Life Insurance Assignment 2

Q1] The various distribution channels that can be used are:

1) Market intermediaries
   a) Agency building distribution
   b) Non-Agency building distribution

2) Financial Institution
   [Banks, Investment banks and others]

3) Direct Response Distribution
   [Mail, telephone, electronic media etc]

Q2] The ~~a~~ 5 causes of lapsation could be:
Economic - decision making of policy holder
Macroeconomic factors: inflation, disposable income
Product design
Marketing strategies
No after sales service to policyholder.

Q3] A] Yes, as Mr. H should have informed the company of incompetence shown by nurse and also as Mr. H had signed the application which meant he agreed to non-disclosure which gives the company the right to reject the claim.

B] Mrs. H can go to a consumer protection forum or take help of ombudsman but all of these will be difficult but innocence would be difficult as proving difficult. Unless the same has happened with multiple policyholders

c) The reason for denying claim is due to violation of principle of utmost good faith. As insurance company failed to consider this additional risk due to non-disclosure.

d) Underwriting is the process of assessing a potential policyholders risk, and determining the rank and group they get from which premium rates can be determined and assessed whether insurance company can bear the risk or not. The need for underwriting arises due to: moral and morale hazards, adverse selection and to put fair prices and charge adequate premium.

4) Insurance rate need to fair as every person possessing same risk should be charged same amount or else people with high risk might not be charged adequate forcing people with low risk to pay higher premium for subsidizing the others. This means that low risk might switch companies where there is more equitable rates. This means company will lose customers due to wrong pricing.

5] Various premium paying plans are
1) Single premium plan → policyholder required to pay lumpsum at the start
2) Level premium plan → the premium stays constant throughout the term or life.
3) Flexible premium plan → this to of plan allows policy holder to pay as the per their convienconce.

The need for various plans is to be able to reach a wider target audience from the market as not everyone has same preference

6] Traditional cash value and universal life insurance are whole life policy and mostly similar with a few key differences ~~whole life offer~~ offers traditional cash value fixed premiums and guaranteed cash value accumulation. Whereas universal life policy gives flexible premium payments, death benefit and savings element of their policy

Date

7] 1] Maturity Claim or Survival Benefit
→ This claim is paid at the end of the term if the policyholder survives
→ It is easiest settlement as, the person is alive, they need the policy document and a discharge voucher.
→ Insured must be present to prove who is alive.

2] Death Claim
→ This claim is paid if the insured dies, either within term policy or whole life policy.
→ Check proof like death certificate and proximate cause of death
→ whether or not policy is in force

3] Accidental / Disability benefit
→ The ~~ins~~ beneficiary or insured might need to show FIR, or proof in other kind of accident taking place and medical proof as well.

8] [Same as above]
[for death and maturity]

Proof of death like death certificate, in possession of policy and title.
Need copy of policy document.

→ (could be the process rather than proof)

Claim Intimation → Document ~~submission~~ collection → Document submission → Settlement of claim

Q9] A well defined structure will help determine who is responsible for what part of the claim process. So as to facilitate smooth flow and not create confusion as to who is responsible for what.
~~the~~ Also the working of the department would need to be effective i.e work as per proper structure with issues resolved quickly. As good claim settlement process and give great ~~at~~ competitive advantage to the company.

Q10] In future IT will replace majority of the process due to it quickness, cheaper operation cost, high adaptability to new rule and extract key data which will be used by actuaries and others quickly. Hence IT ~~no~~ programmes will replace majority of the process, also due to it being comparitevly eco-friendly.

Q11] For companies to maintain their solvency they need to value of all the existing policies and future claims arising from them. This is known as valuation of ~~life~~ liabilities or just valuation. And as actuaries perform this valuation it is called actuarial valuation.

Q12] It is crucial as if life insurance company don't know regarding their future liabilities they could run into serious solvency issues as not enough reserving would be done by them to compensate for the liabilities.

Q13] ~~The word~~ Surplus is accumulated when there is favourable deviation from the projected value concerning mortality savings, excess interest and loading ~~expen~~ savings. That is when experience overshoots the assumptions made during valuation, which are conservative and pessimistic estimates.

Q14] The different methods of distributing surplus are:
1) Contribution Method
2) Simple Reversionary method
3) Bonus in Reduction of Premium
4) Tontine Bonus
5) Final additional bonus etc.

Q15] Surplus is the extra money earned due to favourable deviation from the expected estimates used. Whereas profit is the money earned by charging margins on the premium that accumulate and give profits