Edition: 2011)

Objectives:

The objective of this course is to familiarize the reader with the concepts, principles & practices of Rating & Underwriting of Fire insurance business. The course also specifically deals legal, practical and procedural aspects of rating and underwriting as well as claims case studies and redressal mechanisms available to the insureds in case of complaints.

Contents:

Chapter 1: Basic Principles: Background – Insurable Property – Insurable Perils- Basic Principles of Insurance – Utmost Good Faith – Insurable Interest – Indemnity – Terms Relating to sum insured viz. Reinstatement Value, Market Value, Book Value – Subrogation – Contribution – General Terms & abbreviations used.

Chapter 2: Underwriting & Reinsurance: Underwriting Objectives and Factors – Spread of Business – Selection of Business – Fixing Retentions – Reinsurance Forms & Methods – Fire Reinsurance Programme of Indian Insurers.

Chapter 3: Drafting of Policies, Premium Calculation & Issuance of Endorsements: Proposal Form – Risk Inspection Report Objective, Purpose and Procedures – Premium & Acceptance Advice – Drafting of Policy – Endorsements,

Chapter 4: Tariff Rules & Regulations: Role of erstwhile TAC – All India Fire Tariff – The Standard Fire & Special Perils Policy - Proposal Form – Valued Policies – Long Term Policies- Mid-term Cover – Payment of Premium – Partial Insurance – Short Period Rates – Rules for Cancellation – Mid-term Revision in Sum Insured – Rating of Multiple Occupancy Risks – Silent Risk,

Chapter 5: Guidelines on “File & Use” Requirements: Applicability – Prohibition on Variations in Tariff Wordings – IRDA Requirements – Filing of Products – File & Use Requirement – IRDA’s Rights – Board Approval of Underwriting Policy – Classification of Products viz Class Rated, Individually Rated & Exposure Rated – Insurance of Large Risks – Data Support & Role of Actuary – Documents Required to be Filed,

Chapter 6: Underwriting Practices: New Dimensions in Underwriting & Rating – New Dimensions in Underwriting Fire Insurance – Board Approved Underwriting Policy – Role of other Institutions in Improving Fire Insurance Underwriting Standards – Add-on Covers – Evaluating the Add-on Covers,

Chapter 7: Special Policies & Clauses: Floater Policies – Declaration Policies – Floater Declaration Policies – Reinstatement Value Policies & Extension Clauses such as Local Authorities / Escalation / Removal of Debris / Architects Surveyors & consulting Engineer’s Fees / Loss of Rent /Additional Expenses for Alternate

Accommodation / Contract Price / Designation of Property / Temporary Removal of Stocks / Agreed Bank Clause / Omission to Insure,

Chapter 8: Petrochemical Insurance Policies: Background of Growth and Fire Insurance Tariff – Classification of Flammable Materials – Tariff Definitions – Warranties – Rating Procedures – Voluntary Deductible – Industrial All Risks Insurance eligibility Criteria – IAR Policy Composition & Coverage Details – Deductibles – add-on Covers – Rating Considerations,

Chapter 9: Protection of Policyholder's Interests: IRDA Regulation and its Important Features,

Chapter 10: Information Technology Application in Fire Insurance Rating & Underwriting: Background – Data Quality – MIS – Segmentation – Risk Management – Reinsurance,

Chapter 11: Overseas Practice: Practice in U.K. relating to Standard Fire cover / All Risks Policy / Treatment of Other Perils / Fixation of Sum Insured / Combined Policies / Package Policies – Practice in the U.S.A.

References & recommended reading:

1. Fire insurance: theory and practice, Smith & Francis
 2. Property and Liability Insurance Handbook, John Long & Davis Gregg
 3. Fire underwriting in theory and practice, George Hurren
 4. Principles and practice of fire insurance in the United kingdom, Frank Godwin
 5. Small fire surveys, J Hunter Cox
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