ASSIGNMENT

Ans 1) The various distribution channels that can be used:-

a) Market intermediaries - The company can sell the products through agents, brokers etc. through agency building distribution & non agency building distribution.

b) Direct response - The channels of distribution such as mail; telephone; print, electronic and broadcast media to reach out to a large number of customers

c) Financial Institutions - Insurance companies can tie up with banks, investment banks (Bancassurance) to reach out to the bank's customer base and linking the transactional functions with the banks can make it very convenient.

Ans 2) Causes of lapsation of a life insurance policy:-

1) Financial problems - Policyholders are often unable to pay their premiums owing to financial difficulties and hence the policy is lapsed.

2) Inflation - Another reason for lapsation could be inflation which affects general price level & can be a reason for policyholder's ~~inability~~ terminated premium - payments.

3) Policy term - The policy term may be longer than the period for and within which policyholder is able to pay the premiums.

4) Misselling – Owing to wrong explanation or misunderstanding the buyer may be misinformed regarding benefits & features of an insurance product, thus leading to lapsation.

5) Poaching by agents - Poaching by agents is done to influence the policyholder to lapse thier policy to buy another product.

Ans 3) a) Insurance company is right. Mr. Harvey signed the application despite the error of non disclosure of his blood condition thus breaching the principle of utmost good faith. Thus owing to Mr. Harvey fault, the claim is denied.

b) Mrs. Harvey can file a complaint in the company.

c) A claim could be denied :-
① A violation of the insurance principle
② Non disclosure of material facts
③ Commiting a fraud.

d) Underwriting is the process of analysing and evaluating the risk so that the insurance company can decide whether to take ~~that~~ the risk or not. It is done:-
① It assists pricing functions such as amount of premium to be charged & sum assured
② It avoids adverse selections
③ It helps in identifying & avoinding large, bad risks

- It helps in maintaining equity.

e) Types of underwriting:-

- Medical underwriting - It analyses the medical health, & medical history through tests and medical reports.

- Lifestyle underwriting - It is done to understand hobbies, habits, ~~&~~ lifestyle activities of the policy holder.

- Financial Underwriting - It involves analysing the financial status of the policyholder to ensure & determine ~~pri~~ adequate pricing.

- Claims underwriting - It is helpful to understand the claim settlement and related aspects for a policyholder.

Ans 4) Rates of insurance fair, equitable, adequate because:-

- It is determined after the process of underwriting to make sure equitable & fair rates are charged.

- It is priced in a way that it is affordable especially as they rely on law of large numbers.

- The competition in the insurance market does not allow excessive prices.

Ans 5) The premium payment plans are:-
→ Single premium payment
→ level premium payment
→ flexible premium payment

There are various premium payment plans because:-
- To suit the needs of people from different financial backgrounds
- Those who can afford to pay one-time single premium opt for this option to protect themselves against potential lapsation.
- Those who wish to pay same level of premium amounts can go for level premium while others can choose flexible premium
- The frequency of payment can also be chosen - monthly, quarterly, semi-annually, annually etc.

Ans 6) a) Traditional cash value insurance provides insurance cover for whole life with a fixed premium & sum assured paid to beneficiary on death of the policy holder.

b) Universal life insurance provides autonomy / flexibility to change the value of premiums and therefore change the value of sum assured as it is linked to investments and interest earned is deposited to account.

b) Traditional cash value insurance is fixed yet costlier

- Universal insurance is linked to investments & hence is very ~~volatite~~ volatile.

Ans 7) Types of claims
1) Maturity claims
2) Death claim
3) Accident & disability claims
4) Annuity payments.

① Maturity claims

⇒ The procedure for maturity claims is fairly simple & hassle free

⇒ The requirements are discharge voucher to be sent in advance, policy document, any deed of assignment.

⇒ Once requirements are fulfilled, the corporation issues a duplicate policy because contract continues even after survival benefit payment.

② Death claim
⇒ The requirement includes obtaining satisfactory proof of death & title.

⇒ After determining state of policy on date of death & cause of death - the position of title is verified & ~~po~~

classmate
Date
Page

⇒ Payment is made to beneficiary / nominee

Accident ~~bene~~ & disability benefit.

⇒ Conditions & to be met :-

1) Death should be directly due to an accident
2) Death should take place within a specified period of time after the accident
3) First Information Report, Panchanama, Postmortem Report, Forensic Report is required.
4) Policy should be in force at time of death
5) Cause of accident should not be breach of law

⇒ Once conditions are met, normal liability plus extra benefit such as waiver of premium or Income to life assured (in case of disability).

Ans8) a) Maturity claims

- A discount voucher to be sent in advance
- Policy document
- Any deed of assignment, if the same was executed on a piece of paper

b) Death claims

- Obtaining satisfactory proof of death
- Obtaining Satisfactory proof of title

Ans9) The effectiveness of claims managements is achieved

⇒ When high quality service is provided with maximum efficiency; it ~~causes~~ eases & fastens the process. Achieving this requires a strategy to make a well-coordinated procedure among the department.

→ The expectations of the customer will be met to provide high satisfaction which can be attained with a proper structure in department to ensure clarity.

→ If ~~they~~ there is harmony in the interdependent structure & department, then cost-benefit analysis ~~is~~ will be extremely helpful as it would be able to achieve great productivity & transparency in the processes

Ans 10) ◦ Inforation technology is helping insurance companies in claim management.
◦ Softwares such as CMS & MODEL are becoming very popular
◦ Softwares help in completition of forms
◦ They also help in ~~t~~ centralization of data
◦ They help in settlement of claim
◦ They help in tracking progress

Ans 11) The ~~vat~~ process of valuation of all existing polices / liabilities of the insurance company is ~~for~~ executed by an actuary is known as actuarial valuation

Ans 12) Importance of Actuarial Valuation:-
→ It helps to determine whether premium is accumulated on the same lines as premium calcutated

→ The excess pool funds helps companies to settle claims & meet deficit during (collected as premium of all policies).

→ It helps in determing solvency of company

→ It helps in determining anticipation of business growth

→ It also determines sufficiency of life fund.

Ans 3) Surplus is an estimated profit. The excess of assets over liabilities ~~can~~ is termed as 'surplus' and cannot be termed as profits.
It is accumulated actual experience is better than what was expected/ assumed.

Ans 4) method for distribution of surplus.
- Contribution method
- Simple reversionary method
- Compound reversionary ~~m~~ bonus system
- Bonus in cash
- Bonus in reduction of premium
- Tontine bonus
- Interim bonus.
- Guaranteed bonus
- Final additional bonus.

Ans 5) → Surplus is excess of assets over current liabilities
→ It is an estimated profit
→ Profit is earned as a result of margin kept on the basis adopted for calculation of premium

with respect to expenses, mortality etc.

→ It is also earned as a result of favourable experience ~~at~~ up to the time of valuation

→ ~~If~~ ~~com~~ ~~com~~ It's difficult for a company to determine its profits.