Awareness Course on Insurance and Banking Services

Unit-1.Insurance Services

1.0 OBJECTIVES

After studying this unit, you should be able to:

- Define insurance and identify insurable and non-insurable business risks.
- State the components of an insurance contract and the legal aspects of insurance.
- State the components of an insurance contract.
- Explain various kinds of insurance and identify their suitability for different purposes in business.
- Identify the functions of insurance.
- Describe the benefits of Insurance.
- Understand difference between Life Insurance & General Insurance.

1.1 Introduction to Insurance

An individual and his family or business may be exposed to different risks in his life. Risk is arises due to uncertainty which can't be avoided. Human being does not have any command on uncertainties. Human being can suffer heavy loss itself or to the property due to unforeseen event e.g. death, illness, accident, fire, earthquake etc. These risks may result into financial loss. He wants to compensate the financial loss caused to the property or to the life. Insurance is the mechanism to reduce the loss to property or to the life which occur due to such risk or perils. It is a cooperative device to spread the loss caused by a particular risk over a number of persons. Thus, insurance can't avert the risk or loss but it can be distributed amongst the insured persons.

The first insurance company was formed in the United States in Charles Town (Charleston), South Carolina, in 1732 which underwrites fire insurance. The modern form of insurance has originated in the last three centuries. The first life insurance policy was insured in England in 1583. Lloyds Association, a leading marine insurance company in the world was founded in 1688 in a Coffee House in London run by Edward Lloyds. However the attention of public were attracted towards the necessity of fire insurance and starting of fire insurance business on commercial basis after great fire in London in 1966 which lasted 4 days and destroyed 13000 buildings. In India the concept of insurance was found in Chanakya's Arthshatra. There after the

British started insurance business in the modern form by establishing Life and General Insurance companies in India.

1.1.1 Quest for Economic Security

Economic security is a top priority for countries. A study of human history reveals a universal desire for security. This quest for security has been a potent motivating force in material and cultural growth. Insurance is not only a device of individual and business security but also a device of Economic Security and social security. Social insurance is useful for solving various social problems like unemployment, old age, crimes, disability and health care of the aged. Burden of the state to provide relief to unemployment, destitute and aged citizens may be reduced through the insurance arrangement. The large fund of insurance companies can be utilized for society desirable investments, thus, ensuring the utilization of society's fund for social welfare, and wellbeing.

1.1.2 Risk

Risk is a part of every human endeavor. From the moment we get up in the morning, drive or take public transportation to get to school or to work until we get back into our beds (and perhaps even afterwards), we are exposed to risks of different degrees. What makes the study of risk fascinating is that while some of this risk bearing may not be completely voluntary, we seek out some risks on our own (speeding on the highways or gambling, for instance) and enjoy them. While some of these risks may seem trivial, others make a significant difference in the way we live our lives. On a loftier note, it can be argued that every major advance in human civilization, from the caveman’s invention of tools to gene therapy, has been made possible because someone was willing to take a risk and challenge the status quo. Risk is the potential of loss (an undesirable outcome, however not necessarily so) resulting from a given action, activity. The notion implies that a choice having an influence on the outcome sometimes exists (or existed). Potential losses themselves may also be called "risks". Any human endeavor carries some risk, but some are much riskier than others.

1.1.3 Classification of Risk

With regards insurability, there are basically two categories of risk: Dynamic or Speculative Risk and Static or Pure Risk.

Dynamic or Speculative Risk

Dynamic or Speculative risk is a situation in which either profit or loss is possible. Examples of Dynamic or speculative risks are betting on a horse race, investing in stocks or bonds and real estate. In the business level, in the daily conduct of its affairs, every business establishment faces decisions that entail an element of risk. The decision to venture into a new market, purchase new equipments, diversify on the existing product line, expand or contract areas of operations, commit more to advertising, borrow additional capital, etc., carry risks inherent to the

business.The outcome of such speculative risk is either beneficial or loss. Dynamic or Speculative risk is uninsurable.

Static or Pure Risk.

Static or Pure risk is a situation in which there are only the possibilities of loss or no loss, as oppose to loss or profit with speculative risk. The only outcome of pure risks are adverse or neutral and never beneficial. Examples of static or pure risks include premature death, occupational disability, catastrophic medical expenses, and damage to property due to fire, lightning, or flood.

Besides insurability, there are other classifications of Risks. Few of them are discussed below:

Particular Risks

Particular risks are risks that affect only individuals and not the entire community. Examples of particular risks are burglary, theft, auto accident, dwelling fires. With particular risks, only individuals experience losses, and the rest of the community are left unaffected.

Fundamental Risks

Fundamental risks affect the entire economy or large numbers of people or groups within the economy.

Examples of fundamental risks are high inflation, unemployment, war, and natural disasters such as earthquakes, hurricanes, tornadoes, and floods.

Subjective Risk

Subjective risk is defined as uncertainty based on a person's mental condition or state of mind. For example, assume that an individual is drinking heavily in a bar and attempts to drive home after the bar closes. The driver may be uncertain whether he or she will arrive home safely without being arrested by the police for drunken driving. This mental uncertainty is called subjective risk.

Financial Risks and Non- financial Risks

A financial risk is one where the outcome can be measured in monetary terms. This is easy to see in the case of material damage to property, theft of property or lost business profit following a fire. We could even go as far as to say that the great social decisions of life are examples of non-financial risks: the selection of a career, the choice of a marriage partner, having children. There may not be financial implications, but in the main the outcome is not measurable financially but by other, more human, criteria.

1.1.4. Demand for Insurance

Insurance is the best practical option for every person who would like to cover himself from loss arising out of risks. Risk is associated with everything that we are involved in.Immovable Properties that we own are prone to fire and damage or destruction due to natural calamities such as Earthquakes, Floods etc. Movable properties including personal effects such as jewelry are prone to theft and burglary. Vehicles are also prone to accidents. Similarly human beings are prone to injuries resulting from accidents and illnesses. All the incidents enumerated above would result into financial losses. Then there could be Third Party Claims on you. For

instance, you are driving a bike and unfortunately you meet with an accident in which a pedestrian is injured. Such person will have a Claim on you. Also there could be claims on you while you are performing your professional duties. A Doctor may be subject to a claim for negligence in treating a patient. Insurance, wherever applicable, would provide cover against such losses. The modern day Insurance covers practically all losses arising out of risks.

1.1.5. Definition of Insurance

Insurance is a contract between two parties. One party is the insured and the other party is the insurer. Insured is the person whose life or property is insured with the insurer. That is, the person whose risks are insured is called insured. Insurer is the insurance company to whom risk is transferred by the insured. That is, the person who insures the risk of insured is called insurer. Thus insurance is a contract between insurer and insured. It is a contract in which the insurance company undertakes to indemnify the insured on the happening of certain event for a payment of consideration. It is a contract between the insurer and insured under which the insurer undertakes to compensate the insured for the loss arising from the risk insured against. Some definitions of insurance are given below:

According to **Gosh and Agarwal**, “Insurance may be defined as a co-operative form of distributing a certain risk over a group of persons who are exposed to it”.

According to **Mc Gill**, “Insurance is a process in which uncertainties are made certain”.

Jon Megi, “Insurance is a plan wherein persons collectively share the losses of risks”.

Thus, insurance is a device by which a loss likely to be caused by uncertain event is spread over a large number of persons who are exposed to it and who voluntarily join themselves against such an event. The document which contains all the terms and conditions of insurance (i.e. the written contract) is called the ‘insurance policy’.The amount for which the insurance policy is taken is called‘sum assured’. The consideration in return for which the insurer agrees to make good the loss is known as ‘Insurance Premium’. This premium is to be paid regularly by the insured. It may be paid monthly, quarterly, half yearly or yearly.

1.1.6 Nature of Insurance

The purpose of any insurance is to provide economic protection against the losses that may be incurred due to chance events such as:

1. Death.
2. Disability.
3. Medical expenses.
4. Home, Automobile Damage ,etc.

1.1.7 Evolution and Importance of Insurance

Insurance industry in India is undergoing a paradigm shift. It is significantly affected by the dynamics in external environment which comprises new regulatory framework, a variety of new products, new marketing and distribution channels, new approaches to underwriting and claims processing and increasing use of latest technology. The insurance liberalization makes the acquisition of insurance business in India an important place and role to play in the financial sector of Indian economy and also globally. Privatization experiences dynamic and versatile

changes in the insurance industry. The private insurers have to take measures in expanding their reach to the small and medium urban centers and also a good number of villages as a way to expand their insurance market. Insurance liberalization and reforms have brought about a remarkable change in the Indian insurance market. This has given greater autonomy to life insurance companies as a way to improve their performance and act as independent companies with economic and financial motives. It has put the insurance sector and also the total economy on a path of progress and sustained development. It plays its genuine role in supporting the strongly growing economy. The insurance business during the post-liberalization regime may expect greater variety of products, efficiency in the delivery of service by the new and efficient distribution channels, efficiency in customer service and pro-active regulatory framework. This has shown that India, after China, has significant potential for market expansion. The liberalized insurance market in India has been able to generate considerable interest and awareness among people. Insurance field is creating new horizons of attracting talent and as a result leads to reduced unemployment. Insurance, at present, has become a more complex and a difficult business to do. The occurrence of risks and their outcomes have been magnified significantly because of the large-scale operations of different business organizations due to the globalization, liberalization and privatization policies adopted by the Government. After insurance liberalization, with the entry of private players, the rules of the insurance business have been completely changed. The entire insurance regulation vests with the responsibility of the Insurance Regulator i.e. the IRDA. The outcome of insurance liberalization over a period of ten years has been positive and is identified as the beginning of new era with many heights to reach. Liberalization of insurance has introduced competition in the industry with the advent of private sector companies promoted by Indian and foreign business groups. Globalization has augured well for the industry and the consumers. The competition may make the life of the insurance customers easier and better in the years to come. A wide-variety of insurance products, professional consultancy to customers and customer-focused service are some of the benefits available to customers. It is also made important to remain in constant touch with the customers' needs and expectations many times a year. The competition among insurance players has created increased insurance awareness and also helped to expand the insurance market. It has increased the efficiency of all insurers.

1.2 Life Insurance Contract:

Life Insurance is a contract between two parties i.e. insurer and insured by which the insurer, in consideration of insurance premium, agrees to pay the certain amount to the insured against certain probable unexpected incidence. In life insurance, insurance company pay certain sum of money on the death of the insured person or if insured is alive, paid to them the amount of premium with interest and bonus.

1.2.1 Nature and Classification of Policies:

By nature insurance is a devise of sharing risk by large number of people among the few who are exposed to risk by one or the other reason. If a large number of subscribers to insurance serve the purpose of compensation to few among them exposed to uncertain risks appears as a co-operative look. Valuation of risk is determined as per predefined terms and conditions of the insurance policies. Insurance provides facility of financial help in case of contingency. However it depends on the value of insurance for which payment is made in case of contingency. This

provides basis of the amount to be paid. Insurance is a policy regulated under laws and therefore the amount of insurance can neither be paid as gambling nor as charity.

Types of Life Insurance Policies

1. Term Policy

In case of Term assurance plans, insurance company promises the insured for a nominal premium to pay the face value mentioned in the policy in case he is no longer alive during the term of the policy.

Term assurance policy has the following features:

1. It provides a risk cover only for a prescribed period. Usually these policies are short term plans and the term ranges from one year onwards. If the policyholder survives till the end of this period, the risk cover lapses and no insurance benefit payment is made to him.
2. The amount of premium to be paid for these policies is lower than all other life insurance policies. As savings and reserves are not accumulated under this policy, it has no surrender value and loan or paid-up values are not allowed on these policies.
3.This plan is most suitable for those who are initially unable to pay high premium
4. when income is low as required for Whole Life or Endowment policies, but requires life cover for a high amount.

2. Whole Life Policy

This policy runs for the whole life of the assured. The sum assured becomes payable to the legal heir only after the death of the assured. The whole life policy can be of three types.
(1) Ordinary whole life policy – In this case premium is payable periodically throughout the life of the assured.
(2) Limited payment whole life policy – In this case premium is payable for a specified period (Say 20 Years or 25 Years) Only.
(3) Single Premium whole life policy – In this type of policy the entire premium is payable in one single payment.

3. Endowment Life Policy

In this policy the insurer agrees to pay the assured or his nominees a specified sum of money on his death or on the maturity of the policy whichever is earlier. The premium for endowment policy is comparatively higher than that of the whole life policy.

The premium is payable till the maturity of the policy or until the death of the assured whichever is earlier. It provides protection to the family against the untimely death of the assured.

4. Health insurance schemes

An individual is subject to uncertainty regarding his health. He may suffer from ailments, diseases, disability caused by stroke or accident, etc. For serious cases the person may have to be hospitalized and intensive medical care has to be provided which can be very expensive. It is

here that medical insurance is helpful in reducing the financial burden. These days the vulnerability to lifestyle diseases such as heart, cancer, neurotic, and pollution based, etc are on the increase. So it makes sense for an individual to go for medical insurance cover.

5. Joint Life Policy

This policy is taken on the lives of two or more persons simultaneously. Under this policy the sum assured becomes payable on the death of any one of those who have taken the joint life policy. The sum assured will be paid to the survivor(s). For example, a joint life policy may be taken on the lives of husband and wife, sum assured will be payable to the survivor on the death of the spouse.

6. With Profit And Without Profit Policy

Under with profit policy the assured is paid, in addition to the sum assured, a share in the profits of the insurer in the form of bonus. Without profit policy is a policy under which the assured does not get any share in the profits earned by the insurer and getsonly the sum assured on the maturity of the policy. With profit and without profit policies are also known as participating and non–participating policies respectively.

7. Double Accident Benefit Policy

This policy provides that if the insured person dies of any accident, his beneficiaries will get double the amount of the sum assured.

8. Annuity Policy

Under this policy, the sum assured is payable not in one lump sum payment but in monthly, quarterly and half-yearly or yearly installments after the assured attains a certain age. This policy is useful to those who want to have a regular income after the expiry of a certain period e.g. after retirement. Annuity is paid so long as the assured survives. In annuity policy medical check-up is not required. Annuity is paid so long as the assured survives.

9. Policies For Women

Women, now a days are free to take life assurance policies. However, some specially designed policies suit their needs in a unique manner; important policies for women are
A. Jeevan Sathi is also known a Life Partner plan where the husband and wife are covered under this endowment policy
B. Jeevan Sukanya

10. Group Insurance

Group life insurance is a plan of insurance under which the lives of many persons are covered under one life insurance policy. However, the insurance on each life is independent of that on the other lives. Usually, in group insurance, the employer secures a group policy for the benefit of his employees. Insurer provides coverage for many people under single contract.

10. Policies for Children

Policies for children are meant for the various needs of the children such as education, marriage, security of life etc. Some of the major children policies are:
(1) Children's deferred assurances
(2) Marriage endowment and educational annuity plans
(3) Children endowment policy

11. Money Back Policy

In this case policy money is paid to the insured in a number of separate cash payments. Insurer gives periodic payments of survival benefit at fixed intervals during the term of policy as long as the policyholder is alive.

1.2.2 Selection of Risk

Risk selection is one of the ways insurance companies screen insurance applicants. It involves classifying applicants using underwriting principles and determining the amount of premium they should offer to a given applicant. This is the screening process that is used generally in the insurance industry. The underwriter decides what the insurer should cover and what they should exclude. They also slot the applicant into a group according to the risk they pose to the insurance company. The basic groups are:

1-Standard: the applicant is offered the basic rate.

2-Substandard: the applicant is deemed a higher than usual risk and is offered a more expensive premium.

3-Preferred: the applicant is considered a low risk and is offered a premium discount accordingly.

1.2.3 Calculation of Premium

Important elements in computation of Premium There are three important elements in the computation of premium they are:
(1) Mortality
(2) Expenses of management
(3) Expected yield on its investment.

1. **Mortality**- The mortality tables are prepared by the insurers on the basis of their experience over a number of years. Though the rate of mortality increases with the increase in age, all insurers charge a level premium which remains constant over the entire duration of the policy term. It is the actuarial science which provides the method to assess such increasing risk and convert it into a level premium.

This prediction or estimation of mortality is true for a very large group of insured people and not for any individual insured. Thus the small premium charged from the total group is used

to pay a big sum assured to the unfortunate few who die early. It is also called pooling of resources. Insurance is also known to be a co–operative action.

2.**Expenses of management**- Any insurer has to incur expenses for conducting the insurance business. These expenses are not of constant nature. They keep on increasing due to inflationary market conditions. Huge expenses are incurred for procurement of new business, for payment of commission to the agent and other incidental expenses like preparation of policy document etc. Expense is also incurred for servicing of the policies, e.g. collection of renewal premium, valuation to determine bonus payable, payment of Survival Benefit and Death claim and Maturity Benefit etc.

3. **Expected yield on investment** - As the above two elements go to increase the premium rate, the expected yield on investment of the collected endowment component of premium goes to reduce the premium rate. However, as the future yield cannot be determined exactly, it is necessary for a prudent insurer to keep a reserve to take care of unexpected fall in the rate of yield.

1.2.4 Investment of Funds,

Investment practices of life insurance companies are shaped by two key factors: the nature of the liabilities from insurance and annuities on their books, and the restrictions imposed by regulators on their investments.

As to the nature of liabilities, not all life insurance companies offer the same mix of product lines. Many larger companies provide employee pension and thrift planr, while a greater number do not. Some companies specialize in particular products, such as credit life or single-premium annuities, while others concentrate on traditional whole-life policies. Interest-sensitive products such as universal life were introduced by a large number of companies during the past decade, but many others have not attempted to market such policies. Because of this diversity in product mix, there is no typical or standard pattern for the range of company liabilities; consequently, there is no standard pattern for the mix of investment assets. In the Discussion that follows, industry totals and averages will be shown, but such data should not be taken as reflecting the practices of a typical or 'average" company. A fundamental principle of life company investment practices is the matching of assets and liabilities according to (a) duration or average life, (b) need for liquidity to meet possible withdrawals, and (c) earnings performance to maintain competitive position. In earlier times, when whole-life policies were the predominant product, death benefits were normally preceded by 30 years or more of premium receipts and reserves could be invested in long- term bonds or real estate mortgages with maturities of 25 or 30 years. The net inflow of premiums, augmented by investment income and amortization, normally exceeded the outflow of death benefits so that total assets were constantly rising and the need for liquidity was small. In contrast, many of the investment-oriented products marketed in the last decade have shorter duration and require greater liquidity than was needed in earlier years. Asset/liability matching today often involves setting up a series of segmented asset accounts or portfolios, with each account designed to stand behind a particular class of policies or product line. Thus, the portfolio mix assigned to the universal life policy line would require shorter

maturities and more liquid assets than those used to back traditional cash- value life policies. In the case of employee thrift plans, where funds can be readily switched on short notice to another carrier, it would be unwise to invest incoming funds in longer-term securities. Moreover, such thrift plans often allow the individual participants to redirect their funds between fixed-income accounts and equity accounts at any time, so that the uncertain duration of such money requires readily liquifiable investments. Corporate pension plans have made increasing use of guaranteed investment contracts (GICs) which specify a fixed period of three to five years before withdrawal or renewal; investment of such funds by the insurer must take account of the probable duration of the arrangement. Close working relations between investment officers and marketing executives have become essential to developing the appropriate match for maturities, risk elements, liquidity and investment yield. State investment laws have clearly shaped the investment policies of life companies, by setting forth quantitative limits on the percentage of assets permitted in various forms, and by requiring minimum credit standards on permitted investments. Although these laws differ in their specific content from state to state, they have focussed on the diversification of assets among permitted investment outlets, along with qualitative standards for the safety of principal amounts invested. Further description of these state

1.2.5 Surrender Value.

A surrender value is usually the sum owed by the life insurance provider when you decide to surrender or give up on your life insurance policy. Whenever you surrender your life insurance policy, you receive a certain amount of premiums that you regularly paid back from the insurance provider. This receipt of payment is known as a surrender value. There are generally two kinds of surrender value in a life insurance policy:

A-Guaranteed surrender value.

B- Special surrender value.

A. Guaranteed Surrender Value

Under this guaranteed surrender value of life insurance, the amount or a fixed sum guaranteed is to be owed by the insurance provider on surrendering or giving up on the life insurance policy before completion of the maturity period. The guaranteed surrender value of a life insurance policy is decided based on the surrender value determinant stipulated in the policy papers. This surrender value determinant is usually the percentage of the cumulative premium amount paid. The surrender value of a life insurance policy, in this case, rises with the number of years of the policy. The surrender value factor will grow close to 100 percent of the total premiums paid when the life insurance policy progresses nears maturity. Therefore, in this case, the guaranteed surrender value is computed as cumulative premiums paid that get multiplied by the surrender value factor.

B. Special Surrender Value

This special surrender value of a life insurance policy is customarily higher than the guaranteed surrender value. However, this entirely depends on the insurance provider. Specific surrender

value relies on the amount ensured, premiums paid by the policyholder, policy course, and bonuses. Usually, this special surrender value is determined with the **formula – {(Accrued bonuses + Paid-up value) multiplied by the surrender value factor**}. The paid-up value is calculated as the Basic sum assured multiplied by the number of premiums payable or the number of premiums paid. Suppose you plan to surrender your existing life insurance policy due to inadequate coverage and look for a comprehensive plan to get a better financial cushion. In that case, you can buy a life insurance policy by insurance company.

1.3.0 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

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

The main products of general insurance includes

1. Motor insurance
2. Fire/ House owners/ Householders insurance
3. Personal accident insurance
4. Medical and health insurance
5. Travel insurance

1.3.1 Fire Insurance

A Fire Insurance is a contract under which the insurer in return for a consideration (premium) agrees to indemnify the insured for the financial loss which the latter may suffer due to destruction of or damage to property or goods, caused by fire, during a specified period. The contract specifies the maximum amount, agreed to by the parties at the time of the contract, which the insured can claim in case of loss. This amount is not, however, the measure of the loss. The loss can be ascertained only after the fire has occurred. The insurer is liable to make good the actual amount of loss not exceeding the maximum amount fixed under the policy. A fire insurance policy cannot be assigned without the permission of the insurer because the insured must have insurable interest in the property at the time of contract as well as at the time of loss. The insurable interest in goods may arise out on account of (i) ownership, (ii) possession, or (iii) contract. A person with a limited interest in a property or goods may insure them to cover not only his own interest but also the interest of others in them.

1.3.2 Nature and uses

It is a means of security against risk of fire on any material or property.

It is an indemnity contract.

The insurer undertakes to indemnity the insured against actual loss subject to the maximum limit of sum insured.

It is a contract of utmost good faith, the insurer and the insured must disclose all material facts relating to the subject matter of insurance.

A fire insurance policy is usually issued for one year only with the option to the parties to new it for a further period on payment of stipulated premium.

If the property is insured with more than one insurer and on loss by fire, all the insurers are called upon to contribute towards the claim.

The insurer is not liable for payment of my claim if the fire is caused deliberately.

Uses of fire insurance

It provides the price of damage to the building.

It provides the price if any home furnishings are damaged due to the fireplace incident, like plywood home furniture, carpets, clothes.

It provides alternative or maintenance price for the electronic items, which is broken due to a fireplace, like television, computer, air coolers.

It represents a contract where indemnification against the fire consequences is done by reimbursement of the damage either in installments or variable lump sums.

Under this insurance, policyholders get coverage for the replacement or rebuilding of the damaged sections. Before committing to the policy, people need to make sure that swimming pool, garage and outhouses are included in it.

Kinds of Policies

There are a number of fire insurance policies to suit different interests. A number of factors are considered before deciding about the kinds of policies to be taken.

The following kinds of policies are generally issued for fire insurance:

Valued Policy:

In this policy the value of the subject-matter is agreed upon at the time of taking up the policy. The insurer agrees to pay a pre-determined amount if the subject-matter is destroyed or damaged by fire. The principle of indemnity is not applicable to this policy. The agreed value may be more or less than the market value at the time of loss. These policies are generally issued for those goods or property whose value cannot be determined after their loss or damage. These goods may include works of art, jeweler,paintings, etc.

Specific Policy:

Under this policy the risk is insured for a specific sum. In case of loss of property, the insurer will pay the loss if it is less than the specified amount.

Average Policy:

If the 'average clause' is applicable to a policy, it is called Average Policy. Average clause is added to penalise the insured for taking up a policy for a lesser sum than the value of the property. The compensation payable is proportionately reduced if the value of the policy is less than the value of the property.

Floating Policy:

A floating policy is taken up to cover the risk of goods lying at different places. The goods should belong to the same person and one policy will cover the risk of all these goods. This policy is useful to those businessmen who are engaged in import and export of goods and the goods lie in warehouses at different places. The premium charged is generally the average of the premium that would have been paid, if specific policies would have been taken for all these goods. Average clause always applies to these policies.

Comprehensive Policy:

A policy may be taken up to cover up all types of risks, including fire. A policy may be issued to cover risk like fire, explosion, lightening, burglary, riots, labour disturbances etc. This is called a comprehensive policy or all risk policy.

Consequential Loss Policy:

Fire may dislocate work in the factory. Production may go down while the fixed expenses continue at the same rate. A policy may be taken up to cover up consequential loss or loss of profits. The loss of profits is calculated on the basis of loss of sales. A separate policy may be taken up for standing charges also.

Replacement Policy:

The underwriter provides compensation on the basis of market price of the property. The amount of compensation is calculated after taking into account the amount of depreciation. A replacement policy provides that compensation will be according to the replacement price. The new asset should be similar to the one which has been lost. The amount of compensation will depend upon the market price of the new assets so that it is replaced without additional cost to the insured.

1.3.3 Policy Conditions

What is covered?
How much to insure ?
Eligibility.
What is not covered ?

Benefits of being insured under this policy.
Claims process.

1.3.4 Rate Fixation

The rate fixation in fire insurance is not as scientific as in life insurance. The physical hazard can be estimated satisfactorily but the moral hazard, being varied and unknown, cannot be ascertained so correctly. While calculating the premium, various relevant factors of both the hazards are properly estimated and evaluated. The premium must be adequate enough to provide for full payment of claims including catastrophic losses, expensesofmanagement and a margin of profit. The tariff offices follow the collective system of tariff rating. After nationalisation of general insurance businesses, the tariff rating is applied. The basic principles of premium rating are physical hazard, classification of risk, past loss experience, discrimination differentiates, industrial and non industrial risks.

Payment of Claim:

Intimation to Insurance Company: The insured must give immediate intimation to the insurance company regarding the loss. The necessary details like the day, date, time and causes of fire and in case of marine insurance ship, and voyage have taken should be mentioned.

Assessment of the loss: The insured makes an assessment of the actual loss. Such an assessment is required to fill the claim forms correctly in respect of the loss of goods or properly.

Submission of the claim form: The insured must fill all possible details in the claim form. He must lodge the claim form within 15 days of the fire to claim compensation. In case of marine insurance the insured should lodge a claim with the following documents:

- Original Insurance Policy,
- Copy of Bill of Lading,
- A copy of the Commercial Invoice,
- A copy of the packing list,
- Survey report,
- Claim Bill.

Delay in a submission of claim form may result in non-acceptance of the claim.

Evidence of Claim: Along with the claim form, the insured must send certain proof of tire and other records, if available and if necessary. The evidence should enable the insurance company to determine the amount of loss.

Verification of Form: The claim form along with the supporting evidence is verified by the insurance company. The insurance company then appoints the surveyors to conduct an assessment of the actual loss.

Survey: After the receipt of the form, and necessary verification, the insurance Company appoints the surveyors to assess the actual loss. The surveyors conduct the necessary investigations. They investigate into the cause of a fire, the actual amount of property lost and other relevant details.

The surveyors then make the report of their findings and assessment of the loss.

Landing Remarks: In case of Marine insurance, the insured should obtain landing remarks, from the port authorities, if the survey report is not obtained.

Appointment of the arbitrator: There may be a dispute regarding the amount of claim. In such case, an arbitrator is appointed, acceptable to both the parties, to settle the amount of dying less.

Settlement of Claims: If there is no dispute between the two parties, as to the amount of loss, the insurance company then makes necessary payment to the insured.

1.3.5 Motor Insurance

Motor Vehicle Insurance, also referred to as 'Automotive Insurance', is a contract of Insurance under which the Insurer indemnifies the Insured, who is the owner or an operator of a Motor Vehicle, against any loss that he may incur due to damage to the property (i.e. the Motor Vehicle) or any other person (i.e. Third Party) as a result of an accident. There are two types of Motor Insurance viz: A. Mandatory Motor Vehicle Insurance B. Comprehensive Motor Vehicle Insurance.

Classification of Motor Vehicles For the purpose of motor insurance the motor vehicles are classified into following three broad categories:

A. Private cars
B. Motor cycles and motor scooters

C. Commercial vehicles, further classified into

i. Goods carrying vehicles
ii. Passenger carrying vehicles e.g. ¾ Motorized rickshaws ¾ Taxis ¾ Buses
iii. Miscellaneous Vehicles, e.g. ¾ Hearses (funeral van) ¾ Ambulances ¾ Cinema Film Recording & Publicity vans ¾ Mobile dispensaries etc.

Classification of Parties In case of motor vehicle insurance the classification of the parties is as follows:

The Insured is the First Party.
The Insurer is the Second Party.

All other parties are Third Parties.

1.3.6 Personal Accident

This policy is basically designed to offer compensation to the insured person who suffers bodily injury solely as a result of an accident which is external, violent and visible. Hence death or injury due to any illness or disease is not covered by the policy. This policy offers compensation in case of death or bodily injury to the insured person, directly and solely as a result of an accident, by external, visible and violent means. The policy operates worldwide and is a 24 hours cover. Different coverage's are available ranging from a restricted cover of Death only; to a comprehensive cover covering death, permanent disablements and temporary total disablements

Family Package cover is available to Individuals under Personal Accident Policy whereby the proposer, spouse and dependent children can be covered under a single policy with a 10% discount in premium. Group personal accident policies are also available for specified groups with a discount in premium depending upon the size of the group. There are many other variations of this policy; for example the New India Assurance Company Limited offers the following: ¾ Individual Personal Accident policy. ¾ Group Personal Accident policy. ¾ Passenger Flight Coupon - Covering personal accident risk whilst traveling as a passenger on a scheduled flight. ¾ Gramin Personal Accident Policy - for persons residing in rural areas where benefits are covered for a capital sum insured of Rs. 10,000/-. ¾ Janata Personal Accident policy - where benefits are covered for a maximum sum insured of Rs.1,00,000/-. Long Term Policies can also be issued up to 5yrs. ¾ Student Safety Insurance - for schools and colleges, covering students against Personal Accident benefits for a capital sum insured of Rs. 10,000/-. ¾ Raj Rajeshwari Mahila Kalyan Yojna - for women in the age group of 10 to 75 years. Where benefits are covered for a capital sum insured for Rs. 25,000/-. In case of death of an unmarried woman due to an accident, Rs. 25,000/- is payable to the nominee or legal heir. In case of a married woman, if the husband dies due to an accident, Rs. 25,000/- is payable to the wife but if the wife or insured dies no compensation is payable. ¾ Bhagyashree Child Welfare Policy - for girl child in the age group of 0 to 18 years. Whose parent's age does not exceed 60 yrs. In case of death of either or both parents due to an accident, a sum of Rs. 25,000/- is deposited in the name of the girl child with a financial institution named in the policy which will disburse amounts as specified for the benefit of the girl child to the living parent or to the nominated guardian. Group policies can also be issued.

1.3.7 Health and Medical Insurance

IRDA regulations define Health Insurance Business as: "Health insurance business" or "health cover" means the effecting of insurance contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, including assured benefits and long- term care, travel insurance and personal accident cover. Thus the term 'Health Insurance' relates to a type of insurance that essentially covers one's medical expenses. Accordingly a health insurance policy

is a contract between insurers and an individual / group in which the insurer agrees to provide specified health insurance cover for a particular “premium” subject to terms and conditions specified in the policy. In case of medical emergencies or medical illnesses (as covered and specified by the policy) the insurer agrees to pay for the expenses incurred (as per the specified amount) thereon. Health insurance is important in times of hospitalization as one gets cover from the Insurer and saves the insured from excess expenditure. For a consideration known as premium, which the assured needs to pay the insurer, the insurer agrees to cover certain medical expenses as specified in the policy.

Coverage under Health Insurance

A Health Insurance Policy would normally cover expenses reasonably and necessarily incurred under the following heads in respect of each insured person subject to overall ceiling of sum insured (for all claims during one policy period). Thus, all expenses incurred as part of treatment or hospitalization will be covered if: ¾ It is within the policy period ¾ Expenses covered are limited to the amount insured In a health insurance policy the following may be covered: ¾ Room, boarding expenses ¾ Nursing expenses ¾ Fees of surgeon, anaesthetist, physician, consultants, specialists ¾ Anaesthesia, blood, oxygen, operation theatre charges, surgical appliances, medicines, drugs, diagnostic materials, X-ray, Dialysis, chemotherapy, Radio therapy, cost of pace maker, Artificial limbs, cost of organs and other similar expenses. Health policies may also contain a provision for reimbursement of cost of health check up.

Unit- 2

Introduction to Banks

A bank is a financial institution that accepts deposits from the public and creates Demand Deposit. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial stability of a country, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.

Banking in its modern sense evolved in the fourteenth century in the prosperous cities of Renaissance Italy but in many ways was a continuation of ideas and concepts of credit and lending that had their roots in the ancient world. In the history of banking, a number of banking dynasties – notably, the Medicis, the Fuggers, the Welsers, the Berenbergs, and the Rothschilds – have played a central role over many centuries. The oldest existing retail bank is Banca Monte dei Paschi di Siena, while the oldest existing merchant bank is Berenberg Bank.

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The concept of banking may have begun in ancient Babylonia and Old sangvi, with merchants offering loans of grain as collateral within a barter system. Lenders in ancient Greece and during the Roman Empire added two important innovations: they accepted deposits and changed money. Archaeology from this period in ancient China and India also shows evidence of money lending.

The present era of banking can be traced to medieval and early Renaissance Italy, to the rich cities in the centre and north like Florence, Lucca, Siena, Venice and Genoa. The Bardi and Peruzzi families dominated banking in 14th-century Florence, establishing branches in many other parts of Europe. One of the most famous Italian banks was the Medici Bank, set up by Giovanni di Bicci de' Medici in 1397. The earliest known state deposit bank, Banco di San Giorgio (Bank of St. George), was founded in 1407 at Genoa, Italy.

Fractional reserve banking and the issue of banknotes emerged in the 17th and 18th centuries. Merchants started to store their gold with the goldsmiths of London, who possessed private vaults, and charged a fee for that service. In exchange for each deposit of precious metal, the goldsmiths issued receipts certifying the quantity and purity of the metal they held as a bailee; these receipts could not be assigned only the original depositor could collect the stored goods.

Gradually the goldsmiths began to lend the money out on behalf of the depositor, and promissory notes (which evolved into banknotes) were issued for money deposited as a loan to the goldsmith. The goldsmith paid interest on these deposits.

Since the promissory notes were payable on demand, and the advances (loans) to the goldsmith's customers were repayable over a longer time period, this was an early form of fractional reserve banking. The promissory notes developed into an assignable instrument which could circulate as a safe and convenient form of money backed by the goldsmith's promise to pay, allowing goldsmiths to advance loans with little risk of default. Thus, the goldsmiths of London became the forerunners of banking by creating new money based on credit.

The Bank of England was the first to begin the permanent issue of banknotes, in 1695. The Royal Bank of Scotland established the first overdraft facility in 1728. By the beginning of the 19th century a bankers' clearing house was established in London to allow multiple banks to clear transactions. The Rothschilds pioneered international finance on a large scale, financing the purchase of the Suez Canal for the British government.

Definition

The definition of a bank varies from country to country. See the relevant country pages for more information.

Under English common law, a banker is defined as a person who carries on the business of banking by conducting current accounts for his customers, paying cheques drawn on him/her and also collecting cheques for his/her customers.

The business of banking is in many common law countries not defined by statute but by common law, the definition above. In other English common law jurisdictions there are statutory definitions of the *business of banking* or *banking business*. When looking at these definitions it is important to keep in mind that they are defining the business of banking for the purposes of the legislation, and not necessarily in general. In particular, most of the definitions are from legislation that has the purpose of regulating and supervising banks rather than regulating the actual business of banking. However, in many cases the statutory definition closely mirrors the common law one. Examples of statutory definitions:

- "banking business" means the business of receiving money on current or deposit account, paying and collecting cheques drawn by or paid in by customers, the making of advances to customers, and includes such other business as the Authority may prescribe for the purposes of this Act; (Banking Act (Singapore), Section 2, Interpretation).
- "banking business" means the business of either or both of the following:

1. receiving from the general public money on current, deposit, savings or other similar account repayable on demand or within less than [3 months] ... or with a period of call or notice of less than that period;
2. paying or collecting cheques drawn by or paid in by customers.[13]

Since the advent of EFTPOS (Electronic Funds Transfer at Point Of Sale), direct credit, direct debit and internet banking, the cheque has lost its primacy in most banking systems as a payment instrument. This has led legal theorists to suggest that the cheque based definition should be broadened to include financial institutions that conduct current accounts for customers and enable customers to pay and be paid by third parties, even if they do not pay and collect cheques .[14]

Banks act as payment agents by conducting checking or current accounts for customers, paying cheques drawn by customers in the bank, and collecting cheques deposited to customers' current accounts. Banks also enable customer payments via other payment methods such as Automated Clearing House (ACH), Wire transfers or telegraphic transfer, EFTPOS, and automated teller machines (ATMs).

Banks borrow money by accepting funds deposited on current accounts, by accepting term deposits, and by issuing debt securities such as banknotes and bonds. Banks lend money by making advances to customers on current accounts, by making installment loans, and by investing in marketable debt securities and other forms of money lending.

Banks provide different payment services, and a bank account is considered indispensable by most businesses and individuals. Non-banks that provide payment services such as remittance companies are normally not considered as an adequate substitute for a bank account.

Banks can create new money when they make a loan. New loans throughout the banking system generate new deposits elsewhere in the system. The money supply is usually increased by the act of lending, and reduced when loans are repaid faster than new ones are generated. In the United Kingdom between 1997 and 2007, there was an increase in the money supply, largely caused by much more bank lending, which served to push up property prices and increase private debt. The amount of money in the economy as measured by M4 in the UK went from £750 billion to £1700 billion between 1997 and 2007, much of the increase caused by bank lending.[15] If all the banks increase their lending together, then they can expect new deposits to return to them and the amount of money in the economy will increase. Excessive or risky lending can cause borrowers to default, the banks then become more cautious, so there is less lending and therefore less money so that the economy can go from boom to bust as happened in the UK and many other Western economies after 2007.

Range of activities

Activities undertaken by banks include personal banking, corporate banking, investment banking, private banking, transaction banking, insurance, consumer finance, foreign exchange trading, commodity trading, trading in equities, futures and options trading and money market trading.

Channels

Banks offer many different channels to access their banking and other services:

- Branch, in-person banking in a retail location
- Automated teller machine banking adjacent to or remote from the bank
- Bank by mail: Most banks accept cheque deposits via mail and use mail to communicate to their customers
- Online banking over the Internet to perform multiple types of transactions
- Mobile banking is using one's mobile phone to conduct banking transactions
- Telephone banking allows customers to conduct transactions over the telephone with an automated attendant, or when requested, with a telephone operator
- Video banking performs banking transactions or professional banking consultations via a remote video and audio connection. Video banking can be performed via purpose built banking transaction machines (similar to an Automated teller machine) or via a video conference enabled bank branch clarification
- Relationship manager, mostly for private banking or business banking, who visits customers at their homes or businesses
- Direct Selling Agent, who works for the bank based on a contract, whose main job is to increase the customer base for the bank

Business models

A bank can generate revenue in a variety of different ways including interest, transaction fees and financial advice. Traditionally, the most significant method is via charging interest on the capital it lends out to customers.[16] The bank profits from the difference between the level of interest it pays for deposits and other sources of funds, and the level of interest it charges in its lending activities.

This difference is referred to as the spread between the cost of funds and the loan interest rate. Historically, profitability from lending activities has been cyclical and dependent on the needs and strengths of loan customers and the stage of the economic cycle. Fees and financial advice constitute a more stable revenue

stream and banks have therefore placed more emphasis on these revenue lines to smooth their financial performance.

In the past 20 years, American banks have taken many measures to ensure that they remain profitable while responding to increasingly changing market conditions.

- First, this includes the Gramm–Leach–Bliley Act, which allows banks again to merge with investment and insurance houses. Merging banking, investment, and insurance functions allows traditional banks to respond to increasing consumer demands for "one-stop shopping" by enabling cross-selling of products (which, the banks hope, will also increase profitability).
- Second, they have expanded the use of risk-based pricing from business lending to consumer lending, which means charging higher interest rates to those customers that are considered to be a higher credit risk and thus increased chance of default on loans. This helps to offset the losses from bad loans, lowers the price of loans to those who have better credit histories, and offers credit products to high risk customers who would otherwise be denied credit.
- Third, they have sought to increase the methods of payment processing available to the general public and business clients. These products include debit cards, prepaid cards, smart cards, and credit cards. They make it easier for consumers to conveniently make transactions and smooth their consumption over time (in some countries with underdeveloped financial systems, it is still common to deal strictly in cash, including carrying suitcases filled with cash to purchase a home).

  However, with the convenience of easy credit, there is also increased risk that consumers will mismanage their financial resources and accumulate excessive debt. Banks make money from card products through interest charges and fees charged to cardholders, and transaction fees to retailers who accept the bank's credit and/or debit cards for payments.

This helps in making a profit and facilitates economic development as a whole.[17]

Recently, as banks have been faced with pressure from fintechs, new and additional business models have been suggested such as freemium, monetization of data, white-labeling of banking and payment applications, or the cross-selling of complementary products.[18]

Products

Retail

- Savings account
- Recurring deposit account
- Fixed deposit account
- Money market account
- Certificate of deposit (CD)
- Individual retirement account (IRA)
- Credit card
- Debit card
- Mortgage
- Mutual fund
- Personal loan
- Time deposits
- ATM card
- Current accounts
- Cheque books
- Automated Teller Machine (ATM)
- National Electronic Fund Transfer (NEFT)
- Real Time Gross Settlement (RTGS)

Business (or commercial/investment) banking

- Business loan
- Capital raising (equity / debt / hybrids)
- Revolving credit
- Risk management (foreign exchange (FX)), interest rates, commodities, derivatives
- Term loan
- Cash management services (lock box, remote deposit capture, merchant processing)
- Credit services

Capital and risk

Banks face a number of risks in order to conduct their business, and how well these risks are managed and understood is a key driver behind profitability, and how much capital a bank is required to hold. Bank capital consists principally of equity, retained earnings and subordinated debt.

After the 2007-2009 financial crisis, regulators force banks to issue *Contingent convertible bonds* (CoCos).These are hybrid capital securities that absorb losses

in accordance with their contractual terms when the capital of the issuing bank falls below a certain level. Then debt is reduced and bank capitalization gets a boost. Owing to their capacity to absorb losses, CoCos have the potential to satisfy regulatory capital requirement.

Some of the main risks faced by banks include:

- Credit risk: risk of loss arising from a borrower who does not make payments as promised.
- Liquidity risk: risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit).
- Market risk: risk that the value of a portfolio, either an investment portfolio or a trading portfolio, will decrease due to the change in value of the market risk factors.
- Operational risk: risk arising from execution of a company's business functions.
- Reputational risk: a type of risk related to the trustworthiness of business.
- Macroeconomic risk: risks related to the aggregate economy the bank is operating in.[22]

The capital requirement is a bank regulation, which sets a framework within which a bank or depository institution must manage its balance sheet. The categorization of assets and capital is highly standardized so that it can be risk weighted.

Economic functions

The economic functions of banks include:

1. Issue of money, in the form of banknotes and current accounts subject to cheque or payment at the customer's order. These claims on banks can act as money because they are negotiable or repayable on demand, and hence valued at par. They are effectively transferable by mere delivery, in the case of banknotes, or by drawing a cheque that the payee may bank or cash.
2. Netting and settlement of payments – banks act as both collection and paying agents for customers, participating in interbank clearing and settlement systems to collect, present, be presented with, and pay payment instruments. This enables banks to economize on reserves held for settlement of payments, since inward and outward payments offset each other. It also enables the offsetting of payment flows between geographical areas, reducing the cost of settlement between them.

3. Credit intermediation – banks borrow and lend back-to-back on their own account as middle men.
4. Credit quality improvement – banks lend money to ordinary commercial and personal borrowers (ordinary credit quality), but are high quality borrowers. The improvement comes from diversification of the bank's assets and capital which provides a buffer to absorb losses without defaulting on its obligations. However, banknotes and deposits are generally unsecured; if the bank gets into difficulty and pledges assets as security, to raise the funding it needs to continue to operate, this puts the note holders and depositors in an economically subordinated position.
5. Asset liability mismatch/Maturity transformation – banks borrow more on demand debt and short term debt, but provide more long term loans. In other words, they borrow short and lend long. With a stronger credit quality than most other borrowers, banks can do this by aggregating issues (e.g. accepting deposits and issuing banknotes) and redemptions (e.g. withdrawals and redemption of banknotes), maintaining reserves of cash, investing in marketable securities that can be readily converted to cash if needed, and raising replacement funding as needed from various sources (e.g. wholesale cash markets and securities markets).
6. Money creation/destruction – whenever a bank gives out a loan in a fractional-reserve banking system, a new sum of money is created and conversely, whenever the principal on that loan is repaid money is destroyed.

Bank crisis

Banking crises have developed many times throughout history when one or more risks have emerged for a banking sector as a whole. Prominent examples include the bank run that occurred during the Great Depression, the U.S. Savings and Loan crisis in the 1980s and early 1990s, the Japanese banking crisis during the 1990s, and the sub-prime mortgage crisis in the 2000s.

Size of global banking Industry

Assets of the largest 1,000 banks in the world grew by 6.8% in the 2008/2009 financial year to a record US$96.4 trillion while profits declined by 85% to US$115 billion. Growth in assets in adverse market conditions was largely a result of recapitalization. EU banks held the largest share of the total, 56% in 2008/2009, down from 61% in the previous year. Asian banks' share increased

from 12% to 14% during the year, while the share of US banks increased from 11% to 13%. Fee revenue generated by global investment banking totalled US$66.3 billion in 2009, up 12% on the previous year.[24]

The United States has the most banks in the world in terms of institutions (5,330 as of 2015) and possibly branches (81,607 as of 2015).[25] This is an indicator of the geography and regulatory structure of the US, resulting in a large number of small to medium-sized institutions in its banking system. As of November 2009, China's top 4 banks have in excess of 67,000 branches (ICBC:18000+, BOC:12000+, CCB:13000+, ABC:24000+) with an additional 140 smaller banks with an undetermined number of branches. Japan had 129 banks and 12,000 branches. In 2004, Germany, France, and Italy each had more than 30,000 branches – more than double the 15,000 branches in the UK.[24]

Mergers and Acquisitions

Between 1985 and 2018 banks engaged in around 28,798 mergers or acquisitions, either as the acquirer or the target company. The overall known value of these deals cumulates to around 5,169 bil. USD.[26] In terms of value, there have been two major waves (1999 and 2007) which both peaked at around 460 bil. USD followed by a steep decline (-82% from 2007 until 2018).

Here is a list of the largest deals in history in terms of value with participation from at least one bank:

Date announced	Acquiror name	Acquiror mid industry	Acquiror nation	Target name	Target mid industry	Target nation	Value of transaction ($mil)
2007-04-25	RFS Holdings BV	Other financial	Netherlands	ABN-AMRO Holding N.V.	Banks	Netherlands	98,189.19
1998-04-06	Travelers Group Inc	Insurance	United States	Citicorp	Banks	United States	72,558.18
2014-09-29	UBS AG	Banks	Switzerland	UBS AG[clarification needed]	Banks	Switzerland	65,891.51
1998-04-13	NationsBank Corp, Charlotte, North Carolina	Banks	United States	BankAmerica Corp	Banks	United States	61,633.40

2004-01-14	JPMorgan Chase & Co	Banks	United States	Bank One Corp, Chicago, Illinois	Banks	United States	58,663.15
2003-10-27	Bank of America Corp	Banks	United States	FleetBoston Financial Corp, Massachusetts	Banks	United States	49,260.63
2008-09-14	Bank of America Corp	Banks	United States	Merrill Lynch & Co Inc	Brokerage	United States	48,766.15
1999-10-13	Sumitomo Bank Ltd	Banks	Japan	Sakura Bank Ltd	Banks	Japan	45,494.36
2009-02-26	HM Treasury	National agency	United Kingdom	Royal Bank of Scotland Group	Banks	United Kingdom	41,878.65
2005-02-18	Mitsubishi Tokyo Financial Group	Banks	Japan	UFJ Holdings Inc	Banks	Japan	41,431.03

Currently, commercial banks are regulated in most jurisdictions by government entities and require a special bank license to operate.

Usually, the definition of the business of banking for the purposes of regulation is extended to include acceptance of deposits, even if they are not repayable to the customer's order – although money lending, by itself, is generally not included in the definition.

Unlike most other regulated industries, the regulator is typically also a participant in the market, being either a publicly or privately governed central bank. Central banks also typically have a monopoly on the business of issuing banknotes. However, in some countries this is not the case. In the UK, for example, the Financial Services Authority licenses banks, and some commercial banks (such as the Bank of Scotland) issue their own banknotes in

addition to those issued by the Bank of England, the UK government's central bank.

Global headquarters of the Bank for International Settlements in Basel

Banking law is based on a contractual analysis of the relationship between the *bank* (defined above) and the *customer* – defined as any entity for which the bank agrees to conduct an account.

The law implies rights and obligations into this relationship as follows:

- The bank account balance is the financial position between the bank and the customer: when the account is in credit, the bank owes the balance to the customer; when the account is overdrawn, the customer owes the balance to the bank.
- The bank agrees to pay the customer's checks up to the amount standing to the credit of the customer's account, plus any agreed overdraft limit.
- The bank may not pay from the customer's account without a mandate from the customer, e.g. a cheque drawn by the customer.
- The bank agrees to promptly collect the cheques deposited to the customer's account as the customer's agent, and to credit the proceeds to the customer's account.
- The bank has a right to combine the customer's accounts, since each account is just an aspect of the same credit relationship.
- The bank has a lien on cheques deposited to the customer's account, to the extent that the customer is indebted to the bank.
- The bank must not disclose details of transactions through the customer's account – unless the customer consents, there is a public duty to disclose, the bank's interests require it, or the law demands it.
- The bank must not close a customer's account without reasonable notice, since cheques are outstanding in the ordinary course of business for several days.

These implied contractual terms may be modified by express agreement between the customer and the bank. The statutes and regulations in force within a particular jurisdiction may also modify the above terms and/or create new rights, obligations or limitations relevant to the bank-customer relationship.

Some types of financial institution, such as building societies and credit unions, may be partly or wholly exempt from bank license requirements, and therefore regulated under separate rules.

The requirements for the issue of a bank license vary between jurisdictions but typically include:

- Minimum capital
- Minimum capital ratio
- 'Fit and Proper' requirements for the bank's controllers, owners, directors, or senior officers
- Approval of the bank's business plan as being sufficiently prudent and plausible.

Types of banking

Banks' activities can be divided into:

- retail banking, dealing directly with individuals and small businesses;
- business banking, providing services to mid-market business;
- corporate banking, directed at large business entities;
- private banking, providing wealth management services to high-net-worth individuals and families;
- investment banking, relating to activities on the financial markets.

Most banks are profit-making, private enterprises. However, some are owned by government, or are non-profit organizations.

Types of bank

- Commercial banks: the term used for a normal bank to distinguish it from an investment bank. After the Great Depression, the U.S. Congress required that banks only engage in banking activities, whereas investment banks were limited to capital market activities. Since the two no longer have to be under separate ownership, some use the term "commercial bank" to refer to a bank or a division of a bank that mostly deals with deposits and loans from corporations or large businesses.
- Community banks: locally operated financial institutions that empower employees to make local decisions to serve their customers and the partners.
- Community development banks: regulated banks that provide financial services and credit to under-served markets or populations.
- Land development banks: The special banks providing long-term loans are called land development banks (LDB). The history of LDB is quite old. The first LDB was started at Jhang in Punjab in 1920. The main objective of the LDBs is to promote the development of land, agriculture and increase the

agricultural production. The LDBs provide long-term finance to members directly through their branches.[27]

- Credit unions or co-operative banks: not-for-profit cooperatives owned by the depositors and often offering rates more favourable than for-profit banks. Typically, membership is restricted to employees of a particular company, residents of a defined area, members of a certain union or religious organizations, and their immediate families.
- Postal savings banks: savings banks associated with national postal systems.
- Private banks: banks that manage the assets of high-net-worth individuals. Historically a minimum of US$1 million was required to open an account, however, over the last years many private banks have lowered their entry hurdles to US$350,000 for private investors.[28]
- Offshore banks: banks located in jurisdictions with low taxation and regulation. Many offshore banks are essentially private banks.
- Savings bank: in Europe, savings banks took their roots in the 19th or sometimes even in the 18th century. Their original objective was to provide easily accessible savings products to all strata of the population. In some countries, savings banks were created on public initiative; in others, socially committed individuals created foundations to put in place the necessary infrastructure. Nowadays, European savings banks have kept their focus on retail banking: payments, savings products, credits and insurances for individuals or small and medium-sized enterprises. Apart from this retail focus, they also differ from commercial banks by their broadly decentralized distribution network, providing local and regional outreach – and by their socially responsible approach to business and society.
- Building societies and Landesbanks: institutions that conduct retail banking.
- Ethical banks: banks that prioritize the transparency of all operations and make only what they consider to be socially responsible investments.
- A direct or internet-only bank is a banking operation without any physical bank branches. Transactions are usually accomplished using ATMs and electronic transfers and direct deposits through an online interface.

Types of investment banks

- Investment banks "underwrite" (guarantee the sale of) stock and bond issues, trade for their own accounts, make markets, provide investment management, and advise corporations on capital market activities such as mergers and acquisitions.

- Merchant banks were traditionally banks which engaged in trade finance. The modern definition, however, refers to banks which provide capital to firms in the form of shares rather than loans. Unlike venture caps, they tend not to invest in new companies.

Combination banks

A branch of Banco de Oro in Metro Manila, Philippines

A Banco do Brasil office in São Paulo, Brazil, the bank is the largest financial institution in Brazil and Latin America.

- Universal banks, more commonly known as financial services companies, engage in several of these activities. These big banks are very diversified groups that, among other services, also distribute insurance – hence the term bancassurance, a portmanteau word combining "banque or bank" and "assurance", signifying that both banking and insurance are provided by the same corporate entity.

Other types of banks

- Central banks are normally government-owned and charged with quasi-regulatory responsibilities, such as supervising commercial banks, or controlling the cash interest rate. They generally provide liquidity to the banking system and act as the lender of last resort in event of a crisis.
- Islamic banks adhere to the concepts of Islamic law. This form of banking revolves around several well-established principles based on Islamic canons. All banking activities must avoid interest, a concept that is forbidden in Islam. Instead, the bank earns profit and fees on the financing facilities that it extends to customers.

Challenges within the banking industry

The United States banking industry is one of the most heavily regulated and guarded in the world, with multiple specialized and focused regulators. All banks with FDIC-insured deposits have the Federal Deposit Insurance Corporation (FDIC) as a regulator. However, for soundness examinations (i.e., whether a bank is operating in a sound manner), the Federal Reserve is the primary federal regulator for Fed-member state banks; the Office of the Comptroller of the Currency (OCC) is the primary federal regulator for national banks. State non-member banks are examined by the state agencies as well as the FDIC. National banks have one primary regulator – the OCC.

Each regulatory agency has their own set of rules and regulations to which banks and thrifts must adhere. The Federal Financial Institutions Examination Council (FFIEC) was established in 1979 as a formal inter-agency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions. Although the FFIEC has resulted in a greater degree of regulatory consistency between the agencies, the rules and regulations are constantly changing.

In addition to changing regulations, changes in the industry have led to consolidations within the Federal Reserve, FDIC, OTS, and OCC. Offices have been closed, supervisory regions have been merged, staff levels have been reduced and budgets have been cut. The remaining regulators face an increased burden with increased workload and more banks per regulator. While banks struggle to keep up with the changes in the regulatory environment, regulators struggle to manage their workload and effectively regulate their banks. The impact of these changes is that banks are receiving less hands-on assessment by the regulators, less time spent with each institution, and the potential for more problems slipping through the cracks, potentially resulting in an overall increase in bank failures across the United States.

The changing economic environment has a significant impact on banks and thrifts as they struggle to effectively manage their interest rate spread in the face of low rates on loans, rate competition for deposits and the general market changes, industry trends and economic fluctuations. It has been a challenge for banks to effectively set their growth strategies with the recent economic market. A rising interest rate environment may seem to help financial institutions, but the effect of the changes on consumers and businesses is not predictable and the challenge remains for banks to grow and effectively manage the spread to generate a return to their shareholders.

The management of the banks' asset portfolios also remains a challenge in today's economic environment. Loans are a bank's primary asset category and when loan quality becomes suspect, the foundation of a bank is shaken to the core. While always an issue for banks, declining asset quality has become a big problem for financial institutions.

Safra National Bank, New York

There are several reasons for this, one of which is the lax attitude some banks have adopted because of the years of “good times.” The potential for this is exacerbated by the reduction in the regulatory oversight of banks and in some cases depth of management. Problems are more likely to go undetected,

resulting in a significant impact on the bank when they are discovered. In addition, banks, like any business, struggle to cut costs and have consequently eliminated certain expenses, such as adequate employee training programs.

Banks also face a host of other challenges such as ageing ownership groups. Across the country, many banks' management teams and board of directors are ageing. Banks also face ongoing pressure by shareholders, both public and private, to achieve earnings and growth projections. Regulators place added pressure on banks to manage the various categories of risk. Banking is also an extremely competitive industry. Competing in the financial services industry has become tougher with the entrance of such players as insurance agencies, credit unions, cheque cashing services, credit card companies, etc.

As a reaction, banks have developed their activities in financial instruments, through financial market operations such as brokerage and have become big players in such activities.

Another major challenge is the ageing infrastructure, also called legacy IT. Backend systems were built decades ago and are incompatible to new applications. Fixing bugs and creating interfaces costs huge sums, as knowledgeable programmers become scarce.

Loan activities of banks

To be able to provide home buyers and builders with the funds needed, banks must compete for deposits. The phenomenon of disintermediation had to dollars moving from savings accounts and into direct market instruments such as U.S. Department of Treasury obligations, agency securities, and corporate debt. One of the greatest factors in recent years in the movement of deposits was the tremendous growth of money market funds whose higher interest rates attracted consumer deposits.[31]

To compete for deposits, US savings institutions offer many different types of plans:

- Passbook or ordinary deposit accounts – permit any amount to be added to or withdrawn from the account at any time.
- NOW and Super NOW accounts – function like checking accounts but earn interest. A minimum balance may be required on Super NOW accounts.
- Money market accounts – carry a monthly limit of preauthorized transfers to other accounts or persons and may require a minimum or average balance.

- Certificate accounts – subject to loss of some or all interest on withdrawals before maturity.
- Notice accounts – the equivalent of certificate accounts with an indefinite term. Savers agree to notify the institution a specified time before withdrawal.
- Individual retirement accounts (IRAs) and Keogh plans – a form of retirement savings in which the funds deposited and interest earned are exempt from income tax until after withdrawal.
- Checking accounts – offered by some institutions under definite restrictions.
- All withdrawals and deposits are completely the sole decision and responsibility of the account owner unless the parent or guardian is required to do otherwise for legal reasons.
- Club accounts and other savings accounts – designed to help people save regularly to meet certain goals.

Types of accounts

Suburban bank branch

Bank statements are accounting records produced by banks under the various accounting standards of the world. Under GAAP there are two kinds of accounts: debit and credit. Credit accounts are Revenue, Equity and Liabilities. Debit Accounts are Assets and Expenses. The bank credits a *credit account* to increase its balance, and debits a *credit account* to decrease its balance.

The customer debits his or her savings/bank (asset) account in his ledger when making a deposit (and the account is normally in debit), while the customer credits a credit card (liability) account in his ledger every time he spends money (and the account is normally in credit). When the customer reads his bank statement, the statement will show a credit to the account for deposits, and debits for withdrawals of funds. The customer with a positive balance will see this balance reflected as a credit balance on the bank statement. If the customer is overdrawn, he will have a negative balance, reflected as a debit balance on the bank statement.

Brokered deposits

One source of deposits for banks is brokers who deposit large sums of money on behalf of investors through trust corporations. This money will generally go to the banks which offer the most favourable terms, often better than those

offered local depositors. It is possible for a bank to engage in business with no local deposits at all, all funds being brokered deposits. Accepting a significant quantity of such deposits, or hot money as it is sometimes called, puts a bank in a difficult and sometimes risky position, as the funds must be lent or invested in a way that yields a return sufficient to pay the high interest being paid on the brokered deposits. This may result in risky decisions and even in eventual failure of the bank. Banks which failed during 2008 and 2009 in the United States during the global financial crisis had, on average, four times more brokered deposits as a percent of their deposits than the average bank. Such deposits, combined with risky real estate investments, factored into the savings and loan crisis of the 1980s. Regulation of brokered deposits is opposed by banks on the grounds that the practice can be a source of external funding to growing communities with insufficient local deposits. There are different types of accounts: saving, recurring and current accounts.

Custodial accounts

Custodial accounts are accounts in which assets are held for a third party. For example, businesses that accept custody of funds for clients prior to their conversion, return or transfer may have a custodial account at a bank for these purposes.

Globalization in the banking industry

In modern time there have been huge reductions to the barriers of global competition in the banking industry. Increases in telecommunications and other financial technologies, such as Bloomberg, have allowed banks to extend their reach all over the world, since they no longer have to be near customers to manage both their finances and their risk. The growth in cross-border activities has also increased the demand for banks that can provide various services across borders to different nationalities. However, despite these reductions in barriers and growth in cross-border activities, the banking industry is nowhere near as globalized as some other industries. In the US, for instance, very few banks even worry about the Riegle–Neal Act, which promotes more efficient interstate banking. In the vast majority of nations around the globe the market share for foreign owned banks is currently less than a tenth of all market shares for banks in a particular nation. One reason the banking industry has not been fully globalized is that it is more convenient to have local banks provide loans to small business and individuals. On the other hand, for large corporations, it is not as important in what nation the bank is in, since the corporation's financial information is available around the globe.

Unit- 3 Investment in Insurance and Bank

Structure

3.1 Introduction to investment in Insurance and Bank

3.2 Types of Insurance Policy

3.3 Types of cover in Insurance Policy

3.4 Leading Insurance Policy Company

3.5 Types of Investment in Banks

Different types of Investments

There are four main investment types, or asset classes, that you can choose from, each with distinct characteristics, risks and benefits. Once you are familiar with the different types of assets you can begin to think about piecing together a mix that would fit with your personal circumstances and risk tolerance.

Growth investments

These are more suitable for long term investors that are willing and able to withstand market ups and downs.

Shares

Shares are considered a growth investment as they can help grow the value of your original investment over the medium to long term. If you own shares, you may also receive income from dividends, which are effectively a portion of a company's profit paid out to its shareholders. Of course, the value of shares may also fall below the price you pay for them. Prices can be volatile from day to day and shares are generally best suited to long term investors, who are comfortable withstanding these ups and downs. Also known as equities, shares have historically delivered higher returns than other assets, shares are considered one of the riskiest types of investment.

Property

Property is also considered as a growth investment because the price of houses and other properties can rise substantially over a medium to long term period. However, just like shares, property can also fall in value and carries the risk of losses. It is possible to invest directly by buying a property but also indirectly, through a property investment fund.

Defensive investments

These are more focused on consistently generating income, rather than growth, and are considered lower risk than growth investments.

Cash

Cash investments include everyday bank accounts, high interest savings accounts and term deposits. They typically carry the lowest potential returns of all the investment types. While they

offer no chance of capital growth, they can deliver regular income and can play an important role in protecting wealth and reducing risk in an investment portfolio.

Fixed interest

The best known type of fixed interest investments are bonds, which are essentially when governments or companies borrow money from investors and pay them a rate of interest in return. Bonds are also considered as a defensive investment, because they generally offer lower potential returns and lower levels of risk than shares or property. They can also be sold relatively quickly, like cash, although it's important to note that they are not without the risk of capital losses.

INTRODUCTION TO INSURANCE SECTOR

In India, the concept of insurance was never given a serious thought, as compared to other countries. Life insurance premium to Gross Domestic Product (GDP) ratio is a mere 1.4% as compared to a healthier rate of 8% amongst other developing countries. The reason being lack of awareness and opportunities combined with poor state of services provided. Presently in India, the insurance sector is nationalized; Life Insurance Corporation of India (LIC) and General Insurance Company (GIC) render services along with its 4 subsidiaries. While LIC provides life insurance, GIC is concerned with non life insurance like - motor, marine, fire, health and personal accident insurance. LIC has been one of the pioneering organizations in India, which ushered in the use of information technology in their business on a very large scale to deliver more value and satisfaction to the policyholders. LIC has fully computerized most of its branches all over India. Metropolitan Area Network (MAN) has enabled policyholders to pay premiums or to get their status report, surrender value quotation and loan quotation online. The Zonal Offices and MAN centers are connected through a Wide Area Network (WAN). Interactive Voice Response Systems have been made functional in a number of centers all over the country. The insurance industry in our country is on the threshold of a new era of rapid expansion. A more competitive environment is expected to emerge with new private participants being allowed to enter the insurance industry. The need for private sector participation in this sector is justified on the basis of enhancing the efficiency of operations, achieving a greater density and penetration of life insurance in the country and for a greater mobilization of long-term savings for long gestation infrastructure projects. In the wake of emerging competition, LIC, with its more than four decades of experience and wide reach, is equipped to face the challenges emanating from the entry of new players. Insurance is a federal subject in India. The primary legislation that deals with insurance business in India is: Insurance Act, 1938, Insurance Regulatory & Development Authority Act, Composition of Authority under IRDA Act, 1999

Types of Insurance

In life, unplanned expenses are a bitter truth. Even when you think that you are financially secure, a sudden or unforeseen expenditure can significantly hamper this security. Depending on the extent of the emergency, such instances may also leave you debt-ridden.

While you cannot plan ahead for contingencies arising from such incidents, insurance policies offer a semblance of support to minimise financial liability from unforeseen occurrences.

There is a wide range of insurance policies, each aimed at safeguarding certain aspects of your health or assets.
Broadly, there are 8 types of insurance, namely:

- Life Insurance
- Motor insurance
- Health insurance
- Travel insurance
- Property insurance
- Mobile insurance
- Cycle insurance
- Bite-size insurance

Simply knowing the various insurance policies does not help. Instead, you must know how each of these plans work.
Without adequate knowledge about each of them, you may not be able to protect your finances, as well as the financial well-being of your family members. Read on to learn all you need to know about the various insurance policies.

1. Life Insurance

Life Insurance refers to a policy or cover whereby the policyholder can ensure financial freedom for his/her family members after death. Suppose you are the sole earning member in your family, supporting your spouse and children.
In such an event, your death would financially devastate the whole family. Life insurance policies ensure that such a thing does not happen by providing financial assistance to your family in the event of your passing.

Types of Life Insurance Policies

There are primarily seven different types of insurance policies when it comes to life insurance. These are:

- **Term Plan** - The death benefit from a term plan is only available for a specified period, for instance, 40 years from the date of policy purchase.
- **Endowment Plan** - Endowment plans are life insurance policies where a portion of your premiums go toward the death benefit, while the remaining is invested by the insurance provider. Maturity benefits, death benefit and periodic bonuses are some types of assistance from endowment policies.
- **Unit Linked Insurance Plans or ULIPs** - Similar to endowment plans, a part of your insurance premiums go toward mutual fund investments, while the remaining goes toward the death benefit.

- **Whole Life Insurance** - As the name suggests, such policies offer life cover for the whole life of an individual, instead of a specified term. Some insurers may restrict the whole life insurance tenure to 100 years.
- **Child's Plan** - Investment cum insurance policy, which provides financial aid for your children throughout their lives. The death benefit is available as a lump-sum payment after the death of parents.
- **Money-Back** - Such policies pay a certain percentage of the plan's sum assured after regular intervals. This is known as survival benefit.
- **Retirement Plan** - Also known as pension plans, these policies are a fusion of investment and insurance. A portion of the premiums goes toward creating a retirement corpus for the policyholder. This is available as a lump-sum or monthly payment after the policyholder retires.

Benefits of Life Insurance

If you possess a life insurance plan, you can enjoy the following advantages from the policy.

- **Tax Benefits** - If you pay life insurance premiums, you are eligible for tax benefits in India, under Section 80(C) and 10(10D) of the Income Tax Act. Thus, you can save a substantial sum of money as taxes by opting for a life insurance plan.
- **Encourages Saving Habit** - Since you need to pay policy premiums, buying such an insurance policy promotes the habit of saving money.
- **Secures Family's Financial Future** - The policy ensures your family's financial independence is maintained even after your demise.
- **Helps Plan Your Retirement** - Certain life insurance policies also act as investment options. For instance, pension plans offer a lump-sum payout as soon as you retire, helping you to fund your retirement.

Now that you know all about life insurance policies read on to understand the various facets of other general insurance policies.

2. Motor Insurance

Motor insurance refers to policies that offer financial assistance in the event of accidents involving your car or bike. Motor insurance can be availed for three categories of motorised vehicles, including:

- **Car Insurance** - Personally owned four-wheeler vehicles are covered under such a policy.
- **Two-wheeler Insurance** - Personally owned two-wheeler vehicles, including bikes and scooters, are covered under these plans.
- **Commercial Vehicle Insurance** - If you own a vehicle that is used commercially, you need to avail insurance for the same. These policies ensure that your business automobiles stay in the best of shapes, reducing losses significantly.

Types of Motor Insurance Policies

Based on the extent of cover or protection offered, motor insurance policies are of three types, namely:

- **Third-Party Liability** - This is the most basic type of motor insurance cover in India. It is the minimum mandatory requirement for all motorised vehicle owners, as per the Motor Vehicles Act of 1988. Due to the limited financial assistance, premiums for such policies also tend to be low. These insurance plans only pay the financial liability to the third-party affected in the said mishap, ensuring that you do not face legal hassle due to the accident. They, however, do not offer any financial assistance to repair the policyholder's vehicle after accidents.
- **Comprehensive Cover** - Compared to the third-party liability option, comprehensive insurance plans offer better protection and security. Apart from covering third party liabilities, these plans also cover the expenses incurred for repairing the damages to the policyholder's own vehicle due to an accident. Additionally, comprehensive plans also offer a payout in case your vehicle sustains damage due to fire, man-made and natural calamities, riots and others such instances. Lastly, you can recover your bike's cost if it gets stolen, when you have a comprehensive cover in place. One can also opt for several add-ons with their comprehensive motor insurance policy that can make it better-rounded. Some of these add-ons include zero depreciation cover, engine and gear-box protection cover, consumable cover, breakdown assistance, etc.
- **Own Damage Cover** - This is a specialised form of motor insurance, which insurance companies offer to consumers. Further, you are eligible to avail such a plan only if you purchased the two-wheeler or car after September 2018. The vehicle must be brand new and not a second-hand one. You should also remember that you can avail this standalone own damage cover only if you already have a third party liability motor insurance policy in place. With own damage cover, you basically receive the same benefits as a comprehensive policy without the third-party liability portion of the policy.

Benefits of Motor Insurance Policies

Cars and bikes are increasingly more expensive with each passing day. At such a time, staying without proper insurance can lead to severe monetary losses for the owner. Listed below are some advantages of purchasing such a plan.

- **Prevents Legal Hassle** - Helps you avoid any traffic fines and other legalities that you would otherwise need to bear.
- **Meets All Third-Party Liability** - If you injure a person or damage someone's property during a vehicular accident, the insurance policy helps you meet the monetary losses, effectively.

- **Financial Assistance to Repair Your own Vehicle** - After accidents, you need to spend considerable sums on repairing your own vehicle. Insurance plans limit such out of pocket expenses, allowing you to undertake repairs immediately.
- **Theft/loss cover** - If your vehicle is stolen, your insurance policy will help you reclaim a portion of the car/bike's on-road price. You can expect similar assistance if your vehicle is damaged beyond repair due to accidents.

Additionally, individuals who own a commercial car/two-wheeler can also avail tax benefits if they pay premiums for that vehicle.

3. Health Insurance

Health insurance refers to a type of general insurance, which provides financial assistance to policyholders when they are admitted to hospitals for treatment. Additionally, some plans also cover the cost of treatment undertaken at home, prior to a hospitalisation or after discharge from the same.

With the rising medical inflation in India, buying health insurance has become a necessity. However, before proceeding with your purchase, consider the various types of health insurance plans available in India.

Types of Health Insurance policies

There are eight main types of health insurance policies available in India. They are:

- **Individual Health Insurance** - These are healthcare plans that offer medical cover to just one policyholder.
- **Family Floater Insurance** - These policies allow you to avail health insurance for your entire family without needing to buy separate plans for each member. Generally, husband, wife and two of their children are allowed health cover under one such family floater policy.
- **Critical Illness Cover** - These are specialised health plans that provide extensive financial assistance when the policyholder is diagnosed with specific, chronic illnesses. These plans provide a lump-sum payout after such a diagnosis, unlike typical health insurance policies.
- **Senior Citizen Health Insurance** - As the name suggests, these policies specifically cater to individuals aged 60 years and beyond.
- **Group Health Insurance** - Such policies are generally offered to employees of an organisation or company. They are designed in such a way that older beneficiaries can be removed, and fresh beneficiaries can be added, as per the company's employee retention capability.
- **Maternity Health Insurance** - These policies cover medical expenses during pre-natal, post-natal and delivery stages. It covers both the mother as well as her newborn.

- **Personal Accident Insurance** - These medical insurance policies only cover financial liability from injuries, disability or death arising due to accidents.
- **Preventive Healthcare Plan** - Such policies cover the cost of treatment concerned with preventing a severe disease or condition.

Benefits of Health Insurance

After assessing the various kinds of health insurance available, you must be wondering why availing such a plan is essential for you and your loved ones. Look at the reasons listed below to understand why.

- **Medical Cover** - The primary benefit of such insurance is that it offers financial coverage against medical expenditure.
- **Cashless Claim** - If you seek treatment at one of the hospitals that have tie-ups with your insurance provider, you can avail cashless claim benefit. This feature ensures that all medical bills are directly settled between your insurer and hospital.
- **Tax Benefits** - Those who pay health insurance premiums can enjoy income tax benefits. Under Section 80D of the Income Tax Act one can avail a tax benefit of up to Rs.1 Lakh on the premium payment of their health insurance policies.

There may be additional advantages, depending on the insurance provider in question.

4. Travel Insurance

When talking about the different types of insurance policies, one must not forget to learn more about travel insurance plans. Such policies ensure the financial safety of a traveller during a trip. Therefore, when compared to other insurance policies, travel insurance is a short-term cover.
Depending on the provider you choose, travel insurance may offer financial aid at various times, such as during loss of baggage, trip cancellation and much more. Here is a look at some of the different types of travel insurance plans available in the country:

- **Domestic Travel Insurance** - This is the kind of travel insurance policy that safeguards your finances during travels within India. However, if you plan to step outside the country for a vacation, such a policy would not offer any aid.
- **International Travel Insurance** - If you are stepping out of the country, ensure you pick an international travel insurance plan. It allows you to cover the unforeseen expenses that can arise during your trip like medical emergencies, baggage loss, loss of passport, etc.
- **Home Holiday Insurance** - When you are travelling with family, your home remains unguarded and unprotected. Chances of burglary are always significant, which may lead to significant losses. Thankfully, with home holiday insurance plans, which are often included within travel policies, you are financially protected from such events as well.

Benefits of Travel Insurance

The following aspects are covered under travel insurance plans:

- **Cover Flight Delay** - **Flight delays** or cancellations can lead to significant losses for the passenger. If you buy travel insurance, you can claim such financial losses from the insurer.
- **Baggage Loss/Delay** - Travel insurance lets you claim monetary assistance if there is a delay or you happen to lose your luggage during the trip. With this amount, you can purchase some of the necessary items.
- **Reclaim Lost Travel Documents** - Visa and passport are essential documents during an international trip. Opting for international travel insurance ensures that you have the necessary financial backing to reapply for interim or replacement documents as and when necessary.
- **Trip Cancellation Cover** - A sudden death in the family or a medical emergency may play spoilsport with your travel arrangements. Thankfully, international travel insurance plans support trip cancellations in such events. You can claim financial assistance to pay penalties and cancellation charges for flights, hotels, etc.

Make sure that you choose an insurer carefully, especially a company that is reliable and available 24x7 to assist you.

5. Property Insurance

Any building or immovable structure can be insured through property insurance plans. This can be either your residence or commercial space. If any damage befalls such a property, you can claim financial assistance from the insurance provider. Keep in mind that such a plan also financially safeguards the content inside the property.

Types of Property Insurance in India

Here are some types of property insurance policies available in India:

- **Home Insurance** - With such a policy, you remain free from all financial liabilities that may arise from damage to your home or contents inside due to fires, burglaries, storms, earthquakes, explosions and other events.
- **Shop Insurance** - If you own a shop, which acts as a source of income for you, it is integral to protect yourself from financial liability arising from the same. Whether the liability occurs due to natural calamities or due to accidents, with these plans, you can immediately undertake repairs to the shop.
- **Office Insurance** - Another type of property insurance policy, office insurance ensures that the office building and all the equipment inside are significantly protected in the event of unforeseen events. Generally, office spaces include expensive equipment, such as computers, servers and much more. Thus, availing these plans is essential.

- **Building Insurance** - If you own a complete building, opting for home insurance may not be sufficient. Instead, you can purchase building insurance to cover the entire premises.

Benefits of Property Insurance

If you still think that property cover is not one of the types of insurance plans you need to avail, take a look at some of the advantages from the same.

- **Protection against Fires** - While the insurance policy cannot prevent fires, it can prevent financial liabilities from such an event.
- **Burglaries** - If your property exists in an area prone to theft and burglaries, such a policy is vital to ensure financial security.
- **Floods** - In certain parts of India, floods are common. These floods can ravage your property leading to substantial losses. Property insurance also protects against such events.
- **Natural Calamities** - The plan also offers financial aid against damage arising from earthquakes, storms and more.

Rebuilding or renovation of a property is immensely expensive. Thus, property insurance policies are the best option to ensure long-term financial health.

6. Mobile Insurance

Owing to the rising price of mobile phones and their several applications today, it has become imperative to insure the device. Mobile insurance allows you to reclaim money that you spend on repairing your phone in the event of accidental damage.

Further, you can also claim the same in case of phone theft, making it easier to replace the handset with a new phone.

Benefits of Mobile Insurance

Mobile insurance policies are extremely beneficial, especially for those who own a premium smartphone.

- **Comprehensive protection for new devices** - The value of phones tend to decline with time. Thus, when the handset is new, phone insurance can help safeguard its significant value.
- **Coverage against Damage to Screen** - If you accidentally damage the smartphone screen, which is one of the most important parts of such devices, your insurance plan will pay for the repair expenses.
- **Theft or Robbery of Smartphone** - Nothing is worse than buying your dream smartphone and losing it due to theft or burglary. Well, phone insurance will help you afford a replacement handset if such an unfortunate thing happens.

Some insurers may not allow you to buy insurance for the smartphone after a month or two passes from the purchase of the handset.

7. Cycle Insurance

Bicycles are valuable properties in India as some people rely on these vehicles for their daily commute. A cycle insurance policy ensures that you have access to necessary funds should your bicycle undergo accidental damage or theft. It saves your out of pocket expenses, while also ensuring immediate repairs to the vehicle.

Benefits of Cycle Insurance

The advantages of availing such an insurance policy are:

- **Worldwide Coverage** - Depending on the insurance provider, cycle insurance policies provide financial assistance regardless of where your bicycle undergoes damage. Even if you meet with a cycling accident in a different country, such a plan will offer aid.
- **Protection against Fires and Riots** - If your bicycle sustains damage due to accidental fires and/or rioting, insurance policies will provide the necessary financial assistance to repair or undo the damage.
- **Accidental Death Benefit** - If you pass away due to bicycle accidents, the insurance policy for the cycle would offer a lump-sum payout to your surviving family members.

Regardless of your cycle's price, opting for insurance can reduce your financial liabilities significantly.

8. Bite-Size Insurance

Bite-sized insurance policies refer to such insurance plans that minimise your financial liability for a very limited tenure, generally up to a year. These insurance plans allow you to protect your finances against specific damage or threats.

For instance, particular bite-sized insurance may offer accidental cover of Rs. 1 Lakh for a year. You can choose this policy when you think you might be particularly susceptible to accidental injuries.

Another example is insurance cover for specific diseases. For instance, if your area is prone to water-borne diseases, such as cholera, you can pick a policy that covers cholera treatment and all associated costs for a 1-year period.

Benefits of Bite-sized Insurance

The primary benefit of bite-size insurance policies is that it allows you to avail financial protection at very limited prices.

The premiums are so low that it hardly makes any impact on your overall monthly expenditures. In comparison, the sum insured is significant.

Insurance Coverage

Insurance coverage is the amount of risk, liability, or potential loss that is protected by insurance. It helps individuals recover from financial losses as a result of incidents, such as car accidents, damaged property, or unexpected health issues.

In order to be covered for their losses, individuals pay an insurance premium. The insurance coverage depends on the policyholder's age, place of residence, employment benefits, number of children, and other lifestyle factors.

Having insurance coverage is important because it can provide individuals with financial security and help mitigate losses. It also offers a sense of safety for the policyholder and their family, knowing that financial losses can be protected. The most common types of insurance coverages include life, health, auto, and homeowners.

Life Insurance Coverage

Life insurance coverage provides beneficiaries with a sum of money upon the death of the insured individual. Beneficiaries can be anyone that the insured individual wants to provide the money to, such as a spouse, friend, children, or charity. The purpose of life insurance is to be able to financially assist family members after the death of a loved one, provide for funeral expenses, or pay for outstanding debt. There are various types of life insurance, not limited to but including:

- **Term life insurance**: This insurance has a fixed period of time for coverage, such as 10, 20, or 30 years. The coverage may also only last a certain number of years or until a certain age, such as 65 years. After that, the policyholder will not receive coverage anymore unless they purchase insurance again.
- **Permanent life insurance**: This gives coverage for the rest of your life and never expires. There are two types – whole life insurance and universal life insurance.

Health Insurance Coverage

Having health insurance coverage can help individuals avoid paying the full costs of medical expenses incurred when they require medical attention. Depending on how much they pay for insurance, it can protect the policyholder from having to pay for visits to the doctor, prescription medicines, and any other healthcare costs. There are several types of coverages for health insurance, which includes:

- **Health and dental insurance**: This is beneficial in covering healthcare costs that are not protected by government programs or employment benefits.
- **Disability insurance**: This helps to protect the individual if they suffer from an accident and become disabled. The insurance coverage can help minimize financial losses if they are unable to work due to a disability.

- **Critical illness insurance**: This insurance is beneficial to cover the costs of healthcare for individuals who are suffering from serious or life-threatening illnesses.
- **Long-term care insurance**: This can help cover the costs of long-term care facilities or home-care service providers if the individual is no longer capable of caring for themselves due to aging, illness, or an accident.

Auto Insurance Coverage

Auto insurance is used to protect individuals from financial losses associated with medical expenses and repair costs due to a car accident. Not only does having auto insurance coverage financially protect the driver, but it can also protect the passengers in the vehicle and other vehicles involved in the accident. Here are some examples of several types of auto insurance coverages:

- **Bodily injury liability**: If the policyholder injures another individual in a car accident, this insurance helps cover medical costs for the injured individual.
- **Property damage liability**: This insurance covers the costs associated with repairing other vehicles or other property that the policyholder damaged.
- **Collision coverage**: This insurance covers the costs of repairing damages to the owner's own vehicle or property.
- **Comprehensive coverage**: This insurance protects the policyholder in the case of loss, damage, or theft of their car. It can be due to an incident other than a car accident, such as damage from extreme weather or damage from a falling object.

Homeowner's Insurance Coverage

Homeowner's insurance protects you from financial losses related to your home. The coverage can help you with expenses associated with repairs, destruction, maintenance, or replacing damaged items inside your home. Depending on the type of coverage, it can also cover losses such as clothing, furniture, electronic appliances, and other personal belongings. Homeowners insurance coverage can financially protect you in situations such as:

- Fires
- Weather-related destruction such as wind, hurricane, lightning
- Theft and vandalism

Importance of insurance

Insurance is an essential cost that one needs to make in order to secure the future of his/her family. Even the financial advisers suggest you to avail insurance before you start with your financial planning. Insurance is an important necessity for various reasons. Following are some of the reasons:

1. **Insurance provides you with financial security and safety net:**
   If something unforeseen happens to the bread earner of the family, the financial situation of the family may come to a standstill. Insurance compensation can become a source of

income for the family and stabilise the finances. With insurance, your family is financially secure even when you are not around.

2. **Insurance safeguards you and your family's future goals**
   The sudden demise of a family's breadwinner can have the worst repercussions on the family's financial stability. With insurance, your family can achieve financial stability even when you are not around. Also, their future financial goals will stay intact.
3. **Insurance encourages savings:**
   There are various products offered by the life insurance companies that not only provide life cover but also provide a provision for wealth creation to achieve future goals. The requirement of periodic investment into such products encourage savings. For example, endowment plans, money back plans, unit-linked investment plans etc.
4. **Insurance is an effective risk management tool:**
   The insurance covers uncertainties such as the risk of death, risk of getting hit, falling sick and many more. Insurance is all about managing these risks effectively. Every insurance policy provides coverage against insured risk.
5. **Insurance provides peace of mind:**
   As insurance manages risk effectively, you can only make regular payments towards insurance and stay tension-free. Peace of mind is what you get by insuring.

Top insurance companies in India:

Following is the list of top insurance companies in India

1. Life Insurance Corporation of India

Life Insurance Corporation of India popularly known as LIC is the largest life insurance company in India owned by the Government of India. LIC, one of the top 10 insurance companies in India, came into existence in the year 1956. LIC makes insurance accessible for every person in any corner of the country with 2048 branch offices, 113 divisional offices, 8 zonal offices and 1381 satellite offices. Currently, LIC's total asset under management is INR 3,111,847 crores (USD 450 billion). LIC being the dominant insurance player has a huge customer base of over 29 crores policyholders. LIC is a trusted insurance brand that offers great convenience to its customers through its excellent customer services on the digital platform and also through branch offices and various other tie-ups. LIC offers numerous life insurance products that can meet the unique needs of a variety of customer segments. For all the milestones it has achieved, LIC has been consistently recognised and awards. Following are some of the awards received by LIC:

- LIC has been consistently winning the Reader's Digest Trusted Brand Award
- According to the Brand Trust Report, LIC has been consistently voted as 'India's Most Trusted Brand' in BFSI category
- LIC has won 'Best Life Insurance Company of the Year' and 'Most Preferred Life Insurance Company of the Year' award

In fact, the flexibility offered with the LIC plans are so diverse that choosing a LIC policy itself can be quite a dilemma. To make things easier for you, we have compared the top policies offered by LIC along with their features and benefits in the post linked below.

2. Max Life Insurance Company

Max Life Insurance Company founded in the year 2000 is the largest non-bank private sector insurance company in India. Max Life Insurance Company is a joint venture between Indian Max India Ltd, a multi-business Indian corporate and Mitsui Sumitomo Insurance Company, a Japanese Insurance Company. It is one of the fastest-growing insurance companies in India and Max Life's asset under management has now touched the mark of INR 50,000 crores. Max Life has a customer base of more than 30 lakhs. With strong online presence, wide portfolio of products, multi-distribution channel and 1090 offices across the country, Max Life Insurance Company provides high-quality customer services. Max Life has been receiving awards and recognitions consistently. With high claim settlement ratio, Max Life has been awarded as 'Claims Service Leader' and 'Excellence in Claims Service' by CMO Asia Awards.
Max Life Insurance allows you to select from multiple types of products being offered by them in the market. You can read more about Max Life Insurance and check their insurance plans below.

3. HDFC Life Insurance Company

HDFC Life Insurance Company, one of the top insurance companies in India is a joint venture between HDFC Ltd, leading housing finance institution in India and Standard Life Aberdeen, a global investment company. Founded in the year 2000, HDFC Life offers a wide array of insurance and investment solutions to various customer segments. HDFC Life serves its customers across the country through 412 branches and additional distribution touchpoints and bancassurance partners. With strong digital platform, services are accessible easily to the customers. HDFC Life has received many accolades and awards for its continuous contribution to the Indian Insurance Industry. Following are some of the details:

- HDFC Life is ranked as 'Most Valuable Private Life Insurance Indian Brand'
- HDFC Life has received 'Creative Excellence Award' at INDIAA awards 2018
- HDFC Life has received 'Best Life Insurance Company', 'Best Analytic Initiative of the Year' and 'Best Underwriting Initiative of the Year' at BFSI awards.
- HDFC Life is recognised as the Best 50 PCI Companies for 2019

HDFC life insurance offers considerable flexibility with their insurance policies, at 99.07%, their claim settlement ratio is quite impressive as well. Click the link below to know more about the life insurance plans offered by HDFC.

4. ICICI Prudential Life Insurance

ICICI Prudential Life Insurance Company is promoted by ICICI Bank Limited and Prudential Corporation Holdings Limited. Founded in the year 2000, ICICI Prudential Life is one of the best insurance company in India having its presence all over the country today with its strong bancassurance channel and multiple distribution channels. Total assets under management of the company are INR 1,604.10 billion. With the customer-centric approach, ICICI Prudential Life offers various long-term protection and savings plans for a diverse customer segment. For its excellence in the field of insurance, ICICI Prudential Life Insurance Company has been receiving many accolades and awards. Let's take a look at a few of such recognitions.

- ICICI Prudential Life has received 'Life Insurance Company of the Year' award at India Summit and Awards 2019
- ICICI Prudential Life has received 'Life Insurance Provider of the Year' by Outlook Money Awards 2018
- ICICI Prudential Life has received 'Best Term Insurance Provider of the Year' award by Money Today Financial Awards 2017-18
- ICICI Prudential Life is awarded as 'Best Customer Orientation in Life Insurance' award by Emerging Asia Awards 2018
- ICICI Prudential Life is awarded as 'Best Growth in Life Insurance' category by Emerging Asia Awards 2018

5. Tata AIA Life Insurance Company

Tata AIA Life Insurance Company is a joint venture between Tata Sons Private Limited, one of the largest business groups and AIA Group Limited, Asia's largest insurance group. Tata AIA Life Insurance Company's asset under management in 2019 is INR 28,430 crores. Being one of the trusted insurance brands in India, Tata AIA Life offers numerous insurance solutions starting from protection to wealth creation. The policies provide simple solutions for unique insurance needs along with excellent customer service.
Read more about Tata AIA Life Insurance and get information on their insurance plans to secure your future today.

6. Bharti AXA Life Insurance Company

Bharti AXA Life Insurance was founded in the year 2006. It is a joint venture between AXA Group and Bharti Enterprises. Strong financial expertise and domestic business excellence of these companies have laid a strong background for the company. Bharti AXA Life has introduced various innovative insurance products to cater to the unique needs of customers. Bharti AXA Life's distribution network is spread across 123 cities in the country. The company has a customer base of more than 10, 50,000. The company offers various plans starting from protection plan to save, health and group plans and most of them are offered conveniently on an online platform.
Bharti AXA won the ASSOCHAM Award in March 2019 in recognition of excellence in the field of insurance! To browse through the various plans offered by them, click on the link below.

7. Bajaj Allianz Life Insurance Company

Bajaj Allianz Life Insurance Company founded in the year 2001 is a joint venture between Bajaj Finserv Limited of Bajaj Group. Bajaj Allianz Life has 759 branches across the country to offer innovative insurance solutions to various customer segments. Bajaj Allianz Life Insurance is known for its strong innovative products and timely customer service. The company has won various awards and recognition for its contribution to the insurance industry. Following are some of the awards received by Bajaj Allianz Life Insurance:

- Bajaj Allianz Life has been recognised as the 'Digital Marketer of the Year 2018' in the insurance category
- Bajaj Allianz won the 'Customer Service Excellence Award' at the NASSCOM BPM Strategy Summit 2018.
- Bajaj Allianz Life ranked amongst the Top-75 Most Valuable Indian Brands

Ranked amongst the Top 75 Most Valuable Indian Brands 2019, Bajaj Allianz is one of the leading Indian insurance providers. Read about Bajaj Allianz Life insurance plans and check out their policies by clicking below.

8. SBI Life Insurance Company

SBI Life Insurance Company is a joint venture between State Bank of India (SBI), India's largest bank and BNP Paribas Cardif, French multinational bank and financial services company. Currently, SBI Life Insurance has an authorised capital of INR 20 billion (USD 290 million). SBI Life was first started as a bancassurance business which is now extended to the multi-distribution channel. With customer service excellence and product innovations, the company has been growing year on year. SBI Life has received many awards and accolades for the work in the field. Following are some of them:

- SBI Life has won 'Brand of the Year 2016-17' award in the insurance category
- SBI Life has won 'Private Sector Life Insurance Company of the Year' award at Fintelekt Insurance Awards
- SBI Life has won 'Bancassurance Leader, Life Insurance' in large companies category.

SBI Life Insurance is one of the market leaders for life insurance policies in India. It offers different policies with several benefits for the policyholders.

9. Reliance Nippon Life Insurance Company

Reliance Nippon Life Insurance Company, founded in the year 2001 is one of the leading insurance companies in India catering to various segments of people. Reliance has more than 10 million policyholders. The company has made insurance accessible for many through its strong distribution network of 727 branches. Reliance Life has a product for every possible need of the individual. Currently, the company's assets under management is INR 20,281 Cr. The company has received many awards.

- Reliance Life has received ‘Innovative Insurance Provider of the Year’ at ET BFSI Excellence Awards 2019
- Reliance Life has received ‘Best Risk Innovation of the Year’ award
- Reliance Life has won ‘Best Life Insurance Company (innovative Products)’ title

Browse different insurance plans by Reliance Nippon by clicking below and get a life insurance cover today.

10. AEGON Life Insurance Company

AEGON Life Insurance Company, founded in the year 2008 is one among the best to offer various life insurance solutions to various customer segments. AEGON Life is the new age company with a strong digital presence and a diverse product portfolio. The company has received many awards and recognition

- AEGON Life has received ‘E-business Leaders Award’ at Indian Insurance Awards
- AEGON Life has received ‘Celent Model Insurer Asia Award’
- AEGON Life has won ‘Most recommended Life Insurance Brand 2013’

11. Aviva Life Insurance Company

Aviva Life Insurance Company is a joint venture between Aviva plc, a British Assurance Company and Dabur Group, an Indian conglomerate. With more than 121 branches and 9000+ employees, Aviva Life has been offering a wide array of insurance products starting from protection plan to savings and retirement plans. Online products, customer service and many more areas makes the company one of the top insurance companies in India. Aviva Life has been awarded as the ‘Best and Most Trusted Brand, 2019’
Aviva Life Insurance Company was declared to be the Most Trusted Private Life Insurance Brand for the years 2018 and 2019 by TRA, Brand Trust Report – India Study. You can read more about the company to select a plan from Aviva Life Insurance below.

12. Birla Sun Life Insurance Company

Aditya Birla Sun Life Insurance Company, founded in the year 2000 is a subsidiary of Aditya Birla Capital Limited. Aditya Birla Sun Life Insurance Company was formed by coming together of Aditya Birla Group and Sun Life Financial, leading international financial services organisation in Canada. Birla Sun Life is one of the best insurance companies in India that offers a diverse range of insurance solutions starting from protection plan to pension plan, savings plan and many new-age products. Total assets under management of the company is INR 4, 10,110 million. The company has its presence across the country with 425 branches, 9 bancassurance partners, 6 distribution channels and 85,000+ direct selling agents. Birla Sun Life Insurance Company has received many accolades and awards for its continued contribution to the industry.

Birla Sun Life Insurance Company had received ‘Successful Performance’ for 4 years Award in April 2005 by The Indo-Canadian Business Chamber. You can get the complete information about plans from Birla Sun Life this page.

13. Kotak Life Insurance Company

Kotak Life Insurance Company is one of the fastest-growing and top insurance companies in India with a base of 20 million + policyholders. Kotak Mahindra Bank is the parent company for Kotak Life Insurance. Kotak Life Insurance Company offers a diverse range of insurance products to every section of society with unique features. Currently, the company has 32+ products, 18 riders, 10 Unit Linked Investment Plans and 9 group products to offer. The company’s assets under management stands at INR 25,936 crore. Kotak Group has achieved many milestones in the financial services field and has been awarded and recognised consistently for its achievements.
Kotak Life Insurance offers several benefits such as protection, wealth creation, tax benefits, and more. The company offers several plans such as savings and investment plans, child plans, savings plans, and retirement plans about which you can read below.

14. PNB MetLife Insurance Company

PNB MetLife Insurance Company is one of the best insurance companies in India founded in the year 2001. The company serves customers over 7,000 locations through its multi-distribution channels by offering numerous life insurance and savings products. PNB MetLife has received many awards for its excellence in the field of insurance.

- PNB MetLife has won an award for ‘Best in Diversity and Inclusion’ by People Matters Awards 2019
- PNB MetLife has received ‘Best Product Innovation’ award for Mera Heart and Cancer Care plans at National Awards for Excellence in Insurance
- PNB MetLife has been awarded as ‘Most Sustainable Company of India’

PNB MetLife helps its customers to achieve their financial & security goals through its flexible insurance options. It also offers excellent customer support services for a smooth purchase and redressal. Read more about the Life insurance plans offered by the company by clicking below.

15. Canara HSBC OBC Life Insurance Company

Canara HSBC OBC Life Insurance Company was founded in the year 2008 is one of the top insurance companies in India. The company came into existence by coming together of the two largest public sector banks in India – Canara Bank and Bank of Commerce along with HSBC Insurance Holdings Limited. Canara HSBC OBC Life has a customer base of around 60 million customers. With the huge network of banks and distribution channels, the company is offering insurance products accessible for everyone across the country.

List of best insurance companies in India

Sl. No.	Company Name	Claim Settlement Ratio (2017-18)	Claim Settlement Ratio (2018-19)	Premium (in INR)
1.	Life Insurance Corporation of India	94.45%	97.79%	17,228
2.	Max Life Insurance Company	95.26%	98.74%	10,148
3.	HDFC Life Insurance Company	88.63%	99.04%	12,478
4.	ICICI Prudential Life Insurance	92.03%	98.58%	12,502
5.	Tata AIA Life Insurance Company	94.00%	99.07%	9,912
6.	Bharti AXA Life Insurance Company	96.29%	97.28%	9,440
7.	Bajaj Allianz Life Insurance Company	83.94%	95.01%	14,067
8.	SBI Life Insurance Company	92.13%	95.03%	15,070
9.	Reliance Nippon Life Insurance Company	86.11%	97.71%	11,012
10.	AEGON Life Insurance Company	94.58%	96.45%	8,331
11.	Aviva Life Insurance Company	92.25%	96.06%	9,007
12.	Aditya Birla Sun Life Insurance Company	90.51%	97.15%	10,270
13.	Kotak Life Insurance Company	88.88%	97.4%	9.558
14.	PNB MetLife Insurance Company	82.40%	96.21%	10,146
15.	Canara HSBC OBC Life Insurance Company	92.03%	94.04%	9,491

(Please note: Sample premium for the term plans of the insurance company are calculated for INR 1 Cr sum assured taken for 30 years tenure by 30-year-old healthy man)

The Indian life insurance market offers the freedom of choice to the customers and they can select the plans which suit them best. Select a plan from one of the 15 best companies in India today and gift yourself a safe future.

Types of Investment Banks

If we define investment banking, it is a division of a bank that aids large complex financial transactions for companies, governments, and other entities. The industry is flooded by large and small investment banks. In today' article, we will try to give information about different investment banks. Firstly, it is important to understand the structure of the investment banking industry. There are mainly four types of investment banks. Each of these types is categorized in their type by factors such as the size of the bank, its coverage in area and types of services it provides.

1- Bulge Bracket Investment Banks

Bulge bracket investment banks are also known as the full-service investment bank. The examples include well-known names such as Goldman Sachs, Deutsche Bank, Credit Suisse, Morgan Stanley, etc.

These banks are mammoth in size and a majority of their clients include Fortune 500 companies. They frequently aid multi-billion dollar deals and provides all the investment banking services. These banks are not limited by geographical borders, they provide services in all the major countries in the world.

2- Regional Boutique Investment Banks

These are completely on the opposite end of the spectrum from bulge bracket banks. These banks are smallest in size, and as the name suggests their services are concentrated in a particular region. These banks usually do not offer the whole range of services as well. So an example of a regional investment bank would be a California based investment bank dealing in M&A transactions only. These banks have very few employees, a few dozen at best. They also handle smaller sized for small local companies, deals ranging from USD 50 to 100 million.

3- Middle Market Investment Banks

Middle market banks occupy a market between regional boutique banks and bulge bracket banks. They are bigger than the regional boutique banks but smaller than bulk bracket banks. These banks may offer full services or specialize in one or two services. Geographically they are wider than regional boutique banks, they may cover an expanse of more than one state or region, but they are not multinational. They involve in deals ranging from USD 50 million to 500 million. Some of the most well-known middle market investment banks William Blair Co., Stifel, Lincoln International, Robert W. Baird & Co., etc.

4- Elite Boutique Investment Banks

Elite boutique investment banks are a little different from all the above-mentioned types. In dollar value of the deal size, elite boutique banks are parallel to bulge bracket investment banks. However, unlike bulge bracket banks that have thousands of employees, elite boutique banks have much smaller employee pool. They have operations in multiple regions, however, are usually stronger in some regions than the others. These banks usually provide a full range of services but are stronger in one or few services. They may also have specialization in a particular sector, for example, an investment bank specializing in M&A deals of the oil and gas industry. Rothschild in Europe is a classic example of an elite boutique bank.

Top Investment Banks in the World

Goldman Sachs

One of the leading investment bank since more than a century, Goldman Sachs was established in 1869 in New York City. The bank operates in four different segments namely investment banking, institutional client services, investing and lending and investment management. The investment banking division alone earned more than USD 5 billion in fees in the year 2016.

JP Morgan Chase

JP Morgan Chase is one of the largest investment banks in terms of global reach. The bank provides its services in more than 60 countries. It has a market share of 8% in the investment banking industry which is quite substantial for such a populated industry. The company provides investment banking, treasury and security, commercial banking, asset management, private banking, and many other services.

Bank of America Merrill Lynch

Bank of America provides a wide variety of services which includes investment banking, mortgage, trading, brokerage, and cards. It operates in more than 40 countries and had a net income of USD 18.23 billion in the year 2017. Bank of America Merrill Lynch was named World's Best Debt Bank by Global Finance and The Most Innovative Investment Bank for private placement by The Banker.

Barclays

Almost as old as Goldman Sachs, Barclays was founded in 1896 in London. Its investment banking division is called Barclays Capital, and apart from investment banking, it is also in the business retail and commercial banking and card processing. With one of the biggest earnings, Barclays made USD 3.2 billion in investment banking fees in 2016.

Morgan Stanley

Headquartered in New York, Morgan Stanley has a strong global presence with principal offices in London, Tokyo, Hong Kong and other financial centers of the world. It provides services in the segments of institutional securities, investment management, and wealth management. It also offers diversified services such as prime brokerage, custodian, settlement and clearing etc.

Citigroup

The oldest and the widest reach bank in the top 10, Citibank was established in 1812 and has operations in 160 countries. It has a stronghold in investment as well as commercial banking. It is divided into five divisions namely – capital market origination, markets and securities services, corporate and investment banking, treasury, and trade solutions and the Citi private bank. Citibank made USD 3.8 billion in investment banking fees in 2016.

Credit Suisse

Based in Zurich, Switzerland, Credit Suisse was founded in 1856. It is one of the strongest European investment banks with operations in more than 50 countries. In its investment banking division, it offers debt and equity underwriting, mergers and acquisition advisory, sales and

trading, divestitures, prime broking, capital raising, investment research and many more. It also has a presence in services of taxation and advisory, structural lending and real estate leasing.

Deutsche Bank

One of the largest banks in Europe by total assets, Deutsche Bank offers not only investment banking services but also specializes in cross-border payments, cash management, international trade financing, mortgage, card services, and insurance. Though based in Germany, Deutsche Bank is listed on the New York stock exchange and has operations in 71 countries.

Wells Fargo

Wells Fargo is the largest bank in the world by market value and is very popular in the United States for all its services. The bank has four major divisions – investment banking, community banking, consumer lending, and wholesale banking; and wealth management, brokerage, and retirement. Though very popular in the United States, Wells Fargo doesn't share the same popularity worldwide as the other banks on the top 10 list.

UBS Group

Another Swiss bank on the top 10 list, UBS specializes in serving high net worth and ultra-high net worth individuals. It operated through six divisions – wealth management, wealth management Americas, global asset management, retail and corporate, the investment bank and corporate center. UBS Group was named as Best Investment Bank in the World by Global Finance in 2016.