INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

Subject : Life Insurance – PPP

Topic – Underwriting

Meaning

Is the process of consideration of an insurance risk.

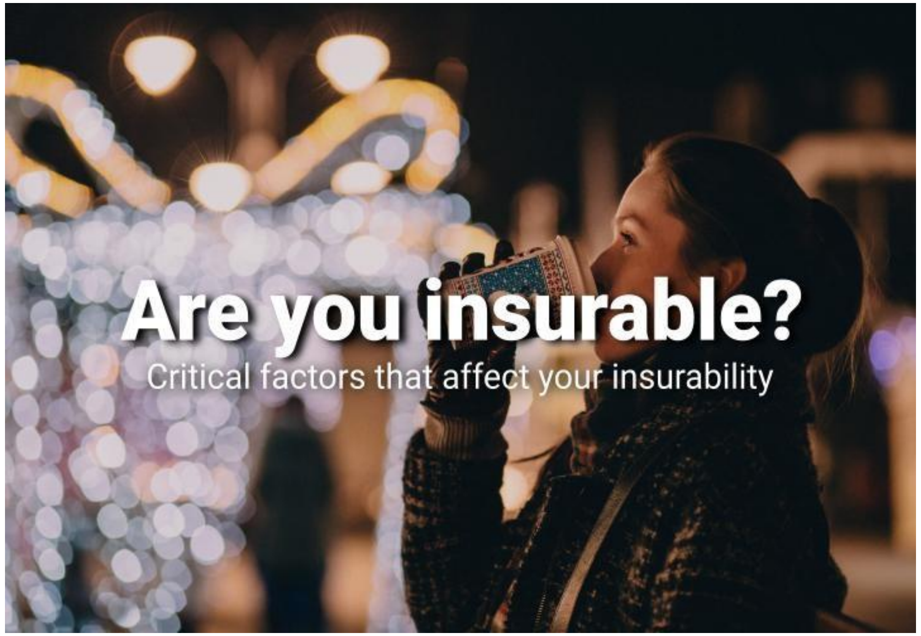
- *Assumption of liability*
- *To manage risk*

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



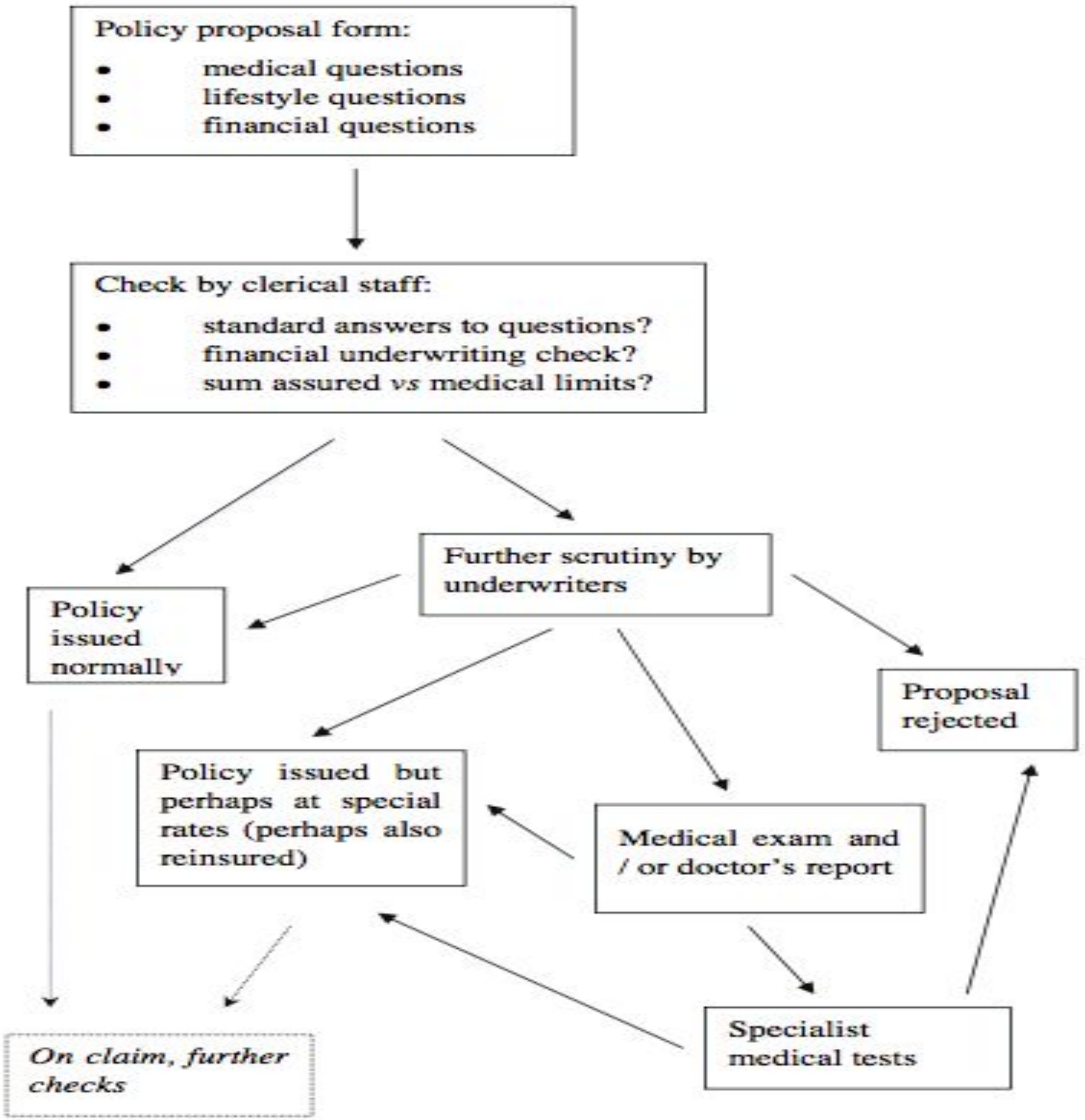
The Underwriting Process

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

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

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

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


Policy proposal form:
• medical questions
• lifestyle questions
• financial questions
Check by clerical staff:
• standard answers to questions?
• financial underwriting check?
• sum assured vs medical limits?
Further scrutiny by underwriters
Policy issued normally
Proposal rejected
Policy issued but perhaps at special rates (perhaps also reinsured)
Medical exam and / or doctor's report
Specialist medical tests
On claim, further checks

How to Underwrite Suicide Risk

The suicide clause:

- *Issued before 1st Jan, 2014 – No benefit in first year*
- *Issued after 1st Jan, 2014 – atleast 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 & morale hazard
- Fair pricing & subsidizing
- Competition

Underwriting Activities

- Line underwriting
- Staff underwriting

Marketing

- *Barriers to sales*
- *Time consuming & invasive*
- *Less (or no) underwriting may be used to increases the marketability of the policies*
- *Increased anti-selection Risk*

Read & Explain

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