May, 2013

GROUP INSURANCE & RETIREMENT BENEFIT SCHEMES

[Time : 3 Hours] [Total Marks:100]

Answer EIGHT questions only. Question number 10 is compulsory which carries 16 marks.
Any SEVEN questions from Q.No. 1 to Q.No.9 which carries 12 marks each.

Q.1 Write Short Notes on any four:
   a) Group Creditor Insurance.
   b) Group Saving Linked Insurance Scheme.
   c) OYRTGA.
   d) Cash Accumulation System.
   e) Free cover limit in Group Insurance Schemes.

Q.2 Answer any three of the following:
   State the Income Tax position from the point of view of both the Employer and the Employees in respect of the following:
   a) Normal contribution and the additional contribution of the employer and the employees made to a recognised provident fund.
   b) Premiums paid by the employee and the employer under a contributory Group Insurance Scheme providing death benefits.
   c) Payment of Commuted Value on resigning from the service.
   d) Premium paid by the employer under Group Term Insurance in lieu of EDLI.

Q.3 Answer any three of the following:
   a) What are the financial aspects of Group Insurance Schemes?
   b) Mention the advantages of Non-Contributory and Contributory Group Insurance Schemes.
   c) What conditions are to be fulfilled by an Homogeneous Group to be eligible for Group Coverage?
   d) What conditions are to be fulfilled by an Heterogeneous Group to be eligible for Group Coverage?

Q.4 a) Under what circumstances winding of Gratuity Trust shall be done? What is the approved procedure for this action?
   b) How many minimum number of trustees for a superannuation trust have to be there? The power of appointing the trustees shall be vested with whom?
   c) Whether it is compulsory for trustees shall be resident in India? For Trustees meetings what is the minimum number requested for meeting the quorum.
   d) What benefit are tax free in terms of Section10 (13) of the Income Tax Act 1961 paid out of an approved Superannuation Fund?

Q.5 Answer the following (any two):
   a) In what ways computer can assist in Group Schemes?
   b) What steps are involved in processing of data through computers?
   c) Mention the general conditions to be incorporated in a master policy of a Group Insurance Scheme.
Q.6 Answer the following (any two):
ABC Private Ltd company, employing about 7000 employees is having approved Gratuity Trust Fund to the tune of ₹ 300 crores. The fund is invested as per pattern. The company is thinking of switching over to insured Group Gratuity Scheme. Discuss:
a) Relative Merits & Demerits of both the Schemes.
b) Steps to be taken by the company for switching over to insured scheme.
c) Applicable Income Tax Rules & Regulation to the company, trustees & employees.

Q.7 A well established joint stock company in private sector employing about 8000 persons. Provident Fund and Gratuity are the existing retirement benefits available to its employees. As a third benefit the company has proposed to an insurance company for an insured Superannuation Scheme on the following lines:
(a) The scheme will be an arrangement to be approved under the Income Tax Act, 1961.
(b) The scheme will be wholly financed by the employees' contributions which are expressed as a percentage of salary of the employee according to age at entry in to the scheme as under:

<table>
<thead>
<tr>
<th>Age at entry into scheme</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Upto 30</td>
<td>1 1/2%</td>
</tr>
<tr>
<td>31 - 40</td>
<td>2 1/2%</td>
</tr>
<tr>
<td>41 - 50</td>
<td>4%</td>
</tr>
<tr>
<td>51 - 55</td>
<td>6%</td>
</tr>
<tr>
<td>56 or over</td>
<td>9%</td>
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Employees having less than 5 years of service shall contribute a sum equal to 5 years contribution.
(c) Benefits: On retirement at age 60 or early retirement within 10 years prior to age 60, A pension equal to the sum of future service pensions and past service pensions as follows:
The future service pension is 1 1/2 % of Final salary for each year of future service and the past service pension is 3/4 % of final salary for each year of past service. The pension payable is payable for 5 years certain and thereafter for life. Benefit of commutation of a part of pension as per rule 90 of Income Tax Rule’s, 1962 will be available.
(d) Benefits on death and leaving service before age 60. One and half times of the above benefits.
Critically examine the defects in the company’s proposal. Suggest specific modification to the proposal so that a viable insured Superannuation Scheme can be set up.

Q.8 a) What is the pattern of investment for approved Provident Fund, Gratuity and Superannuation Schemes? Which authority decides or prescribes this investment pattern? When was the latest investment pattern implemented from?
b) What are the advantages of setting up of approved Superannuation Scheme for both employers and employees?
According to rule 89 of Income Tax Rule’s 1962 what are the two alternatives available to the trustees for managing the trust?

Q.9 An Annuitant, who has opted for return of capital option complains that as long as he was in the service of the company, the contributions made by the company under his name, towards Group Superannuation Scheme, earned higher rate of interest,
where as 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? Further the Annuitant insists that he wants his purchase price refunded back to him in lumpsum. Whether this facility can be extended to him and if so what are the rules and regulations in this regard?

Q.10 In the following example calculate.
(i) Death Gratuity payable under the Act.
(ii) Death Gratuity payable under the Group Gratuity Schemes.

For both the Scale of Gratuity Data.
1. Employees date of joining the service 08.04.1994
2. Employees Date of Birth 21.12.1974
3. DOC of GG Scheme 01.04.1992
4. Date of last renewal of the scheme 01.04.2012
5. Salary of the employee on the renewal date ₹ 65,600
6. Date of death of the employee 22.08.2012
7. Salary of the employee in the date of Death ₹ 69,500
8. Retirement age 60 years.

Scale of gratuity
(a) 15 days salary for each year of service, subject to a maximum of 20 months (i.e. As per the act)
(b) 30 days salary for each year of service.

END