IC-104

Fellowship

# EXAMINATION QUESTION PAPERS NOV. 2005
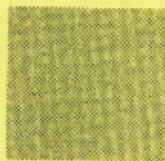
# FELLOWSHIP EXAMINATION
## GROUP INSURANCE & RETIREMENT BENEFIT
## SCHEMES

Time: 3 Hours]            [Total Marks : 100

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

                                                   Marks

1.   a)   What are the important conditions for setting and approval   12
of a Gratuity Fund under the Income Tax Act, 1961 and
Income Tax Rules, 1962?

    b)   Briefly analyse the fairness and reasonableness of        8
conditions in (a) above.

                                                   10 each

2.   a)   Explain in what ways Computers can assist in Group
Schemes.

    b)   Compare & Contrast between Defined Benefit Scheme
and Defined Contribution Superannuation Schemes.

3.   a)   An annuitant, who has opted for Return of Capital option   8
complains that as long as he was in the Service of the
Company, the Contributions made by the Company under
his name, towards Group Super annuation Scheme earned
higher rate of interest, whereas if he works out the return
on his Purchase Price at the time of retirement in terms of
annuity he receives, he is earning lesser rate of interest.
How will you explain him, that your calculations are correct.

                                                3 each

    b)   State Income Tax position from the point of view of both
the employer and employee (wherever applicable) quoting
relevant Sections of Income Tax Act, 1961 in respect of
the following:

      i)   Premium paid by the employer under Group Term
Insurance in lieu of EDLI.

      ii)   Annual Contributions made by the employer under
approved Superannuation Scheme.

      iii)   Income received by the Trustees in respect of
investments in approved Gratuity Fund.

      iv)   Gratuity received by the employee on retirement.

4. a) What is a Recognised Provident Fund? 4
   b) What benefits accrue to employer and employees under a 4
      Recognised P.F?
   c) What are the conditions to be satisfied by P.F. to qualify 12
      for recognisation under Income Tax Act, 1961 and Income
      Tax Rules, 1962?

10 each
5. a) "The hazard of premature death of the bread-winner will
      cause sudden stoppage of income to the family. On the
      other hand living too long in old age after retirement is
      also equally dreadful." Elucidate the statement. Suggest
      how to combat these economic insecurities.
   b) What are the main factors which contributed to the rapid
      growth of Group Superannuation Schemes?

6. Of late there is massive T.V. and news paper advertisement 20
   from the Government of India highlighting measures undertaken
   to elevate the people below poverty line. Name any three such
   measures introduced by the Government in this regard and
   discuss the salient features of any two of them.

7. Write Short Notes on **any four** :
   5 each
   a) Group Selection
   b) Group Leave Encashment Scheme of LIC of INDIA
   c) Group Mortgage Redemption Assurance
   d) Group Insurance Scheme of LIC of INDIA for various
      Bank Depositors.
   e) Nature of Gratuity Liablity.

8. a) Enumerate the rationale of charging uniform premium rate 8
      (that is premium rate not depending upon the ages of the
      individual members) in respect of one year renewable
      term assurance plan under Group Savings Linked Insurance
      Schemes.
   b) A large Company has set up a GSLI Scheme with LIC for 12
      the last 10 years. The number of employees covered at
      present and sum assured under the OYRTA plan for
      different categories of employees are:-

| Category of Employee under | No. of Employees | Sum Assured OYRTA (Rs.) |
|---|---|---|
| Executives | 8,200 | 1,00,000 |
| Field Staff | 14,000 | 75,000 |
| Clerical Staff | 59,000 | 50,000 |
| Subordinate Staff | 12,800 | 25,000 |

The retirement age of the employees is 58 years. A uniform premium rate of Rs. 3.50 per month per slab of sum assured of Rs. 10,000 is being charged under the OYRTA plan.Claim experience indicates that claims paid / payable are to the time of 90% of the term assurance premiums received.

Whether it will be necessary to review the premium rate under the OYRTA plan.

The Company has decided to increase the retirement age of the employees to 60 years with effect from 01.04.2006, and insurance cover will be available upto the retirement age.

For this purpose whether it will be necessary to appropriately review the premium rate under the OYRTA plan effective from 01.04.2006 (ARD) to be valid for next 3 years.

Under both the above circumstances enumerate the data required for determining the revised premium rate and indicate in precise terms the various steps leading to the decision on the revised rate.Assume that the Company will have no recruitment of new staff for the next 5 years.

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