B.COM.SEMESTER– 3		
6	SEC3	ECONOMICS OF FINANCIAL PLANNING

Name of the Course: **ECONOMICS OF FINANCIAL PLANNING**
Total marks : **50**

PARTICULAR	NO.OF LECTURES
UNIT1 INTRODUCTION TO BANKING	
• Meaning and definitions of banking • Types of deposits offered by banks • Types of loans offered to economy by bank • Services offered by banks: 1.Locker 2.Demate account 3.Insurance services 4.Financial advisor 5.Foreign exchange 6.Bank guarantee 7.Other services	**10**
UNIT2 INVESTMENT ELEMENT	
• Meaning and definition of savings and investment • Types of investments in the present time. • Mutual fund–Meaning and definition • Types of mutual funds Equity funds, fixed income funds, balanced funds, sector funds, Index funds, specialty funds • Risk and challenges in different investment options	**10**
UNIT3 INSURANCE ELEMENT	
• Meaning and definition of Insurance • Need of insurance • Types of insurance • Advantages and disadvantages of insurance	**10**
Total Lectures/Hours	**30**

UNIT-1

INTRODUCTION TO BANKING

Q: 1 Meaning and definition to planning.

Meaning

Banking refer to the system of financial situation such as bank and credit unions that provides various financial services to individuals, businesses and government banking service mainly included expecting deposit, landing money, faciliting transaction and offering various financial product like saving accounts, loans and credit card. Banking play an important role in the economy by faciliting the flow out money and enabling economic activities. Banking is the business of protecting money for other banks. Land this money generating interest that create profit for the bank and its customers. A bank is a financial institution license to accept deposit and make loans but they may also perform other financial services.

Definition

Banking has been defined as accepting for the purpose of lending and investment of deposit of money from the public repayable on demand order otherwise with draw able by check or draft.

History of banking sector in India

Banking in India forms the base for economic development of the company major changes in the banking system and management have been seen over the years with the advancement in technology. Considering the needs of people. The banking sector development can be divided into 3 phase.

1) Phase-1: Pre-independent period [1786 to 1947]

The first bank of India was the "Bank of Hindustan" establish in 1770 and located in the Indian capital Kolkata. However, this bank fail to work during pre-independent period over so banks had been register in the country but only a few manage to service.

During the British rule in India, the east India Company had establish 3 banks. Banks of Bengal, Banks of Bombay and Banks of Madras. This three banks were marched into single bank in 1921, which was called “Imperial Bank of India”. This bank was nationalize in 1953 was name “State bank of India” which is currently largest public sector bank in India.

2) **<u>Phase-2: Past independent period [1947-1947]</u>**

At the time, when India get independent all the major banks of the country where lead privately which was cause of at the people belonging to rural areas were still dependent on money lender for financial assistant with an to solve this problem. The government decided to
Nationalize the banks. This bank were nationalize under banking regulation act 1949. Reserve bank of India, 1949 14 bank nationalize between (1969 to 1991)

❖ **<u>Impact of nationalization</u>**

A) This lead to increasing funds and their by increasing the economic condition.
B) Increase efficiency
C) Boosting the rural and agriculture sector open up major employment opportunity.

3) **<u>Phase-3: Liberalization period [1997 to till duet]</u>**

Once the bank was established in the country regular monitoring and regulations need to be followed to continue the profit provided by the banking sector. The last phase or an ongoing phase of the banking sector development plays a hugely significant role.

To provide stability and profitability to the nationalize public sector banks. The government decided to set up a committee under the leadership of Shri Narsimha to manage the various reforms in the Indian banking industry. The biggest development was the introduction of private sector bank of India. RBI gave license to 10 picture sector banks to establish themselves in the country.

Q: 2 Types of deposits offer by bank.

Deposit can means different thin, depending on the industry but in banking, it refers to the fund that a bank holds for a customer more about the learning different types of deposit and how they work may help you in your banking career or in your everyday life as a bank customers.

There are 2 types of deposits

1) Demand Deposit
2) Time Deposit

- Demand deposit includes checking accounts, saving account, money market account.
- Time deposit includes certificate of deposit account and individual retirement account.
- Customer can make a deposit online in person through an ATM or by mail.

- **<u>Meaning</u>**

A deposit refers to the money or assets held at a bank when customer makes a deposit. They place money in the bank. The bank hold the money for the customer for a set amount of time under certain condition.

1) <u>Demand deposit</u>

Demand deposit is the more common type of deposit. There is generally no limit on the amount of time, you can make demand deposit and you can withdraw money at any point from a demand and deposit account.

A) <u>Demand deposit account</u>

In demand deposit account [DDA], a customer withdraw their money from the account at any time withdraw paying a fee.

B) <u>Checking account</u>

A checking account is standard demand deposit account. Customer can deposit cash or cheques into checking account. Some customers may use direct deposit to have an employer automatically deposit their pay cheques into checking account.

C) <u>Saving account</u>

A saving account is a demand deposit account that earns interest over a time, when customer make a deposit. The banks pays them a set percentage of interest in exchange for holding their money.

D) Money market account

A money market account is similar to saving account but customers may right cheques to withdraw money. Customer may deposit money into this account and withdraw a certain number of time each month. Typically, this account earn interest similar higher than saving account.

2) Time deposit

Time deposits must be held for fix amount of time before fund can be removed from a time deposit account. If they remove the fund early, they must typically pay the bank fee.

A) Time deposit account

Time deposit is also called term deposit account. Time deposit account is useful for holding saving and often after higher annual percentage than regular saving account.

B) Certificate of deposit

Banks calls this account as a certificate of deposit but credit union main use the term certificate of savings. Customer deposit money into certificate of deposit for a set amount of time after the time has been passed customer can withdraw the funds and collect interest amount.

C) Individual retirement account

In this time deposit account, customer deposit amount money for save for retirement. They earn interest over time and they can withdraw without fees at a certain date.

Q: 2 Types of loans offered by bank.

Loans are a common way of borrowing from banks for various purpose however not all loans are the same; banks offer different types of different features, benefits and requirements.

1) **Secured loans**

Secured loans are loans that require you to mortgage an asset when you opt for such a mortgage like your home or car or gold. This mortgage act as a safety net for the bank if you cannot repay the loans the lender can take over your asset. Secure loan usually have lower interest rates and higher borrowing limits than unsecured loans but they also carry the risk of losing your assets.

A) **Home loans**

This loans help people to bug house or property usually have a limit of 15-30 years. Depending on the lenders and borrowers repayment capacity the interest rate for home loans generally range from 8.40% to 15% per annum. The loan to value the ratio typically cover up to 80% to90% of the cost of property.

B) **Gold loan**

Gold loans allow people to barrow money by mortgaging gold ornament or jewelry to the lender as a mortgage. The loan duration can vary from a few days to few years depend on the lenders and borrowers preferences. The interest rate for gold loan usually for (8%to18%) per annum.

C) **Vehicle loan**

Vehicle loan can borrowers finance their dream vehicle like a car bike or electric vehicle. Landers usually offer 85% of the cars.

Example: Showroom price as a loan and the concern vehicle work as mortgage against the loan.

Different vehicle in India, quality for different vehicle loan such as car loan for news used or two- wheeler loan.

D) **Loan against property**

Loan against property is a type of secured loan that allows borrowers to use their property as a mortgage to raise fund for any financial requirements the current interest rate at 8.4% to 12.50% per annum depending on the loan amount, tenure, credit score and other factors.

E) <u>Loan against security</u>

This type of loan allows harrowers to use their securities such as stock, mutual funds and insurance policy as a mortgage for the loan instead of selling them.

F) <u>Loan against PF/EPF</u>

A loan against PF allows individuals with PF account to borrow money against their accumulated PF balance because this loans are early withdrawal, you don’t pay interest. However, you can only withdraw early for specific reasons like medical emergency, buying a home, wedding, unemployment etc.

G) <u>Loan against fix deposit</u>

A loan again fix deposit is a type of secured loan. You can get it by pledging your fix deposit account as a mortgage. You can usually get a loan up to 90-95% of fix deposit amount. The loan does not offer your FD interest. You can use it for various purpose.

2) <u>Unsecured loan</u>

Unsecured loans does not require the borrowers to provide any security this loans are based on the borrower’s credit worthiness, ability to repay the loan and income. Landers face more risk with unsecured loans than secured loans so, they after higher interest rate.

A) <u>Personal loan</u>

This unsecured loans can be used for any individual or professional purpose such as medical expense, education, travel, wedding. Home renovation and many more it is important to not that this financial product are usually quickly and come with flexible repayment sparing from 12 to 60 months. Interest rate of personal loans are 8.15% rate per annum or depending on the borrowers, credit score, income, loan amount.

B) **Credit card loan**

Existing credit card user can opt for credit card loan based on their credit limit and repayment history. This loan is also known as pre-approved or instant loan as they can be available within minute thought online or offline channels. The interest rate of credit card loan is usually higher than personal loan 53% per annum.

C) **Education loan**

This are unsecured loans, granted to student who want to pursue higher education in India or abroad. This loans cover the tuition fees, living expenses, books, travel and other related course post. The interest rates of this loan lower than other loans 8to6% per annum.

D) **Short-term business loan**

For working capital business expansion or equipment needs and business owner can opt for this unsecured loans. Banks, NBFC online lenders and loan apps commonly provide business loan. The eligibility criteria, interest rate, loan amount of business loans depend on the size of the business.

E) **Pay-day loan**

This loan offer for short duration usually until the borrowers next pay day loan and pay day loans. Cash advantages or salary advantage are means to meet urgent and small financial needs. The interest of pay day loan is extremely high range from 1% to 15% per day.

Q: 4 Services provided by banks.

Apart from primary job accepting deposits and granting loans. There are several other function of backs in the modern banking era.

1) **Payment and remittance service**

This is another important function of banks the unable us to transfer funds from one city to another modern banking system allows to make the direct online money transfer, pay utility bills, collection of checks and more.

2) <u>Currency exchange</u>

Imagine, if there no banks where you would acquires foreign currently for travel or trading purpose. The banks provides foreign currency exchange with local currency in easy manner.

3) <u>Financial adviser/consultancy</u>

Modern banks have a holistic approach and they aim to provide all kind of services together customers that involve their financial legal expert situation. Modern banks are bring financial and legal expert to provide advice and solution about customer wealth. Investment and trading.

4) <u>Overdraft</u>

Overdraft service allow account holder to withdraw more than what their deposit allow. Interest is charged on the overdrawn amount. This is one of the many ways banks lend money to their customers.

5) <u>Mobile banking</u>

In the digital word, bank allow their customers to perform banking activity through their official website. This allow the customer to exit their account 224/7 without having visit to physical branch.

Similarly banks are also providing mobile banking service where in customer can perform banking activity their smart phone act.

6) <u>Home banking</u>

Home banking is another rising trend where in banking transaction can be made from home directly. This service require an internet connection and online banking facility.

7) <u>Credit and debit cards</u>

Most of the bank offer credit and debit card to their customer that can be used to purchase product and services and even borrow or withdraw money. This is one of the most important step toward a cashless society.

8) Lockers

Bank also offer safe deposit to their clients to store their valuable safely at minimum fees.

9) Money transfer

There are several ways bank offer to transfer money from one part of the world to the other with the help of demand draft, money order, cheque, online banking and many more.

10) Investment banking

Many banks now offer financial services to their customers. They helped them make the best of their wealth by offering several investment product or services.

11) Wealth management

Wealth management is one of the many investment services offer by banks. It allows the customer to plan their finances to grow long term wealth. A part from this bank also offers such as solvency certificate insurance services gold coins and more.

12) Mutual fund

A mutual fund refers to investment instrument that invest in several other securities to create individual port-folio by pulling money from numerous investors. Once, the individual port-folio of various security is created investor are given mutual fund unit.

UNIT-2

INVESTMENT ELEMENT

Q: 1 Meaning and definition of investment and savings.

Meaning of investment

An investment is an asset or item accrued with the goal of generating income or reorganization. An economic outlook investment is the purchase of goods that are not consumed today but are used in the future to generate wealth in the finance. An investment is financial assets brought with the idea that the assets will provide income further or will later be sold at higher cost price for a profit.

Ex. Machinery, buildings, fixed assets.

Definition of investment

In the economic sense, "An investment is purchase of goods that are not consumed today but are used in the future to create wealth".

In finance, "An investment is monitory asset, purchase with the idea that assets will provide income in the future or will be sold with higher return."

"Investment is the activity of investing money".

Meaning of savings

Saving means putting some of your money away for emergencies or short term [less than one year] financial goals. Money that is saved for an emergency or short term goal should be placed where there is very little risk of your money losing its. Value because you don't want to assume too much risk. When saving your money that rate of interest that you receive is typically very law.

Definition of savings

"Savings is the income not spend or consumed". Method of saving, include putting money aside in a bank or using some other kind of investment plant.

It plays a vital role to increase the amount of fix capital available which contribute to economic growth.

Q: 2 Types of investment.

1) **Investing in stock**

Investing in the stock market or equities can be great way to grow wealth overtime. It takes careful analysis to be able to determine the best stock to invest in as well as when to enter or exit the market. Market velocity can have an effect on the type of investor in India and their risk tolerance.

2) **Certificate of deposit [CD]**

Investing in certificate of deposit is money market instrument regulated by the RBI and issued by federal deposit Insurance Corporation. The minimum amount that can be invested in a CD is Rs. 100000 and its multiple. Commercial bank typically issue CD with a maturity period ranging from 7 days to one year while financial institution offer CD with maturity period from 1 year to 3 year.

3) **Bonds**

Bonds are a form of debt investment that has become popular in India. Bond investor provide money to the issuer of the investment and in exchange the bond issuer pay interest to the investor at a pre-defined coupon rate until the bond matures. Upon maturity the investor get their original; investment back to investment in bond. In India, one can either do, so directly or debt mutual funds. Investor should be aware that the bond issuer is obligated ti return principal amount to them at a time of maturity.

4) **Investing in real estate**

To invest in real estate, one can buy residential or commercial properties and benefit from capital appreciation or regular rental income. An alternate is to invest in unit of real estate investment trust. In India, typically invest in commercial property and investor get return base on the income from rental.

5) **Fixed deposit**

When you choose to invest in fixed deposit offered by banks or non-banking financial organization. You can put aside a lum-sum amount of case for a pre-determine period of time and gain interest at agreed rate. This type of investment is more popular in India offer a secure way to grow your funds.

6) <u>Mutual funds</u>

Investing mutual funds can involve stock, bond or combination of the two depending on your financial goal and risk different types of investors choose between equity fund, debt fund, balance fund additionally. You can also use systematic investment plan [SIP] to invest smaller amount periodically before investing review your risk preference and be aware of the taxation system.

7) <u>Public provident fund</u>

Public provident fund is viewed as one of the safest form of investment in India, since it is backed by the government opening an account with any bank or post office is the first step to investing in PPF and can be done with a minimum amount RS.100 in some banks. Yearly deposit trend from minimum of so to maximum 5000000 and this investment are locked for 15 years as well as qualifying for tax deduction.

8) <u>National Denison System [NPS]</u>

The NPS is an investment plan sponsor by the government of India which is suitable for long term savings particularly for retirement. NPS investment can be diversify across for assets, equities, government bond, corporate bond and alternative investment. NPS investment is eligible after the investor reach the age of 60 through they can continue to be invested in up to age of 75.

9) <u>Unit link insurance plan [ULIP]</u>

ULIP is a form of investment of India that comes with tax benefit. This instrument combines investment and insurance with part of the premium going towards providing a life cover and other part being investor in market link instrument or funds to get optimum benefit from ULIP. One should opt, for insurer provider minimum charge and provide flexibility and terms of period payment.

10) National saving salary [NSC]

NSC is government backed fix income investment scheme offer by India post this scheme attract investor making medium to small scale investment for 5 years. The interest rates for NSC are pre-determine and reviewed by the ministry of finance under the government of India on quarterly basis.

Q: 3 What is mutual fund and its type.

Meaning

A mutual fund is an investment vehicle where many investor pull their money to earn return on their capital over a period. This concept of fund manager it is their job to invest in different security such as bond, stock, gold and other assets and seek to provide potential return. The gain or loss on the investment is shared collectively by the investor in proportion to their contribution to the funds.

❖ **Types**

1) Equity fund

Equity fund are investment in company's stock focusing on capital appreciation over the long term due to market volacitaty. They offer high potential gain or a profit but also high risk.

2) Debt fund

Debt fund primarily invest fix income security like bond which offer stable return and lower risk.

3) Money market fund / sector fund

Money market fund invest in short term debts instrument such as Treasury bill and commercial paper offering modest return and low risk.

4) Hybrid funds / balanced fund

Hybrid fund are investment of equity and debt security in a mixed format having a risk and return. This type of investment is perfect for investor looking for balance between their risk and return.

5) **Income funds**

Income funds primarily invest in fix income security that provide regular income through investment for those looking for stable income.

6) **Liquid funds**

Liquid funds invest in short term highly liquid instrument which give easy access to fund and has less risk. They are consider best for term investment with good return.

7) **Tax saving fund**

Tax saving fund such ELSS offer tax benefit under section-80 c. While investing primarily in equities, combining tax saving potential capital.

8) **Aggressive growth fund**

Aggressive growth fund seek maximum capital appreciation by investing in high risk asset like small capital stock. They are perfect for those who can tolerate higher risk.

9) **Capital protection fund**

Capital protection funds aim to protect investor capital while offering modest return by investing in mix of debt and security.

10) **Fixed maturity fund**

Fixed maturity fund invest in debt security with fix maturity times and give investor and idea of return over a specific time frame.

11) **Pension fund**

Pension funds are mainly used to build a retirement return by investing in mix of equity and debt instrument. They hold long term growth potential with a lack period.

12) **Index fund**

An index fund is a type of mutual fund or exchange traded fund that seek to track the return of market index. A market index measure the performance of "basket" of securities [like stock or bond] which is means to represent a sector of stock market. You cannot invest directly in market index fund track market invest. They provided an indirect investment option.

Q: 4 Types of investment risk.

1) **Market risk**

The risk of investment decaling in value because of economic development or other event that effect on the entire market.

A) **Equity risk**

Apply to an investment in share, the market price of shares different all the time, depending on demand and supply. Equity risk is the risk of loss because of dropped in the market price of shares.

B) **Interest rate risk**

Apply to debt investment such as bonds. It is the risk of losing money because of change in interest rate.

Ex. If the interest rate goes the market value of bond will drop.

C) **Currency risk**

When you have own foreign investment, it is the risk of losing money because of a moment in the exchange rate.

Ex. If the US Dollar become less valuable relative to the Canadian dollar. US stock will be worth less than Canadian dollar.

2) **Liquidity risk**

The risk of being unable to sell your investment at a fair price and get your money out when you want to sell the investment you may need to accept the lowest price.

3) **Concentrate risk**

The risk of loss, because your money is concentrated in one investment or type of investment when you diversify your investment, you spread the risk over different type of investment, industry and geographic locations.

4) Credit risk

The risk that the government entity or company that issued the bond will run into financial difficulty and would not be able to pay the interest on repay the principle at maturity credit risk apply to debt investment such as bond. You can evaluate credit risk by looking at the credit rating of the bond.

5) Re-investment risk

The risk of loss from reinvesting income at a lower interest rate suppose you buy a bond If interest rate drop and you have to reinvest the regular interest payment at 4%. Reinvestment risk will also apply if the bond mature and you have to reinvest the principle at less than 5%.

6) Inflation risk

The risk of loss in your purchasing power because the value of your investment does not if with inflation. The purchasing power of money overtime, the same amount of money will buy few goods and services. Inflation risk is particularly relevant if you own case or debt investment like bonds.

7) Horizon risk

The risk that your investment horizon may be short because of an unforeseen event.

Ex. The loss of your job is May for you to sell investment that you were expect to hold for the long term. If you must set at a time when the market is down, you may lose money.

8) Longevity risk

The risk of out-living savings, this risk particularly relevant for people who are retired or are nearing to retirement.

9) Foreign investment risk

The risk of loss when investing in foreign country when you buy foreign investment.

Ex. The shares of companies in emerging market you face risk that do not exist in Canada, the risk of nationalization.

Q: 5 Challenges of investment.

Incredible volume and speed of information

The most challenges that modern investor face the shares speed and volume of information in the past, solid information about publicity traded. Company was hard to come by outside of the annual and quarterly report. Now, companies can produce a constant stream of information that daily price fluctuation in the stock, announcement and post on dedicated message board when there is so much information available at any given time, it can be difficult to identify what is really important.

Finding the right resources

The difficult of finding the right resources is tied to the challenges of their being too much information available. As an investor how do you find good resources in the crowed to be clear having lots of choice, easy to access to free resources is an over-all win for the modern investor [such as weather technical matter is more fundamental] with time many learn to filter out information and create. Select pull of reliable sources that may their investing test.

The reactionary market

Even if you have would handle on quality information. You can still burned when inaccurate information or basic uncertainty hits the market. Inaccuracy can be honest mistake rumors or financial fraud is one of the part of corporations. More importantly the financial market is so addicted to the constant information flow. Market reaction have always been extreme but increasingly global reach of information have given investor more reason to over react.

The choices

When does choice become over, there are conflicting study about the limit of the human mind when faced with a variety of choice. Research suggest that we chunk choices into a manageable few [between three and eight], this word is an ice-cream shop with five types of ice-cream. But the world of finance offer more than eight type of stock investment.

The role of advertising

The marriage of investment and advertising has been boon and bane to investor. On one hand advertising has helped familiarize investor with wide range of investment vehicle available today. The modern investor is more aware of the available investment behind stock bond term deposits.

UNIT-3
INSURANCE ELEMENT

Q: 1 Meaning and definition of insurance

Meaning

Insurance is a contract represent by policy in which a policy holder receive financial protection or against losses from an insurance company. Company pools client's risk to make payment more affordable for the insured. Most people have some insurance for their car, house, health care or life. Insurance policy against financial losses resulting from accident, injured or property damage insurance also help cover post associate with liability for damaged and injured caused to third party.

- Insurance is a contract [policy] in which an insurer identify loser against from specific contingencies.
- There are many types of insurance policy; life health, home and owners and auto are among the most common forms of insurance.
- The core components that make-up most insurance policy are the premium, deductable and policy limit.

How insurance work

Many insurance policy types are available virtually and individuals or business can find an insurance company willing to insurance them for a price. Most individuals in the US have at least one of this type of insurance and car insurance policy for field specific risk.

Example

A fast food restaurant policy may cover an employee's injuries from cooking with a deep frailer. Medical malpractice insurance cover injury or death related liability claim resulting from the health care provider malpractice. Company may use an insurance broker of record to help them manage the policy of its employees. There are also insurance policy available for very specific needs such coverage include business closers due to civil authority, kidnap, random insurance, identify theft wedding liability and cancellation insurance.

Definition

Insurance is an agreement were buy a groups of individuals facing similar risk can share the equal losses of the unlucky few by the transfer of such risk to the insurance, who agree to compensate the losses.

Q: 2 Need of insurance

1) **Insurance act as a financial back-up at the time of emergency**

None of us know what the future hold unexpected emergency such as injury, accident, illness and even death can leave you and your family facing premed nous emotional strain insurance plan help you emotionally and financially so that you can focus on re-building your life.

2) **Insurance makes retirement secure**

A retirement policy is a type of insurance plan that help you to save part of your income over a long term period and makes you financially secure post retirement. The accumulated income will be given back to the insured person as a pension.

3) **Insurance help in securing future**

Your present life might be stable with stable income flow that meets your and familiar's needs. But life is uncertain some unforeseen crises can shake life, without. Your family able to meet the requirement in the future with the term insurance. You will be securing your family to help them receive lump-sum amount to help them take care of their needs.

4) **Insurance encourage savings**

Several life insurance plan such as money back policy help create regular saving by allocating some funds in the form of premium plan that give, money back at the time of maturity. A money back policy holder often a few years of investing in the policy.

5) Insurance gives peace of mind

A long with financial securities, insurance gives you peace of mind. Your insurance policy will help you to get coverage for damage to the home. Your family floater medical insurance plan will cover you and your family at the time of hospitalization. Any insurance plan comes in handy at a time of wages.

Q: 3 Types of insurance.

1) Life insurance

Life insurance is contract that offer financial compensation. In case of death or disability some life insurance policy even offer financial compensation after retirement or certain period of time life insurance help you secure your family's financial securicy even in your absence you either make a lump-sum amount while purchasing a life to the insurer. This are known as premium in exchange insurer promise to pay an insecure some to your family in the event of death, disability or at a set time.

A) Term insurance

Term insurance is one of the common type of life insurance plan. You pay fix premium for a specific year or period that is policy term get large life courage in exchange.

B) Unit linked insurance plan [ULIP]

The ULIP combines the benefit of life insurance policy and investment instrument a part of the premium forms. The life cover while the remaining is invested in market link fund to fetch return.

C) Endowment policy

An endowment policy provide life cover as well as investment component. It offer a fix and granted maturity benefit after the completion of the policy term.

D) Money back policy

A money back policy after regular return or lump-sum amount at a define point of the policy tenure.

E) <u>Saving plan</u>

The saving plan disciple saving habits and pay back the accumulated amount upon maturity of the policy.

F) <u>Child plan</u>

Here the nominee is the child who is entitle to get assured in the event of the policy holder, partner's death so that his/her education or life goal don't get disturb.

G) <u>Retirement plan</u>

A retirement plan is build for retirement across the work hours and lets you enjoy its benefit as well as faith regular stream of income after retirement.

H) <u>Capital guarantee solution</u>

Here, a part of the premium goes to the life cover, the remaining part is further divided. One portion is invested in fixed income instrument to secure the capital while the rest in market linked fund to generate hire return.

2) <u>General insurance</u>

All the known life insurance plan, fell in this category which cover towards situation other than death resulting in monitory losses.

A) <u>Health insurance</u>

Design, take care of your medical need this insurance pay you against hospitalization and treatment charges.

B) <u>Vehicle insurance</u>

This plan cover the cost incurred due to damage the vehicle by accident.

C) <u>Fleet insurance</u>

Fleet insurance cover entire fleet of cars, sheep or air craft under a single policy.

D) <u>House and property insurance</u>

This plan is means to cover losses or damage to residential house or any other property.

E) Fire or hazards insurance

This plan, financially protect you from losses due to fire or any other hazards.

F) Travel insurance

This policy save guard your travel experience by making your loss due to medical expense, flight or train cancellation, theft or replacement or luggage or important document like passport, license etc. The policy is means for the time between the arrival and debtors of the traveler from this or location.

G) Liability insurance

This plan is design to protect you from claim of damage or injuries to other people or property.

H) Key man insurance

This is an insurance usually opted for buy a company to ensure a key-person in the organization.

Q: 4 Advantages and disadvantages of insurance

❖ **Advantages**

1) Financial protection

The life insurance policy act as final back-up for the policy holder's family and save them from monetary struggle, If he or she dies an untimely death.

2) Safe guarding of funds

Health insurance after cashless treatment or reimbursement or medical expense protecting the funds such as a plan save the policy holder and family from financial hazards.

3) Growing wealth

Plans like ULIP or capital guarantee solution help the policy holder to grow his or her well by fetching market return.

4) Wealth restoration

Retirement plan help in creating crops for retirement, when you are no longer able to work or earn a regular income.

5) Take benefit

Alongside the protection against is losses or toward situation. Insurance helps you to save tax. Tax benefit available under various section of income tax.

❖ **Disadvantages**

1) Insurance has many terms conditions

Insurance cover not all losses in a person's life or business situation. Insurance plans terms and conditions give consumer financial assistant according with those condition.

2) Long and costly process

The legal process to receive a claim submitted by an individual may be drawn out. As a result, it occasionally may become problematic. In emergency the cost of an insurance plan frequently fluctuated based on the type of policy.

3) Fraud agency

The market is filled with a variety of people who choose to purchase insurance before purchasing. It must be capable of handing themselves and the issue or seek professional assistant, when choosing insurance firms.

4) Not for all people

It might be issue for certain people that some insurance such as life and health insurance. Typically, does not provide coverage for sick and elderly folks.

5) Potential criminal activity

Policy holder may be continue to engage in fraud or other criminal activity to receive the promise insurance money which may result in civil offenses.

6) <u>Increase cost</u>

Business owners are continuously looking for method to cut cost and reviewing budget. Insurance can be pricey, particularly in sectors worker compensation injuries are frequent. Insurance for construction industries is more expensive than insurance for accounting firms. A company should examine its rules as it expand to ensure they continue meeting market demand.