



INSTITUTE OF ACTUARIAL
& QUANTITATIVE STUDIES

Subject : Life Insurance - PPP

Topic – Underwriting

Meaning

Is the process of consideration of an insurance risk.

- *Assumption of liability*
- *To manage risk*

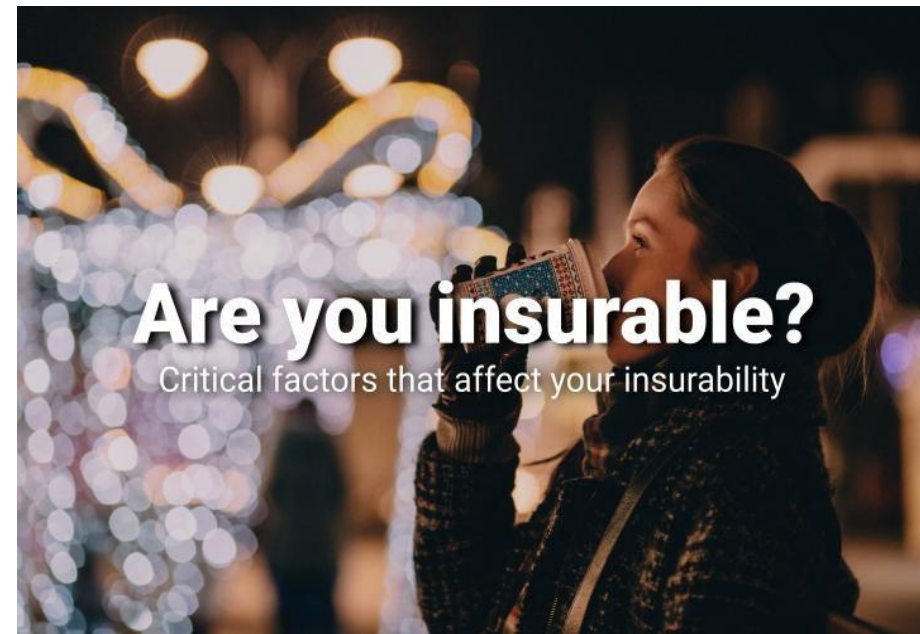


Principles of Underwriting

- *Selecting the lives that fit the company's underwriting standard*
- *Proper balance between each rate classification*
- *Charging equitable rates*

Factor Affecting Insurability

- *Age*
- *Gender*
- *Medical Aspects*
- *Occupation*
- *Hazardous sports & avocation*
- *Aviation*
- *Military Services*
- *Residence*
- *Financial Status & Speculation*



Are you insurable?

Critical factors that affect your insurability

The Underwriting Process

Medical Underwriting

- Questions on proposal form
- Reports from medical doctors
- Routine Health Checkup
- Specialist medical tests (ECG, X-Ray, etc)

Lifestyle Underwriting

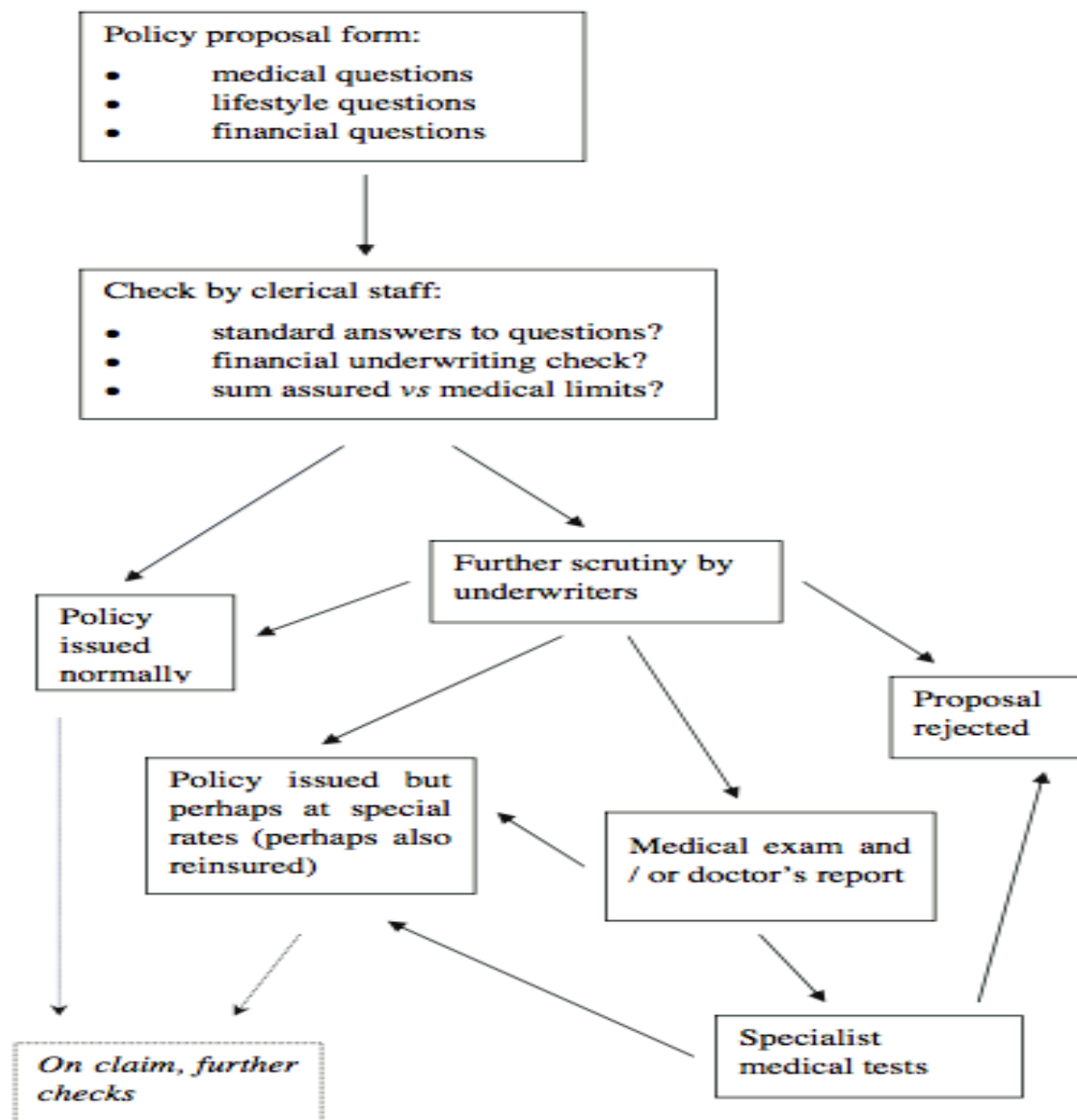
- Applicant's occupation
- Leisure pursuits of the applicant
- Applicant's normal country of residence

Financial Underwriting

- Are premiums affordable ? (Affecting persistency)
- Applying higher SA without parallel income

Claims Underwriting

- Suspicion of non-disclosure identified after Claim
- E.g: non-disclosure of smoking and denial of smoking related disease



How to Underwrite Suicide Risk

The suicide clause:

- *Issued before 1st Jan, 2014 – No benefit in first year*
- *Issued after 1st Jan, 2014 – at least ROP/FV for first year*

Sources of Information Concerning Life & Health Insurance Risk

- *Application*
- *Physical Examination*
- *Laboratory Statements*
- *Agents Report*
- *Government Records*
- *Attending Physicians statements*



Need for Underwriting

- *Adverse selection*
- *Moral hazard*
- *Fair pricing & subsidizing*
- *Competition*



Underwriting Activities

- *Line underwriting*
- *Staff underwriting*



UW issues with Marketing the product

- *Barriers to sales*
- *Time consuming & invasive*
- *Less (or no) underwriting may be used to increase the marketability of the policies*
- *Low underwriting will cause an increased anti-selection risk*

Read & Explain

“There is no such thing as a bad risk, only an insufficiently priced risk.”