

- ① A life Insurance Company has recently got approved for many products from IRDAI. List various distribution channel that can be used to sell the product in the market.

Solⁿ Various distribution channels are -

- (i) Market Intermediaries
- (ii) Direct Response
- (iii) Financial Institute

- ② Outline 5 cause of lapsation of life Insurance policy.

Solⁿ Causes for lapsation of the policy -

- (i) Policy term is greater than ability to pay
- (ii) Lack of agency professionalisation
- (iii) Policy mismatch
- (iv) Found other better policy
- (v) Worst in after sale service.

- ③ Mr. Harvey applied for life Insurance. A nurse came to their home on behalf of the Insurance company to collect blood & urine sample and fill the questionnaire. During their conversation, Mr. Harvey told her about iron level & his visit to hematologist. The nurse noted "blood work normal" in her reports despite his disclosure. While Mr. Harvey's medical report show he has

diagnosed with blood condition, it was not disclosed in his insurance application. However, he signed the application, along with the report prepared by nurse, confirming all the information was true when Mr. Harvey died several months later. Mr. Harvey claims benefit under the policy. The insurance company denied the claim for failing to disclose information about Mr. Harvey's health.

- Do you think insurance company is right? whose fault is this?
- Option available to Mrs. Harvey
- What are reasons for denying claim.
- What is underwriting? why it is done?
- List the types of underwriting.

Solⁿ

(a) Insurance company is correct in denying claim as he has signed the contract of mistake although he knew mistake. It is a case of disclosure.

(b) Mrs. Harvey can complain against the Insurance Company.

(c) Reason for denying claim:

(i) Avoiding Medical Test

(ii) Non-disclosure or Wrong disclosure

(iii) Operation of condition clause

(iv) Fraud.

(d) Underwriting is the process of considering of an Insurance risk.

Reason for Underwriting.

- (i) Makes sure proper balance is maintained with each rate classification.
- (ii) Avoid Moral & Morale Hazard.

(e) Types of Underwriting.

- (i) Medical
- (ii) Financial.

(f) Explain why the rates of Insurance are fair, adequate & not excessive.

Solⁿ

- To avoid the financial Problem & Insolvency, the rates must be adequate and fair.
- Rates should not be excessive in relation to the benefits provided.
- Rate adequate means, for the given blocks of policies, total payment collected now & in future by the Insurer + Investment & Subsidy expenses.
- Thus there should be establishment of ceiling of the rates.

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⑤ What are the various premium payment plans? explain. ^{Ans} There are various premium payment plans in the market for life Insurance policies.

Solⁿ

- Unit-linked plans are essentially similar to mutual fund products wherein the premium is invested in various funds.
- Insurance Companies charge anywhere 20-35% up to charge for their unit-linked plans.

⑥ What is the difference between the traditional cash value Insurance & universal life Insurance?

Solⁿ → Conceptually, all life Insurance policy cash value can be derived in the same way.

- As a practical matter, policies are varied with different point of view.
- In the traditional form of life Insurance, the saving element is considered by premium payment. Under this, premium is not divided into risk & saving element.

→ In Universal life insurance, the saving element is often considered as more independent part of the policy.

→ Under this, premium is divisible in risk & saving.

→ Under the key element of product pricing are open to the policy owner, the higher the premium the higher will be cash values.

⑦ Discuss different types of claim and the Procedure to settle those claims.

→ Claim is to be paid either to the insured or nominee of the insured by the insurer under the agreement or the term of the contract of insurance.

→ The importance terms of the insurance contract is payment of insurance claim either on happening of event or on date of maturity.

• Different types of Claims.

1) Maturity claim

2) Death claim

3) Accident & disability claim

4) Annuity Payment.

Q) What are basic requirement to settle?

- (A) Death Claim
- (B) Maturity Claim

Q) A)

- (i) Obtaining satisfactory proof of Death
- (ii) Obtaining satisfactory proof of Title

(B)

- (i) Discharge Voucher to be sent in Advance
- (ii) Policy Document
- (iii) Any need of Assignment, if executed on other paper.

Q) The effectiveness of the Claim management is dependent on the important element such as well as defined structure of claim department & well defined working of the department discuss.

(10) Discuss the future scenario of claim settlement.

→ The insurance industry has grown up to become a credible institution, with over 6000 insurance companies.

— With the deregulation of the banking & brokerage industries, large conglomerates have been formed that offer a very imaginative financial web.

— IT is helping the insurance companies to manage claim. Claim Management System is managing, organizing & Documenting.

— Highlights of Software.

(i) Internal claim management training.

(ii) Automatic completion of state required forms.

(iii) Conversation documentation

(iv) Progress tracking

(v) Automatic completion of state forms

(vi) Internal/external claim information

(vii) Entries for workers

(viii) Organisation of all information.

⑪ What is meant by Actuarial Valuation?

Solⁿ

The process by which the value of all the existing policies is ascertained is called valuation.

→ Since the valuation of Insurance is done by 'Actuary' by applying actuarial principle it is termed as actuarial valuation.

⑫ Why is it necessary for a life Insurance company to conduct an actuarial Valuation?

Solⁿ → At the end of a year's business the Insurance company determines the surplus carried on from the previous year.

→ The amount set aside for distribution is divided to policy owner & called Divisible Surplus.

→ Once the divisible surplus is decided it is no more a surplus but a liability for Insurer.

→ There are certain basic norms that an Insurance Company has to abide with, are as follows:

- (i) Equity
- (ii) Flexibility
- (iii) Simplicity
- (iv) Consistency.

(19) What is 'Surplus' in the life Insurance Context?

Solⁿ - Surplus is accumulated when there is a favourable deviation from the projected value with respect to mortality savings, excess interest & loading saving.

→ When the actual experience overshoot the assumption made during valuation, which are very conservative estimates.

→ Sources of Surplus:

- (i) Surplus from investment earning
- (ii) Surplus from mortality
- (iii) Surplus from loading
- (iv) Surplus from surrender
- (v) Distribution of Surplus.

(A) State different Method of Distribution of Surplus.

Solⁿ - Different Method of Distribution of Surplus:

- (i) Contribution Method
- (ii) Simple Reversionary Method
- (iii) Compound Reversionary Method
- (iv) Bonus on cash
- (v) Bonus in Reduction of Premium
- (vi) Buth Bonus
- (vii) Guaranteed Bonus
- (viii) Final Additional Bonus.

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15 Distinguish between surplus & Profit in life Insurance.

Solⁿ

- In life Insurance the word 'surplus' signifies an estimated profit. This is because the calculation of profit is the excess over the cost price of the products.
- Thus, in regular business, the difference between the cost price & selling price decides the profit made or loss incurred.
- Profit in the insurance company is the result of margin kept on the basis adopted for the calculation of the premium with regard to mortality & other factors.
- When the actual experience is better than the projected, the profit achieved is not only due to margin kept during valuation of premium but is also the profit arising.
- Furthermore, the excess of assets that remain after settling current liabilities can't be termed as 'profit' as it will be required to meet the liabilities in future.
- After this the funds left with the company can be considered as profit.
- The distribution of it is called surplus.