INSURANCE EXAM · IC-83

IC-83 Group Insurance and Retirement Benefits

Revision book

12	2	127
chapters	master tables	numbered sections

FREE SAMPLE: Chapter 1 of 12

CHAPTER 1

Introduction To Group Insurance

1.1 Background
1.2 Legal view
1.3 Pricing view
1.4 Underwriting view
1.5 Eight features of a group contract
1.6 Types of groups
1.7 Summary points

MUST KNOW

1. Group insurance = one contract on many lives, through a central body (Master Policyholder).
2. Master Policyholder must be a legal entity, never an individual.
3. **Unique documents:** Scheme Rules, Master Policy Bond, Trust Deed, Certificate of Insurance.
4. **Four kinds of schemes:** Fund Based, Term Insurance, Annuities, Riders.
5. **Fund based:** no pricing needed; employer fixes the contribution.
6. Only Renewable Group Term is priced differently from individual cover.
7. **Five pricing factors:** dynamic risk, short term, competition, central body, economies of scale.
8. **Two groups:** Employer-Employee (employer pays, compulsory) and Other (members pay, voluntary, lien and suicide clauses).
9. No evidence of health is usually asked in group cover.

1.1 Background

- **IRDAI goal:** "Insurance for all" by **2047** (every citizen and every enterprise).
- **Group products first met employer needs:** pension through Group Deferred and Immediate Annuities.
- **Payment of Gratuity Act 1972:** fund based schemes began; now also leave encashment, post retirement medical benefit.
- EDLI = Employee Deposit Linked Insurance, under EPF Act **1952**; employers could opt out; Group Term grew as a cheaper choice.
- **2019 product regulations:** group products easier; Use and File for most.
- **Group portfolio:** mostly single premium; mostly non-participating (surplus to shareholders).

TODAY'S RULE

Social Security Code **2020** (started in part **21 Nov 2025**) now holds the gratuity, EPF, ESI and compensation laws.

2019 product regulations merged into Insurance Products Regs **2024** (from **1 Apr 2024**).

- **Groups served:** employer-employee, professional affinity, non-employer-employee, lender-borrower, micro borrowers, bank account holders, students, mobile subscribers.

1.2 Legal view

Point	Individual	Group
Contract between	Proposer/life assured and insurer	Master Policyholder and insurer
Cover	Voluntary	Set by the Master Policyholder
Proposer	A person	Body, entity or enterprise
Life assured	Often the proposer	The beneficiary

- Group policy continues when a member dies; claims on many lives possible.
- **Benefits cannot be assigned (exception:** lender-borrower).
- Scheme Rules fix entry/exit, premium, benefits; no discretion for Master Policyholder or insurer.
- **Master Policy Bond:** name, address, policy number, risk start date, renewal conditions, charges, exit.
- **Certificate of Insurance:** for non-Employer-Employee Group Term.
- **Trust Deed:** approved fund based schemes; Deed of Variation for changes; Income Tax approval for deed, variation and closing.

TODAY'S RULE

Tax benefit needs an irrevocable Trust; Income-tax Act **1961** replaced by Income-tax Act **2025** from **1 Apr 2026**.

TRAP

Master Policyholder is never an individual.

1.3 Pricing view

Kind	Purpose
Fund Based	Corpus for pension, gratuity, leave encashment, post retirement medical benefit
Term Insurance	Cover for an agreed period; single or reviewable premium
Annuities	Deferred or immediate annuities
Riders	Accident benefit, critical illness; only with Group Term

- **Fund based must have insurance component:** compulsory cover during employment, or compulsory annuitisation at exit.
- Annuities and Single Premium Term priced like individual.
- Group Term normally one year; may run as little as one month (Insurance Products Regs 2024, Master Circular **12 Jun 2024**).
- At renewal insurer may change premium, entry/exit age, min/max sum assured, Free Cover Limit.
- Free Cover Limit = largest sum assured with no medical underwriting.
- **Dynamic risk:** benefits, worker-supervisor ratio, geographical spread, medical vs non-medical, high vs low sum assured.
- **Competition:** tenders, lowest bidder.
- **Central body:** collects data, issues certificates, settles claims; lender does financial underwriting; active at work clause cuts anti-selection.
- **Economies of scale:** lakhs of lives; age 18-50 with bank account; minimum sum assured **Rs 5,000**.

FORMULA AND WORKED SUM

- **Individual:** underwrite first, price from standard rates (accept / load / decline).
- **Group term:** underwrite on data first, then fix premium; risk starts from date of premium payment.

TRAP

Fund based: "pricing mechanism required" is wrong.

1.4 Underwriting view

- **Reasons it differs:** dynamic risk, short term, competition.
- **Group factors:** common occupation, average age, average sum assured, geographical spread, past claims.
- **Also:** compulsory vs optional membership.
- **Simple terms:** present in office; age 18-50.
- **Main challenge:** insurable interest of Master Policyholder in members.
- Options for members (sum assured, staying on) complicate.
- **New cases:** foreign nationals, Indian firms abroad, Ola/Uber/Zomato partners.
- Low cost helped by central agency and scheme size.

1.5 Eight features of a group contract

- 1 Central body (legal entity); 2 group not formed for insurance; 3 minimum participation or size; 4 Master Policy Bond; 5 Scheme Rules; 6 Trust Deed (approved fund based); 7 member list; 8 Certificate of Insurance (non-Employer-Employee).

TRAP

Health check of every member is not a feature.

1.6 Types of groups

Point	Employer-Employee	Other
Master Policyholder	Employer or Trust	Body or association
Premium	Employer pays all (majority)	Members pay all (majority)
Membership	Compulsory (majority)	Voluntary at start
Products	Fund Based, Annuities, Term, Riders	Member cover
Anti-selection	Less	Lien and suicide clauses

- **Other groups:** bank account holders, professional associations, traders' bodies, social/cultural associations, self-help groups, lender-borrower, mobile subscribers, credit card holders.

1.7 Summary points

- **Group plans:** Funded and Non-funded.
- **Groups:** employer-employee, professionals, co-operatives and associations, creditors-debtors, weaker sections.
- Master Policy = contract between insurer and a legal entity (employer, trustees, association).
- Underwriting unit = the group of lives; premium rates adjusted by experience rating.

TRAP

Evidence of health is not essential in group cover.