

IC-104

Fellowship

**EXAMINATION
QUESTION
PAPERS
NOV. 2006**



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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| | Marks
10
each |
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1. Care Construction Corporation (CCC) is a premier corporation in public sector engaged in construction and maintenance of roads in border and other strategic regions of the country. It employs about 20,000 workers which are both casual and permanent labourers. The employees are employed in 10 sites located in different parts of the country. Workers are both 'local' and 'migrant'. The turnover of migrant workers is high. The Personnel Manager of CCC has proposed for a Group Insurance scheme to provide uniform cover of Rs. 50,000 with Double Accident Benefit and Permanent Disability Benefit to the workers.
 - a) What detailed information and statistical data you need for considering the proposal?
 - b) Assuming that the proposal is accepted, state the important terms and conditions that may be prescribed by the Life insurance company, so that the scheme would operate on sound footing with respect to 'rating' and administration.

 2. Company ABC operates a non-contributory pension fund for its 540 employees. The fund provides for any member retiring after at least 10 years' service a Life pension of Rs. 12,000 per annum payable from retirement age 60 or on earlier retirement due to ill health. Company XYZ operates a non-contributory pension fund for its 4,600 employees. The fund provides a Life pension from retirement age 60 or early retirement due to ill health. The pension is at the rate of $1\frac{1}{4}$ % of the final salary for each year of fund membership. Both the funds are self-managed and approved under the Income-tax Act 1961. Company XYZ has acquired company ABC and it is proposed:
 - i) that company ABC pension fund should be terminated and that with the members' consent given in consideration of

- the concessions under (iii) below, all its assets should be transferred to the pension fund of company XYZ.
- ii) that the members of company ABC pension fund should be admitted to the pension fund of XYZ.
 - iii) that the Memorandum of Understanding between the two companies in connection with the acquisition should set out such special concession/s as to the benefits under the Company XYZ pension fund in respect of former members of company ABC pension fund as you will recommend.
 - a) State what further information you require for this purpose. 8
 - b) Discuss the four proposed concession/s might take place, and the methods by which you would quantify them. 12
3. Unique Tools Ltd. is a 50-year old joint stock company in private sector employing about 8000 employees. The employees are entitled to gratuity as per the Payment of Gratuity Act, without the ceiling of Rs. 3,50,000. The company pays Gratuity on 'Pay as you go' basis. The accrued past service Gratuity liability as at 31-3-2006 is to the tune of Rs. 65.50 crore for which accounting provision of Rs. 25.80 crore is made in the balance sheet as on that date.
- You are required to play the role of a Group schemes Manager of a Life Insurance company and propose to the company to switch over from the 'Pay as you go' method to the alternative of your company's Group Gratuity Life Assurance Scheme.
- a) Discuss the relative merits of the two alternative methods. 5
 - b) State the important steps to be taken to bring about the switch over. 7
 - c) Briefly state as to how the initial contribution for past service gratuity liability and the first annual contribution under the insured scheme will be determined. 8
4. Examine the following proposals critically from the point of view of basic principles of group coverage: 10 each
- a) As a welfare measure the Rotary Club of a town has proposed for a Group Insurance scheme for a uniform sum assured of Rs. 50,000/- to cover 85 hawkers of the town. The cost of the scheme will be met by the club.
 - b) A proposal for a Group Insurance Scheme to cover outstanding loans of 250 members of a well- managed Co-operative Housing Society located in Mumbai.

5. While drafting Trust Deed and Rules of a superannuation scheme certain important provisions are required 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. Enumerate these provisions. 20
6. a) Bring out clearly the merits and demerits of one year Renewable Term Assurance plan and Level Premium Group Term Assurance plan. 10 each
- b) Certain special problems are encountered while considering non-Employee groups for Group Insurance Schemes. Critically examine these problems and state how they are tackled?
7. 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 section/s of the Income-Tax Act, 1961. 5 each
- a) Annual contribution made by an employee and employer under a contributory Group Savings Linked Insurance Scheme.
- b) Initial single premium and first year annual premium paid by an Employer under a Group Gratuity Life Assurance Scheme.
- c) Benefits received by a member consequent upon his Late Retirement under an approved superannuation Scheme.
- d) Accounting provision made by an Employer in the books of accounts on the basis of an Actuary's Valuation of Gratuity Liability.
8. Write short notes on the following :-
- a) Insurable interest under Group Schemes. 7
- b) Exemptions granted under the E.P.F. and Miscellaneous Provisions Act, 1952. 7
- c) Conversion Option under Group Insurance Schemes. 6

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