

## **Module II (Exam 1) - Risk Analysis and Insurance Planning (RAIP)**

**Exam 1 Topic List to the extent of 80% of Total Marks (150) i.e. 120 marks  
(30 marks reserved for the Module I – Introduction to Financial Planning)**

### **Course Description:**

This module would cover the knowledge requirements relating to insurance needs and risk assessment of clients. It introduces students to various concepts and regulatory environment of insurance in India. The evolution process requires advice on decisions in selecting various types of insurance related to personal finance for clients. This includes protection against exposures to risks of mortality, health, disability, property, liability, and long term care risk.

### **Learning Objectives:**

At the end of this module, a student should be able to:

1. Understand the role of the financial planner in the personal risk assessment process.
2. Integrate risk assessment and risk protection into comprehensive financial plan.
3. Analyze the individual risk areas and the extent and type of protection best suited for the client's financial situation and financial goals.
4. Implement the plan for the insurance component and integrate tax efficiency.

### **Detailed Topic List:**

The topics of Exam 1: Risk Analysis and Insurance Planning are structured into five distinct sections as follows. The weights of these individual sections in relation to the Exam 1 are given along with testing objective and the nature of testing. A summary of distribution of marks is provided in the table below:

<b>Pattern of Question Bank RAIP module – 80% in Exam 1</b>											
		<b>Section-I</b>		<b>Section -II</b>		<b>Section -III</b>		<b>Section -IV</b>		<b>Section -V</b>	
		No. of Items	Marks	No. of Items	Marks	No. of Items	Marks	No. of Items	Marks	No. of Items	Marks
<b>Marks Category</b>	<b>1</b>	10	10	3	3	3	3	4	4	8	8
	<b>2</b>	4	8	2	4	2	4	2	4	2	4
	<b>3</b>	0	0	5	15	5	15	2	6	0	0
	<b>4</b>	0	0	1	4	4	16	3	12	0	0
<b>Total</b>		<b>14</b>	<b>18</b>	<b>11</b>	<b>26</b>	<b>14</b>	<b>38</b>	<b>11</b>	<b>26</b>	<b>10</b>	<b>12</b>

**Total Items: 60 / Total Marks - RAIP Module: 120**

**Total Marks – Exam 1: 150**

**Section I: Concepts of Insurance and Risk Management**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2'
Total weight to Exam 1	12%
Nature of Test Items	10 items: 1 mark each 4 items : 2 marks each

**Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>1.1. Introduction to Insurance</b>	'Grade 1 & 2'
Detailed Topics	
1.1.1. Overview of Insurance Sector in India 1.1.2. Purpose and need of Insurance 1.1.3. Insurance as a tool to manage Risk 1.1.4. Cost and benefits of Insurance to individual and society	
<b>1.2. Basic Concepts of Insurance</b>	'Grade 1'
Detailed Topics	
1.2.1. Perils and hazards 1.2.2. Law of large numbers 1.2.3. Adverse selection 1.2.4. Insurable risk 1.2.5. Self-insurance	
<b>1.3. Insurance and Risk</b>	'Grade 1 & 2'
Detailed Topics	
1.3.1. Meaning of risk 1.3.2. Types of pure risk 1.3.3. The principle of pooling of risk 1.3.4. Methods of handling risk 1.3.5. Difference between insurance and hedging 1.3.6. Advantages and disadvantages of insurance in handling risk 1.3.7. Reinsurance	
<b>1.4. Fundamental Principles of Insurance</b>	'Grade 1 & 2'
Detailed Topics	
1.4.1. Indemnity 1.4.2. Insurable Interest 1.4.3. Utmost Good Faith 1.4.4. Subrogation 1.4.5. Contribution 1.4.6. Proximate Cause	

<b>1.5. Risk Management</b>	'Grade 1'
Detailed Topics	
1.5.1. Meaning and objective of risk management 1.5.2. Steps in personal risk management 1.5.3. Risk control and risk financing 1.5.4. Insurance underwriting	

## **Section II: Insurance Contract and Legal Liability**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2' Numerical testing basic skills: 'Grade 3' Numerical testing analytical skills & synthesis: 'Grade 4'
Total weight to Exam 1	17.33%
Nature of Test Items	3 items: 1 mark each 2 items: 2 marks each 5 items: 3 marks each 1 item : 4 marks

### **Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>2.1. The Insurance Contract</b>	'Grade 1 & 2'
Detailed Topics	
2.1.1. Competent parties 2.1.2. Offer and acceptance 2.1.3. Consideration 2.1.4. Basic parts of an Insurance Contract 2.1.5. Distinct legal characteristics of an Insurance Contract 2.1.6. Performance and discharge of Insurance Contract 2.1.7. Insurance policy documents and their legal implications	
<b>2.2. Important Terms in Insurance Contract</b>	'Grade 1, 2, 3 & 4'
Detailed Topics	
2.2.1. Endorsements/riders 2.2.2. Deductibles 2.2.3. Co-insurance 2.2.4. Assignment 2.2.5. Nomination and beneficiary status 2.2.6. Insurance provisions - Depreciation basis/ Market value basis/ Reinstatement value basis <i>'Grade 3&amp;4'</i>	

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>2.3. Insurance Pricing and Premium Calculation</b>	'Grade 1 & 2'
Detailed Topics	
2.3.1. Objective of rate making/insurance pricing 2.3.2. Important factors in rate making 2.3.3. Risk assessment and rate making 2.3.4. Rate making for life insurance 2.3.5. Rate making property and liability insurance	
<b>2.4. Analysis and Selection of Insurance Products and its Provider</b>	'Grade 1, 2 & 3'
Detailed Topics	
2.4.1. Purpose of coverage 2.4.2. Duration of coverage 2.4.3. Participating or non-participating 2.4.4. Cost-benefit analysis 'Grade 3' 2.4.5. Claim settlement 'Grade 3'	
<b>2.5. Legal Liability</b>	'Grade 1'
Detailed Topics	
2.5.1. Intentional torts 2.5.2. Absolute liability 2.5.3. Law of negligence 2.5.4. Special tort liability problems 2.5.5. Civil justice system-IRDA, Insurance Ombudsman, Consumer Protection Act-1986	

### **Section III: Life Insurance- Analysis of Life Cover, Strategies and Products**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2' Numerical testing basic skills: 'Grade 3' Numerical testing analytical skills & synthesis : 'Grade 4'
Total weight to Exam 1	25.33%
Nature of Test Items	3 items: 1 mark each 2 items: 2 marks each 5 items: 3 marks each 4 items: 4 marks each

**Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>3.1. Assessment and Identification of Risk Exposure</b>	'Grade 1'
Detailed Topics	
3.1.1. Gathering data on current life insurance coverage 3.1.2. Identifying client's life insurance needs 3.1.3. Situational analysis for perils and hazards	
<b>3.2. Analysis of Life Insurance Needs</b>	'Grade 2, 3 & 4'
Detailed Topics	
3.2.1. Economic value of human life 3.2.2. Replacement of future income of the insured 3.2.3. Replacement of expenses and financial liabilities of the family 3.2.4. Provision in the life cover of certain financial goals and financial liabilities 3.2.5. Review of coverage for changes in income, assets and financial liabilities	
<b>3.3. Types of Life Insurance Policies</b>	'Grade 1, 2 & 3'
Detailed Topics	
3.3.1. Term Insurance 3.3.2. Whole Life Policy 3.3.3. Endowment Policy 3.3.4. Investment Linked Insurance 3.3.5. Insurance Linked Annuities 3.3.6. Life insurance policy riders	
<b>3.4. Calculations of Claim Amount and Other Benefits</b>	'Grade 1, 2 & 3'
Detailed Topics	
3.4.1. Bonus- revisionary, performance, maturity, etc. 3.4.2. Maturity of Policy 3.4.3. Death claim 3.4.4. Surrender value 3.4.5. Return on savings component 3.4.6. Taxation aspects of various life insurance policy	
<b>3.5. Other Provisions of Life Insurance Contract</b>	'Grade 1, 2 & 3'
Detailed Topics	
3.5.1. "Free look" period and Grace period 3.5.2. Claim concession 3.5.3. Lapse, non-forfeiture provision, surrender and revival 3.5.4. Loans against life insurance policies 'Grade 3' 3.5.5. Exclusions and restrictions 3.5.6. Suicide clause	

**Section IV: General Insurance- Property, Health and Liability Insurance**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2' Numerical testing basic skills: 'Grade 3'
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	Numerical testing analytical skills & synthesis: 'Grade 4'
Total weight to Exam 1	17.33%
Nature of Test Items	4 items: 1 mark each 2 items: 2 marks each 2 items: 3 marks each 3 items: 4 marks each

**Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>4.1. Health Insurance and Accident Insurance</b>	'Grade 1 & 2'
Detailed Topics	
4.1.1. Individual Health Insurance 4.1.2. Family floater policy 4.1.3. Critical illness policy 4.1.4. Group health insurance policies 4.1.5. Pre-existing disease clause and other provisions 4.1.6. Personal and group accident insurance 4.1.7. Long-term care insurance 4.1.8. Income assurance- hospitalization and temporary disability	
<b>4.2. Personal Disability Insurance</b>	'Grade 1 & 2'
Detailed Topics	
4.2.1. Disability- Permanent and Temporary 4.2.2. Disability- Partial and Total 4.2.3. Scope of benefits- Short-term and long-term disability	
<b>4.3. Property and Liability Insurance</b>	'Grade 1, 3 & 4'
Detailed Topics	
4.3.1. Basis of property cover - Reinstatement, book or market value 4.3.2. Insuring house, household items, business unit, plant and machinery 4.3.3. Personal umbrella policy- Mortgage cover 4.3.4. Miscellaneous overseas travel insurance 4.3.5. Use of excess/deductible and franchise 4.3.6. Motor Insurance- Comprehensive and Mandatory Third Party Cover 4.3.7. Motor Insurance - No claim bonus and Claims	
<b>4.4. Other Business Specific Insurance</b>	'Grade 1 & 2'
Detailed Topics	
4.4.1. Keyman Insurance 4.4.2. Professional Indemnity Insurance 4.4.3. Employee State insurance Liability 4.4.4. Workers' Compensation Insurance 4.4.5. Directors' and Officers' Liability Policy 4.4.6. Clinical Trials Liability Insurance 4.4.7. Employees' Health Insurance 4.4.8. Commercial Auto Polices 4.4.9. Marine Insurance 4.4.10. Cargo and Hull Insurance 4.4.11. Inland Transit Insurance 4.4.12. Crop Insurance 4.4.13. Poultry Insurance 4.4.14. Terrorism and Riot Covers	

## **Section V: Regulatory Framework of Insurance**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical testing clarity of concepts: 'Grade 2'
Total weight to Exam 1	8%
Nature of Test Items	8 items: 1 mark each 2 items: 2 marks each

### **Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>5.1. Regulations Relating Insurance</b>	'Grade 1 & 2'
Detailed Topics	
5.1.1. Insurance Regulatory and Development Authority (IRDA) Act- 1999 5.1.2. The Insurance Act-1938 5.1.3. Indian Contract Act- 1872 5.1.4. Public Liability Insurance Act- 1991 5.1.5. Motor Vehicle Act- 1988 5.1.6. Consumer Protection Act- 1986 5.1.7. Workmen's Compensation Act- 1923 5.1.8. Employee State Insurance Act- 1948	
<b>5.2. Other Regulatory Aspects of Insurance and Agency Law</b>	'Grade 1 & 2'
Detailed Topics	
5.2.1. Laws regarding insurance companies in India 5.2.2. Various intermediaries – agents, corporate agents, brokers, surveyors, loss assessors, consultants, etc. 5.2.3. Difference between Insurance Agents and Brokers 5.2.4. Agency law and functions of an agent 5.2.5. Doctrines of waiver and estoppels	