

IC-104

Fellowship

EXAMINATION QUESTION PAPERS MAY 2009



भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA
Universal Insurance Building,
Sir P. M. Road, Fort,
Mumbai - 400 001.

FELLOWSHIP EXAMINATION

GROUP INSURANCE & RETIREMENT BENEFIT SCHEMES

Time: 3 Hours]

[Total Marks : 100

Answer any FIVE questions only.
All questions carry 20 marks each.

- | | Marks |
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| 1. a) The Trust Deed and Rules of a Gratuity Fund should contain important provisions so that the fund will satisfy the conditions/provisions for approval under the Income Tax Act, 1961 and Income Tax Rules, 1962. Enumerate these important conditions/Provisions. | 14 |
| b) Briefly discuss the fairness of these conditions/provisions. | 6 |
| 2. A company has set up an approved pension fund on 1-1-1995 which is administered by the trustees. The main features of the fund are :
Contribution :- Employees' contribution at 2% of their monthly salary. Employer's contribution as may be required to secure the pension determined on actuarial valuation of the fund. However, the company is contributing 17% of the salary for every member. In addition to their own contributions some 27 members have brought in their equitable interest from other superannuation funds of former employers.
Pension 1.5 % of final salary for each year of service :-
The pension is subject to deduction of an amount which is actuarial equivalent of the gratuity received by the members. Amounts transferred to the fund by way of equitable interest will secure additional pension. The total funds to the credit of the fund as on 31-12-2008 in respect of 285 officers are Rs. 24.90 crores, which are deposited in fixed Deposits of public sector banks and post offices. No individual accounts of members are maintained so far.
The trustees have sought your advice to reorganise the fund in the following manner:- | 20 |
| i) Members not to contribute from 1-1-2010 | |
| ii) Company to contribute at the rate of 15% of salary from 1-1-2010. | |
| iii) Gratuity to be delinked from pension. | |
| iv) Distribute the past accumulations to the members. | |
| v) Reorganise the investments on proper patterns. | |

Examine critically the working/present state of affairs of the fund, and make a report outlining various steps required to be taken for setting right the administration and switching over to "contribution defined" fund.

3. Write short notes :- 5 each
- a) Shortfall in Gratuity on Withdrawal
 - b) Conversion option
 - c) Experience Rating
 - d) Index Linked Pension Scheme.
4. a) Explain the importance of Social Security Scheme for Below Poverty Line people with reference to Janashree Bima Yojna of LIC. 12
- b) Examine the main features of "Aam Aadmi Bima Yojana" and "Shiksha Sahyog Yojana." 8
5. Pratham Pharma Ltd. is a joint stock company in private sector employing about 2300 employees. Provident fund and gratuity are the statutory service benefits available to the employees. As a third retirement benefit, the company has proposed to a Life Office an insured pension scheme on the following lines :-
- The scheme will be an arrangement to be approved under the Income Tax Act, 1961.
 - The scheme will be compulsory for all employees and will be wholly financed by employees' contributions expressed as percentage of annual salary according to age at entry into the scheme. It will be 2% for entry age up to 35, 4% for entry age 36-45 and 8% for entry age 46 and over. Employees who are due to retire within the next 5 years will be required to contribute a sum equal to 5 years' contributions.
 - The employer will make a token contribution of Rs. 1,000 per annum for the scheme as a whole.
 - On retirement at age 60 or early retirement within 5 years prior to age 60, a pension equal to 0.8% of final salary for each year of past service plus 1.6% of final salary for each year of future salary will become payable. Commutation of any part of pension will not be allowed.
 - Benefits on death/leaving service will be total contributions paid by the employee without interest.

- a) Critically examine the defects in the company's proposal. 10
- b) Briefly suggest important modifications to the proposal, so that a viable insured pension scheme can be set up from legal, actuarial, financial and 'equity' aspects. 10
6. a) Explain what is group selection of risk, stating as to why it is possible to grant insurance cover to members of group insurance schemes on the basis of simple insurability conditions in case of Employee-Employer groups. 10 each
- b) State the manner in which insurability conditions are modified in case of voluntary groups and give reasons therefor.
7. State the Income Tax Position from the point of view of both an employee and employer (wherever applicable) in regard to the following, indicating the relevant sections of the Income Tax Act, 1961:- 5 each
- a) Commuted Value payable under Group Superannuation Scheme at the time of death.
- b) Maturity benefit received under GSLI Scheme consisting of savings portion with accumulated interest.
- c) Employer's contribution towards second yearly installment of single premium towards past service Gratuity Liability.
- d) Gratuity payable under Gratuity Act.
8. a) "Superannuation schemes are not very popular in India." Discuss 10 each
- b) State the advantages of Pension as a Retirement Benefit.

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