



Class: FY BSc

Subject :

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Chapter: Unit 1 Chapter 3

Chapter Name: Group Insurance

Today's Agenda

1. Introduction
 1. Key features
 2. Advantages
 3. Disadvantages
2. Types of Group Insurance schemes
3. Eligible groups
4. Group v/s individual health insurance
5. Groups that can be covered under Group Insurance

1 Introduction

Group insurance is a type of insurance plan that covers a number of people in the same contract. Such a plan provides the same level of insurance coverage to all members of a group irrespective of their age, gender, occupation or socio-economic status.

Economic Security Scheme Appreciated by employees Started in India in 1960 Master policy

Group Insurance



1.1 Key Features

- As risk spreads over a large number of people, a group insurance plan provides standardized coverage at competitive premium rates.
- Irrespective of the size of the group, group insurance covers all members under the same plan.
- A group can comprise employer and employees or non-employer and employees such as holders of a credit card or members of a social or cultural association.
- The manager of the group gets a master policy in the name of the group.
- Premium is charged to the members or can be paid by the group.
- A member is covered as long as he is a part of the group. The cover ceases if a member leaves the group.

1.2 Advantages

- The premium paid in group insurance is lower than the premium in an individual policy for a member.
- As premiums are often paid by the employer, group insurance offers a convenient way to cover all employees with different income brackets.
- Group insurance helps enhance loyalty of employees for the employer. A group member feels valued to be a part of the group and is likely to continue his association with the group for a long period.
- Group members can claim tax benefits on the premium paid on group insurance while filing their income tax returns.
- Some group insurance plans can be converted into individual plans when a member leaves a group. In such a case, the member has to pay a conversion fee.
- Group members are not required to fulfil pre-requisite conditions. On the other hand, individual insurance plans often require the policy applicant to undergo a health check-up.

1.3 Disadvantages

- You will be covered by the policy till the time you are a part of the group, which in this case is till you are an employee of the company.
- Your employer has the power to choose the health insurance company, determine the coverage, and select other features and benefits of the health plan. In such a scenario, there is less scope to cover individual-specific needs.
- As the cover is controlled by the employer, you as an employee/policyholder do not have much freedom to customise the plan to your liking.
- The coverage offered by Corporate Health Plans might not be adequate for metro cities where the cost of hospitalisation is on the higher side as compared to other areas.
- In the case of Employee Health Insurance as you are not the one who has chosen the health insurance company or the coverage. The claim settlement process can be troubling unless you are covered by an insurer who offers a hassle-free way to claim.

2 Types of Group Insurance schemes

- **Group life insurance**

A group term life insurance refers to a kind of policy that assures that their family or dependents are protected in case of your employees' demise. The nominee of the employee gets the sum insured in case of the demise of the employee.

- **Group gratuity scheme**

A group gratuity scheme is **the insurance policy that helps the employer save money to pay gratuity to the employees.** (Gratuity is a lump sum amount paid by the employer to the employee as a token of appreciation for the services they have provided towards the company.)

- **Group superannuation scheme**

The Group Pension or Superannuation Plans are designed to cater to an employee's retirement needs, and an employer typically offers them. It is also an efficient alternative to popular retirement plans such as EPF (Employee Provident Fund) and NPS (National Pension System). (superannuation (or super) is money you put in a super fund while you are working to provide income later in life when you retire)

2 Types of Group Insurance schemes

- **Group disability scheme (short/long term)**

Group disability insurance is disability coverage offered by employers, pays out a percentage of your salary if you become disabled and can't work.

- **Group Annuity**

A group annuity is an insurance policy that pays out benefits to a group of people, typically retirees. The employer pays the premiums for a group annuity; the benefits are typically paid over the retiree's lifetime.

- **Group leave encashment scheme**

Leave encashment is a **benefit offered by you to your employees, in which an employee can accumulate his or her leaves over a period of time**. The accumulated leaves are paid in lump sum to your employees once they are no longer a part of your organization.

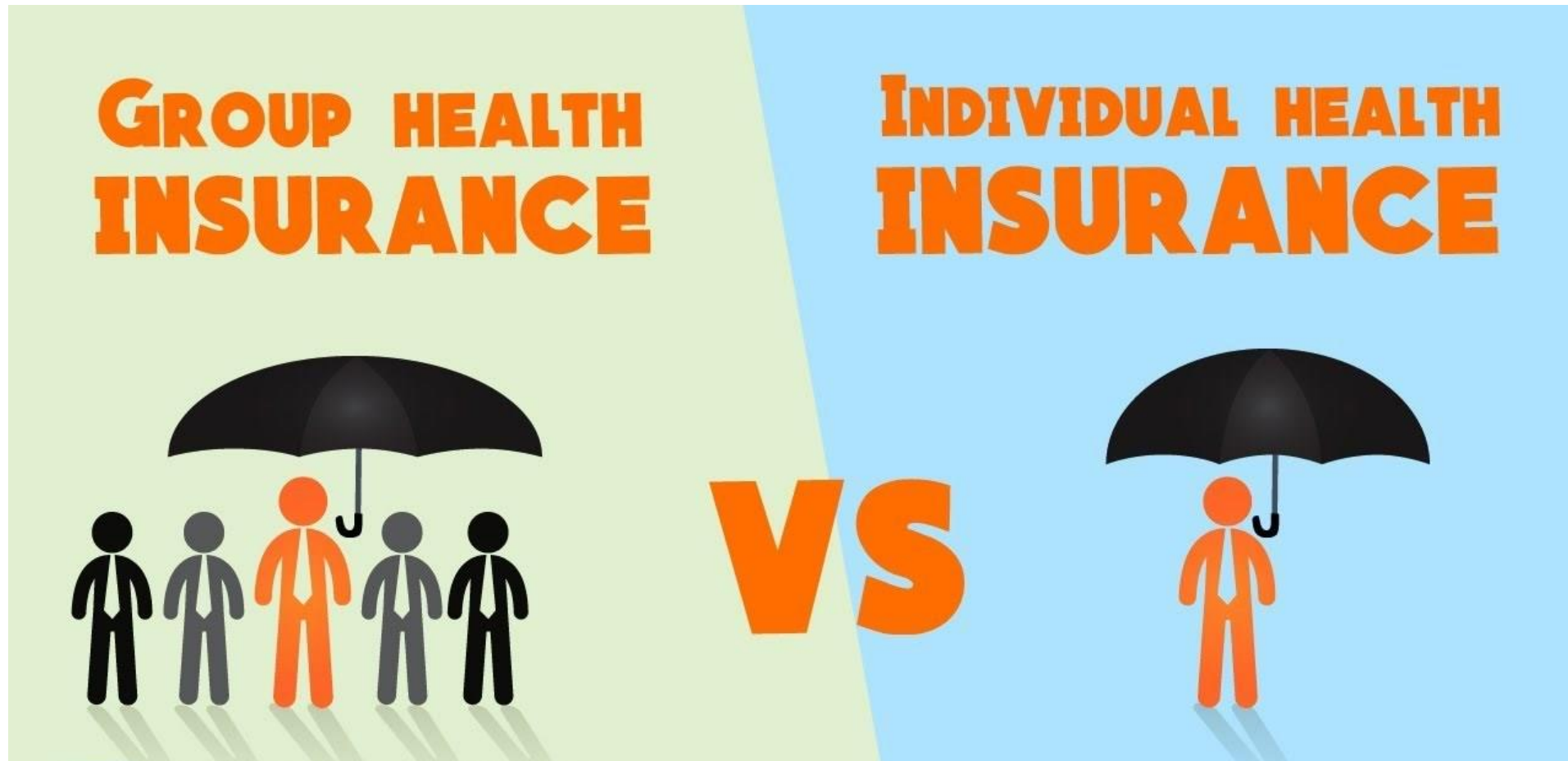
- **Group insurance scheme in lieu of EDLI**

(Employees Deposit Linked Insurance Scheme or EDLI is an insurance cover provided by the EPFO (Employees Provident Fund Organization) for private sector salaried employees.)

3 Eligible groups

- Individual employer group
- Labour union group
- Multiple employer group
- Creditor – Debtor group
- Miscellaneous groups

4 Group vs Individual Health Insurance:



4 Group vs Individual Health Insurance:

| Parameter | Group Health Insurance | Individual Health Insurance |
|---|--|---|
| General meaning | A group health insurance plan covers a group of people under health insurance. | An Individual health insurance policy offers coverage to the policyholder. |
| Who is the purchaser? | Group Health Insurance is usually purchased by an employer (or the main member of the family for the Family Floater Insurance plan). | The policyholder purchases an Individual health insurance plan. |
| How much control does the insured have over the plan? | Limited control (The employer or the purchaser has control) | Full control (The policyholder can control the coverage and add-ons of the plan). |
| Option to buy Add-ons: | None or limited | The policyholder can buy any of the available add-ons. |

4 Group vs Individual Health Insurance:

| | | |
|------------------------------------|--|--|
| Eligibility Criteria: | Should be a permanent employee of an organization | Must be at least 18 years of age |
| Exit criteria: | The insurance plan ceases to exist when the employee leaves the company or gets retired. | The policyholder reaches the age of 65 years (the exit age depends upon the terms of the insurance company). |
| Tax benefit: | No | Yes |
| Medical Check-ups before purchase: | Not required | Required |

5 Groups that can be covered under Group Insurance:

Before divulging the types of group insurance plans available in India, it's essential to know the types of groups that can benefit from a group insurance policy. In India, there are mainly two types of groups: Formal Groups and Informal Groups. Below are the details of both types of groups.

Formal Groups (Employer-Employee): These groups are mainly companies or organisations wherein the employer purchases the insurance plan to insure the organisation's employees.

Informal Groups (Non-employees): These groups include members from cultural, social or welfare associations. Generally, the group administrator or head of the association buys the group insurance policy to insure the members.