Assignment 2:

1. various distribution channels are:
— market intermediaries
— direct response
— financial institutions

2. causes for lapsation:
- policy term is greater than ability to pay
- availability of a better policy
- bad after sale service
- lack of agency proffessionalism
- policy mismatch

3. (a) Yes, they are right with the decision since full-disclosure agreement is signed and the policy holder is obliged to say the truth.

(b) Mrs Harvey can complain against the agency.

(c) reasons for denying claim:
- fraud
- non-disclosure / partial-disclosure
- avoiding medical test
- operation of condition clause

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(d) underwriting is the process of calculating the risk & eligibility of the policy holder.

reasons:

- to check eligibility
- to avoid future lapsation

(e) types of underwriting:

- medical
- financial

4. - should be enough to ~~to~~ cover the expenses incurred
- should not be too high to avoid takeover by competitive companies
- should be able to produce profits

5. - unit linked ~~like~~ plans are essentially similar to mutual fund products wherein a ~~the~~ part of the premium is invested in various funds

- they charge upto 20-85% charge for their unit-linked plans.

6. - conceptually all life insurance policy's cash value can be derived in the same way.
- as a practical matter, policies are used with different point at views.

- In traditional forms of life insurance savings element is considered from premium payments. Under this the premium is not split into savings element & risk element.

- higher the premium, higher the cash value.

8. 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

10. - The industry has flourished into an important existential need with over 6000 insurance companies.

- with the deregulation of the banking & brokerage industry, large conglomerates have been formed that offer every imaginable financial uncertainty.
- IT sectors are helping insurance companies to manage claims.
- highlights of software:
  - internal claim management training.
  - entries for workers
  - organization of information
  - progress tracking

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11. The method of evaluating the value of all existing policies is valuation.
Since it is done by actuaries it is called actuarial valuation.

12. - to calculate surplus and profits if any...
- to calculate dividend to be paid.
- once allotted it is now a liability that needs to be paid off.
- equity, flexibility, simplicity, & consistency are to be ~~ab~~ abided by.

13. Surplus is the accumulated value from premiums, interest ~~on~~ that exceed the estimated actua~~rial~~ rial valuation.
Sources: - investment - mortality - loading - surrender ...

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14. methods of distribution:
- contribution
- guaranteed bonus
- final additional bonus
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bonus/cash
- simple reversionary method

15. surplus is estimation of profit while profit is what is earned after recouping expenses incurred. distribution of profits is counted in surplus.