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Life Insurance - PPP
Assignment - 2 (Unit 3 and 4).

Ques 1
Various channels to sell life insurance product in the market are as follows:

(1) Diret Channels: These channels make direct contact between insurers and customers. In the direct channel total control over how the product is marketed and sold is in the hands of insurer.

(2) Indirect Channels: Channels in which there is no direct contact between insurers and customers. It includes insurance brokers, reinsurance brokers; financial organizations, independent financial advisers, managing general agents, retail organisations, affinity groups, peer-to-peer, broker networks

(3) Bank-led Channel: It is also known as Bancassurance. In this channel, banks and insurance carriers join together to sell insurance product to the consumers.

(4) The Internet Channel: This Channel is likely to be the latest and important of the new forms of insurance distribution. As the customers are using new Internet Technology in almost all business fields; web technology is mostly used in selling insurance products.

(5) Direct Mail Marketting: It means selling insurance products by dealing directly with consumers rather than through intermediaries. They achieve better overall response than

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digital channels. In this marketing channels, there is no need to share profit margins and the insurer has complete control over sales process.

Ques2:

Causes of Lapsation of Insurance policy are as follows:
External factors like:
(1) Economic decision making of the policy holder.
(2) Availability of alternative investment options.
(3) Macro Economic factors like disposable income, inflation etc.

Internal factors like:
(4) Product design and choices such as Types of plans, mode of premium payment etc.
(5) Marketing and personal stratergies such as planning of business activities, customer education etc.

Ques3:
(A) Insurance company is correct in declining the claim as Mr. Harvey knew that the nurse had not accurately filled the questionaire and still signed. It is a clear case of Non-Disclosure.

(B) Mrs. Harvey must file a complaint to insurance company of wrongfully rejecting the claim.
If the company has either rejected it or not resolved it to satisfaction or not responded it to 30 days, Mrs. Harvey can approach the Ombudsman.

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(C) Claims could be rejected for the following reasons:
* Wrong disclosure or non-disclosure of facts.
* Avoiding medical tests.
* Not appointing or updating nominee details.
* fraud.

(D) Underwritting is the process of consideration of an insurance risk. Through insurance the company assumes the liability and uses underwriting as a tool to manage risk.
It is important because:
(i) It involves selecting lives that fit the company's underwriting standards.
(ii) Make sure proper balance is maintained within each rate classification.
(iii) In order to avoid adverse selection against the company
(iv) Avoid Moral and Morale hazards.

(E) The main types of underwriting are:
* Medical
* financial
* Lifestyle
* Claims.

Ques 4: Rates of insurance are fair; adequate and not excessive to avoid financial problems and insolvency. Rate adequacy means that for a given block of policies total payments collected now and in the future by the insurer plus the investment earning attributes. If the rate of insurance is not excessive; at time of loss it is difficult for insurance company to bear the loss. Hence the limit should be established for long-run of company and to achieve the objectives.

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Ques 5: Various premium Payment plans are as follows:

(1) Yearly Renewable term life Insurance:
This plan provides coverage for one year only but guarantees renewal irrespective of the Insurability of the policy owner. Premium depends on rate of mortality. As age increases, premium rate increases.

(2) Single Premium Plan:
In this system premium will not increase year after year. Only one single lump sum is collected at the inception to cover risk for selected period of insurance.

(3) Level Premium Plan:
In this system premium payable throughout the period of insurance is level or uniform. In this system, reserve builds up under each policy because the premium charged in the initial years of the policy is more that what is required to cover the death risk.

(4) Flexible Premium Plan:
Flexibility of deciding the amount of premium to be paid is allowed by many insurers to policy owners.
Eg. Universal life Policies.

Premium plans are important in the market for life insurance policies because Premium plans tackle the financial burden of paying premiums for longer duration when you chooses longer coverage tenure.

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Ques 7:

Types of claims are as follows:

(1) Maturity claims and Survival Benifits:

The requirements for settlement of these claims are as follows:

→ A discharge voucher to be sent in advance.

→ Policy document.

→ Any deed of assignment, if the same was expected on seperate stamp paper.

(2) Death claims:

The requirements for settlement of these claims are:

→ Obtaining satisfactory proof of death.

→ obtaining satisfactory proof of title.

(3) Accident and Disability claims:

The requirements for settlement of these claims are:

→ Death should be due to accident i.e by external, violent and visible means.

→ Death must be directly due to accident and there should be no intervening cost.

→ Death should take within a specified period of time after death. As per LIC rules, the period is 120 days.

→ Proof satisfactory to the insurance company should be submitted.

(4) Annuity claims:

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Ques 8:

Written in ques 7.

Ques 11:

The process by which the value of all the existing policies is ascertained is termed as valuation. Since the process is taken up by actuary by applying actuarial principles, it is termed as actuarial valuation.

Ques 12: It is necessary for a life insurance company to conduct actuarial valuation because the premium charged on policies covers the expenses incurred by a company. The pool of funds formed as a result of premium balance accumulated after deducting the expenses called life fund.

Ques 13:

In life insurance the word 'surplus' signifies an estimated profit. This is because the calculation of profit in insurance business is slightly different from other business.

Ques 14: Different methods of distribution of surplus are:

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1. Contribution Method.
2. Simple Reversionary Method
3. Compound Reversionary Bonus system.
4. Bonus in Cash.
5. Bonus in reduction of premium.
6. Tontine Bonus.
7. Interium Bonus.
8. Guranteed Bonus.

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(9) ~~final~~ Additional Bonus
(10) Frequency of Distribution.

Ques 15:

Surplus is the term used to describe the amount by which a life insurance company's assets exceed its liabilities and capital.
On the other hand, profit refers to the extra income that is not needed to pay for the cost of providing insurance.