<u>ASSIGNMENT 2</u>

A1. Marketing intermediaries Includes agents and brokers. They sell insurance products, on a face-to-face basis with customers for a commission on each sale.

Direct response No face-to-face contact is involved, with the customer responding to some type of solicitation directly from the insurer, such as through the mail, television, or telephone.

Financial institutions Include commercial banks, investment banks, thrifts, credit unions, mutual fund organizations and other insurers sell insurer’s products.

A2. 1. Economic decision making of the policyholder

2. Economic-social background

3. Availability of alternative investment options

4. Client specific Features

5. Macro-economic factors

A3. A) No, I don’t think the insurance company is right. It is the company’s fault that the medical examiner that the she didn’t note the information given by the insured. Also, the insured is partially at fault as he didn’t read the document properly before signing it.

B) Mrs Harvard can sue the insurance company as the blood and urine samples and reports can act as the proofs that the disclosure had been to the insurer. She can approach the *Ombudsman*.

C) When the insured doesn’t disclose all the relevant information and violates the principle of utmost good faith, the insurance company can deny the claim

If the insured has purposely done damages to claim the insurance amount and if the insurer finds out about the same, insurer can deny the claim

D) Underwriting is the process of consideration of an insurance risk.

E) Financial Underwriting

Lifestyle underwriting

Medical Underwriting

Claims Underwriting

A4. To avoid financial problems and insolvency, insurance company rates must be adequate in the light of benefits promised under the company's insurance products. Equity means charging premiums commensurate with the expected losses and other costs that insured bring to the insurance pool. The pursuit of equity is one of the goals of underwriting classification and selection of insured. Rates should not be excessive in relation to the benefits provided. By establishing a ceiling on the rates, this objective is achieved. Competition discourages excessive pricing.

A5. Yearly renewable term life insurance

Single premium plan

Level premium plan

Flexible premium plan

There are various insurance plans in the market so that people can pay according to their comfort and the premium payment wouldn't burdensome for them.

A6) Whole life insurance offers consistency, with fixed premiums and guaranteed cash value accumulation. Universal life insurance gives consumers flexibility in the premium payments, death benefits, and the savings element of their policies.

A7. 1.Maturity Claims and Survival Benefits

2.Death Claims

3.Accident and Disability Claims and

4.Annuity Payments

The Insurance company need not await any claim from the policyholder and take initiative to settle the claims expeditiously for maturity claims

Obtaining satisfactory Proof of Death, obtaining satisfactory Proof of Title are two requirement of death claims

Death should be due to Accident, i.e., by External, Violent and Visible means. Death should take place within a specified period of time after the accident. Usually the requirements called for are (a) First Information Report (b) Panchanama or Police Inquest Report (c)Post-mortem Report.

A8) Requirement for Death claims

1.Obtaining satisfactory Proof of Death, and

2.Obtaining satisfactory Proof of Title

Requirement for Maturity Claim

1.A Discharge Voucher to be sent in advance

2.Policy Document

3.Any Deed of Assignment, if the same was executed on a separate Stamp Paper.

A9) The effectiveness of the claim management is dependent on two important elements such well defined structure of claim department and the well-defined working of the department. The structure of the department enables classification of the policy claims and rapid settlements without the occurrence of culpabilities. The well-defined working of department helps the policy holders get access to the claim amount as early as possible.

A10) Information technology is helping the insurance companies to manage claims.

Many software for insurance claims has hit the market. A popular one among them is Claims

Management Systems (CMS). It is called Managing, Organizing and Documenting Every Loss

(MODEL). This software is developed by Scott Insurance. Its main features are

1. Automatic completion of state required forms

2. Internal claims management training

3. Adjuster-to-adjuster claims planning and oversight

4. Physician-to-physician medical reviews

5. Organization of all information in one place

A11) The process of valuation is taken up by an ‘actuary’ by applying actuarial principles it is termed as actuarial valuation. The process by which the value of all the existing policies is ascertained is called valuation.

A12) Valuation determines the adequacy of the life fund, because in a given situation the life fund is never sufficient, it is either in excess or will fall short of the requirement. Thus, actuarial valuation is important

A13) Surplus is accumulated when there is a favourable deviation from the projected value with respect

to mortality savings, excess interest and loading savings. That is, when the actual experience

overshoots the assumptions made during valuation, which are very conservative estimates.

A14) Methods for Distribution Of Divisible Surplus

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. Interim Bonus
8. Guaranteed Bonus
9. Final Additional Bonus

A15) Surplus is accumulated when there is a favourable deviation from the projected value with respect to mortality savings, excess interest and loading savings. That is, when the actual experience overshoots the assumptions made during valuation, which are very conservative estimates.

Profit in insurance business is a result of margin kept on the basis adopted for the calculation of premium with regard to mortality, expenses, interest and other factors like surrender and lapse. Profits are also made when the actual earning is more than the projected value at the time of premium calculations.