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Assignment - 2

1) The Insurance company can use distribution channels to sell the Product in the market. There are various distribution channels which can be used are :-

i) Market Intermediaries :-

~~the distribution~~ This will help the company to cater to the consumers. In this, they can look for Agency building distribution and Non-Agency building distribution.

ii) Financial Institutions -

this includes commercial banks, investment banks, mutual fund organizations and other institutions.

iii) Direct response -

This distribution channel is used to connect with the customers with no face to face contact is involved. this includes mail, telephone, print media, electronic media and Broadcast media.

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2) There can be various causes of lapsation of a life insurance policy. The various causes are:

i) Economic decision making of the policyholder ~~as~~ should be a cause as the person might be under financial crunches and could ~~select~~ have to decide from the options.

ii) The person could have an Availability of Alternative investment options and because of this opportunity cost, they can maybe invest somewhere else leading to lapsation.

iii) ~~Macro Economic Factors~~
Some Macro Economic Factors like inflation, Government Policies with regard to taxation can result in change of disposable income.

iv) Economic social Background also plays an important role. The financial condition of the customer wouldn't be good enough but would want an insurance or its conditions might be gradually ~~wo~~ worsens up and so could cause lapsation.

v) The customer ~~might~~ would have selected an insurance based on their understandings and could have a policy mismatch so there are chances of lack of need based approach leading to lapsation.

3)

a) Insurance company was right and I totally agree with it. Mr Harvey should look into the report before signing it and inform about the information earlier. The fault is of Mr Harvey.

b) The information should be provided accurately but nothing can be done to the Insurance company as ~~the~~ some information were not disclosed. Mrs Harvey can file a court case ~~to~~ on the nurse regarding fraud. Mr Harvey might have said all the information but the medical examiner which is the nurse ~~might~~ wouldn't have paid attention and so the case might help Mrs Harvey.

c) The claim helps the insured or its family to get some amount to survive. However, due to some reasons the claim can be denied. The missing information or not disclosing all the information can lead to denial of claim. Not only that, Coverage exclusion or exhaustion can lead to claim being denied. Sometimes, claim is not filed on time causing ~~a~~ claim to be denied. Along with this, one of the reason for ~~claim~~ denial of claim is Insufficient Medical Necessity as sometimes Insurer believes that the medical procedure is not necessary so they don't pay for it.

3)

d) Underwriting is the process of consideration of an insurance risk. this includes assessing whether the risk is acceptable and if so, setting the appropriate premium. Along with it, underwriting also includes assessing the risk in the context of other risks in the portfolio. Underwriting is important and it should be done. The underwriting framework of a company plays a major role in determining the company's standing in the market. Underwriting ~~helps~~ protects a life Insurance company from anti-selection. Not only this, it enables company to identify lives with a substandard health risk for whom special terms would need to be quoted. Along with it, underwriting helps to create adequate risk classification which helps to ensure that all risks are rated fairly.

e) The types of underwriting are:

i) Medical underwriting where medical assessment is done of a potential policyholder's health.

ii) Lifestyle underwriting helps to understand the influence of sporting and hazardous leisure pursuits on the risk.

iii) Financial underwriting helps to assess the financial situation of a potential policyholder.

iv) Claims underwriting is done ~~as to help know~~ at claims stage.

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4) The rates of insurance should be equitable and adequate but not excessive. The pricing should be fair enough. The Equity Rate helps to charge premiums commensurate with the expected losses and other costs. Along with it, Adequate Rates are necessary to avoid financial problems and solvency as well as to have sufficient funds to cover current and future benefits with related expenses. However, Rates of insurance should not be excessive. This helps in having competitive pricing and survive in the market. Thus, rate of insurance should be fair.

5) There are various premium payment plans, such as whole Life Insurance, Term Life Insurance, Endowment Policy, Pure Endowment, Annuity, Joint Life policy and Unit Linked contract. There are different premium payment plans. This are required in the market as people have different requirements and so these plans help to fulfill the needs. The different needs can be family needs, children's needs, old age and special needs. Thus, these various premium payment plans are introduced to meet the needs of people.

6) The traditional cash value insurance ~~can be~~ is also called as whole life insurance. The Traditional cash value Insurance and universal life insurance are somewhat similar and both offers Permanent Life insurance coverage. However, there is some differences. In whole Life Insurance, a set premium is locked as well as death benefit amount. In Universal Life Insurance, the insured gets flexibility in both, death benefit and premium. Not only this, Insured may be able to grow cash value faster in Universal Life Insurance than traditional cash value Insurance.

7) There are different types of claims ~~such as~~ which are maturity claims and Survival Benefits, Death claims, Accident and Disability claims and Annuity payments. There are procedures to settle those claims. settlement of claims under life insurance polies depend upon the nature of a claim, eligibility to Policy money, Proof of the happening of the event insured against, proof of title, etc.

~~The effectiveness of the claim management is dependent~~

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8)

A. The basic requirements to settle ~~are~~ Death claims are:

i) obtaining satisfactory proof of death

ii) obtaining satisfactory proof of title

B. The basic requirements to settle Maturity claims are:

i) Discharge voucher to be sent in advance

ii) Policy document

iii) Any Deed of Assignment, if it was executed on a seperate stamp paper.

11) During the early years of a Policy, premium is received by the Insurance company surpassing the required amount due to the Level Annual Premium system, and then there is collective excess. this excess then constitutes a funds pool which helps company to settle claims and meet deficits if there are any, so ~~the~~ it is necessary to determine the premium accumulated on the same lines as calculated premium which helps to determine its solvency. Thus, the process by which the value of all the existing policies is ascertained is called Valuation. It is also called as Valuation of liabilities of Insurance company. Since the process of Valuation is taken up by an actuary by applying actuarial principles, Thus, it is called as Actuarial Valuation.

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10) The Insurance Industry has grown up to become a big and demanding one with over 6000 Insurance Companies. Along with the deregulation of banking and brokerage industry. Not only this, Large conglomerates are forming and also creates financial certainty. IT is also helping insurance companies to manage claim and role of technology is also Important. IT Industry has also helped Insurance companies to build a Claim Management system.

The software ~~builds~~ highlights and uses are:

i) Internal claim management training

ii) Automatic Completion of ~~fo~~ some forms

iii) Progress tracking

iv) organize all the Informations

Not only this, there are many more features and are still updating and ~~a~~ new ones are being made.

14) There are various methods to distribute the surplus.

Different methods of Distribution of surplus are:

i) Contribution method

ii) Simple Reversionary Method

iii) Compound Reversionary Bonus system

iv) Bonus in cash

v) Bonus in Reduction of Premium

vi) Tontine Bonus

vii) Interim Bonus

viii) Guaranteed Bonus

ix) ~~xi)~~ Final Additional Bonus

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12) The Insurance company determines the surplus accumulated along with surplus carried on from the previous years which is calculated at the end of the year. After the calculation is done, company decides the percentage of surplus. This helps to retain it as contingency fund as well as amount to be distributed to policyholders. Thus, it is necessary for a life insurance company to conduct an actuarial valuation.

13) Surplus is accumulated fund when there is a favourable deviation from the projected value with respect to mortality savings, excess interest and loading savings. Along with it, when the actual experience overshoots the assumptions made during valuation which have conservative estimates. There are 5 sources of surplus of Insurance companies that are :

i) Surplus from investment earnings
ii) Surplus from mortality
iii) Surplus from Loading
iv) Surplus from surrenders
v) Distribution of surplus

~~14)~~ ~~There~~

~~14~~ 15) In Life Insurance, Surplus and Profit are different.
In Life Insurance, 'Surplus' signifies an estimated profit because profit is calculated as excess over the cost price of the product.
However, in regular business, the difference between the cost price and selling price is profit.
Not only this, 'profit' in Insurance company is the margin kept on premium based on the calculations with regards to mortality rate and other factors.
Furthermore, 'surplus' is the excess of asset which remains after setting current liabilities as well as ~~amounts~~ liabilities that will be met in future.
Not only this, the funds left with the company are called Surplus and not profit.