

IC - 104

Fellowship

EXAMINATION QUESTION PAPERS NOV 2008



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.

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| 1. | Write short notes on :- | Marks
5 each |
| | a) Group insurance Scheme in lieu of employee deposit linked insurance scheme. | |
| | b) Defined Contribution Scheme. | |
| | c) Costing of Past Service Pensions | |
| | d) Annual Premium Costing | |
| 2. | a) The Trust Deed and Rules of a superannuation fund should contain certain important provisions so that the fund will qualify for approval under the Income-Tax Act, 1961 and Income-Tax Rules, 1962. Enumerate these important provisions. | 14 |
| | b) Briefly discuss the reasonableness of these provisions. | 6 |
| 3. | a) Briefly trace the origin of retirement benefits in our country, and discuss the three main factors, namely social, economic and legislative, which contributed to the development of the present set of death-cum-retirement benefits to the organized section of the working class population. | 10 each |
| | b) The absence of a comprehensive social security scheme and the problems faced after retirement on account of the spiralling inflation have evidently brought to the surface the shortcomings of the existing patterns of service benefits. Critically examine their drawbacks and inadequacies and suggest specific ways and means of reorganizing the benefits, keeping in view the likely opposition from interested quarters. | |
| 4. | a) Discuss the relative merits and demerits of :
i) a gratuity scheme administered by a life office and
ii) a privately (Trustee) administered gratuity scheme. What considerations would influence you in advising an employer as to which type of scheme i) or ii) to adopt for his employees? | 12 |

- b) A Student says: "In respect of a Life Office's portfolio of gratuity schemes where benefits are funded, not under pure endowment plan but under cash accumulation plan, the fund balances at the year end are taken as valuation liabilities and not as accounting liabilities. As the cash accumulation plan is akin to a Bank account, the fund balances should be taken as accounting liabilities, leading to more effective control of funds." Comment. 8
5. What are the conditions to be fulfilled by an establishment for obtaining exemption from the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952? 20
6. Critically examine the problems and the possible solutions in connection with group insurance schemes pertaining to :
- a) Disparate Groups 6
- b) Voluntary groups. 6
- c) Very large groups. 8
7. Samarth Steel Co. Ltd. is a joint stock company in private sector employing about 600 employees. The company has an approved superannuation fund for providing pension benefits to its employees. The fund which was set up 15 years ago is managed by the trustees and is to the tune of Rs. 26 crores as at 31-3-2008. The fund also includes equitable interest brought in by 22 employees by way of transfer. The fund provides for pension on retirement at 1/60th of final salary for each year of service. Employees contribute at 5% of salary every month. The balance of the cost to scheme the benefits based on actuarial valuation is met by the company as yearly contribution. Consequent upon a court order, the company is to wind up its business with effect from 01.01.2009 for which legal formalities are being initiated. As a sequel to this, the Trustees have made an application to the commissioner of Income-Tax (C.I.T) for winding up of the Trust Fund in terms of Rule 93 of the Income Tax Rules, 1962: 10 each
- a) Enumerate the important conditions the C.I.T. would stipulate in connection with the winding up of the Trust Fund.
- b) State the steps, the trustee would be required to follow, leading to the ultimate winding up.

8. State the Income Tax position from the point of view of both an employee and employer (wherever applicable) in regards to the following, indicating the relevant sections of the Income Tax Act, 1961 :- 5 each
- Commuted Value payable under Group Superannuation Scheme at the time of Retirement.
 - Employer's contribution towards fifth yearly instalment of single premium towards past service Gratuity Liability.
 - Death benefit received under GSLI Scheme consisting of risk cover sum assured and savings portion with accumulated interest.
 - Annual Contribution made by an employee and employer under a contributory Group Superannuation Scheme.

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