

IC-104

Fellowship
**EXAMINATION
QUESTION
PAPERS
MAY 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 :- | |
| | a) Indexing of Pension Benefits | 5 each |
| | b) Insurable interest under Group Insurance | |
| | c) Conversion Option | |
| | d) Forfeiture of Gratuity | |
| 2. | a) What are the advantages of Single Premium Costing? | 10 each |
| | b) Explain Cash Accumulation System. | |
| 3. | a) "In a Group Insurance Scheme general practice is to charge an average premium for every member". Discuss. | 10 each |
| | b) Discuss "Experience Rating" applicable to one year Renewable Term Assurance. | |
| 4. | A labour leader has criticized that the benefits available to a member of provident fund under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 in the event of his death whilst in service of his employer are meagre. He has suggested that this benefits should be : | |
| | i) a lump sum equal to six years' annual salary of the deceased employee, and | |
| | ii) a life pension to the widow for an amount equal to the salary of the deceased on the date of death together with future pensions linked to cost of living index. | |
| | a) State the benefits currently available to a member of provident fund on his death whilst in service. | 6 |
| | b) Critically examine the suggestions from the points of view of the employees, employer and central Government. | 14 |

5. a) Explain briefly why actuarial valuation of defined benefit schemes are necessary? Whether the benefits are funded or not. 6
- b) Chaya Chemicals Ltd. is a joint Stock company in private sector in business for the past 10 years, employing 2000 employees. It has still not funded its gratuity liability. Now it has started making good profits, it proposes to set up a gratuity trust. You as a Retirement Benefits Consultant are approached for advice in the matter. Discuss the alternatives available for funding the liability and recommend one course for implementation highlighting its superiority over the other. 14
6. Payal Industries Ltd. is a joint stock company in private sector employing about 2300 employees. The company desires to set up a group insurance scheme with an insurance company with following features :
- i) Benefits : Death benefit of Rs.50,000/- in case the employee has completed less than 10 years service on death and Rs. 80,000 in case the employee has completed 15 years or more service. Survival benefit of Rs. 2,00,000 payable on retirement at age 60. In case of leaving service/early retirement, employee's own contributions will be returned without interest.
- ii) Contributions at uniform rate of Rs. 150 per month by employees. The employer will contribute balance of cost required to secure the benefits.
- a) What data/statistics are required to consider the proposal. 6
- b) Critically examine the defects of the proposal. 6
- c) Suggest specific modifications to the proposal so that an equitable and viable scheme can be setup with the insurance company. 8
7. While drafting Trust Deed and Rules of a gratuity scheme, certain vital provisions are to be included in these documents, so that the scheme will qualify for approval under the Income Tax Act, 1961 and Income Tax Rules 1962. 20
- Enumerate these vital provisions.

8. Examine the viability of the following groups for setting up a group insurance scheme. If the proposals are acceptable, state briefly the terms and conditions. 10 each
- a) A proposal to cover 2800 handloom workers for uniform cover of Rs. 1,00,000 with double accident and disability benefit. The handloom workers are members of a primary co-operative society.
 - b) A proposal to cover 600 members of a co-operative credit society for a uniform sum assured of Rs. 50,000. The members of the society are the employees of a joint stock company in private sector.

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