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Subject : Life Insurance - PPP
Chapter : Unit 3 & 4
Assignment 2

1. Various Distribution channels :

I Market Intermediaries

→ Agency Building distribution

1. Career Agency
2. Multiple-line exclusive agency [MLEA]
3. Home service
4. Salaried
5. Worksite marketing

→ Non-Agency - Building

1. Brokerage
2. Personal producing General Agents [PPGA]
3. Independent property and casualty agents.
4. Producer groups.

II Financial Institutions

1. Deposit - Taking Institutions
2. Investment Banks
3. Other

III Direct - Response Distribution

1. Mail
2. Telephone
3. Print Media
4. Electronic Media
5. Broadcast Media

2. Causes of lapsation of a life insurance policy:

External factors

1. Economic Decision making of the policyholder
2. Economic - social bachground.
3. Availability of alternative investment options
4. Client specific
   - Wealth and savings
   - Education
   - Age
   - Gender
   - Location
5. Macro - economic factors
   - Disposal income
   - Inflation
   - Government policies with regard to taxation

3. A. I think that the insurance company is not doing it correct. The fault was not with the policyholder. The fault was with distribution channel of the insurance company.
I think it is the fault of distribution channel of the insurance company.

B. I think that Mrs. Harvey should approach the insurance company and show all the documents that had been submitted at time of the purchase of policy. Also, the responsible nurse should be questioned for the irresponsiblity and appropriate action should be ~~a~~ taken.

C. Reasons for denying the claim :

1) Insurance company was not aware about the disclose of the information that led to the occurance of the claim.

2) In the case, the insurance company feels that the principle of Mitigation has been breached by the policyholder.

3) The insurance company feels that the claim is fraudulent.

4) The insurance company suspects that the policyholder has claimed for more than the actual damage.

5) If inappropriate or incomplete documents are provided to the insurance company.

D. Underwriting is the process of consideration of an insurance risk. It includes assessing whether the risk is acceptable and setting up the appropriate premium, together with the terms and conditions of cover. It is signing of insurance policy and thereby becoming liable in the face of a specified loss. It can be thus said that it is "assumption of liability". It ensures that the actual mortality experience does not depart too far from the assumed in the pricing of the contracts being sold. Hence, it is necessary to be done.

E. Types of Underwriting :
1. Medical underwriting
2. Lifestyle underwriting
3. Financial underwriting
4. Claims underwriting.

4. Rates of Insurance are fair, adequate and not ~~exe~~ excessive because they insurance company decides the rates for each potential policyholder based on the risk associated with the policyholder's life. The insurance company does underwriting to assess the 'approximate liability' Associated with the policy.
Underwriting is guided by previous records in order to safeguard the company against potential high-risk cases.

5. Premium payment plans are plans where the insurance plan does not require an insured to pay the entire annual premium at the beginning of the ~~prer~~ policy period.
Premiums can be paid according to this plan in level in monthly, quarterly or semi-annual basis.
There are various premium plans in the market of life insurance policies because the policyholders may not have savings in lumpsum to pay off entire annual premiums at a time. It would decrease the buyers.

6. Traditional Cash Value Insurance	Universal life insurance
1. It is a ~~ft~~ life insurance that may have ~~has~~ investment plans.	1. It is a permanent life insurance that has an investment savings element and low premium.
2. Policyholders can borrow against accumulate ~~tax~~ cash value with tax implication	2. Policyholders can borrow against cash value without tax implication.

7. Different Types of Claims & Procedure to Settle those claims.

1. Maturity Claims and Survival Benefits

Its payment is easy because no need on the part of policyholder to prove the happening of the events. The requirements are a discharge voucher to be sent in advance, Policy document, Any deed of Assignment if the same was executed on a separate Stamp Paper.

2. Death Claims.

Procedure: Obtaining satisfactory Proof of Death
Obtaining satisfactory Proof of Title

3. Accident and Disability Benefit

Procedure: 1) First Information Benefit
2) Panchanama / Police Inquest Report

3) Postmortem Report

~~3~~4. Annuity Payment
Procedure : After accumulation phase.

8. A. Dealth Claim
Basic Requirement : Obtaining satisfactory Proof of Death, Obtaining satisfactory Proof of Title.

B. Maturity Claims
Basic Requirement : A Discharge Voucher to be sent in advance, Policy Document, Any deed of Assignment

9. Claim ~~b~~ Management is dependent on two important elements such as well defined claims ~~dependent~~ department and well defined working of the department. The claim is a right of the insured ~~is~~ as incorporate in the contract. It is ~~mor~~ important for company's sustainance to give claim settlement appropriate. So, identifying which claims are honest and which are ~~g~~ fraud. This requires well defined working of the dependent and well defined claims department.

10. Future Scenario of claim settlement

The ~~Ie~~ Information technology is helping the insurance companies to manage claims. A popular one among them is Claims Management Systems (CMS).

Highlights:

1. Automatic completion of state required form.
2. Internal claims management training
3. Adjuster - to adjuster claims planning and oversight.
4. Physician - to - physician medical review.
5. Organization of all information in one place.
6. Conversation / event documention
7. Internal / external claims information communication.
8. Progress tracking
9. Follow - up for timely return to work, closing / settling claim.

11. Actuarial Valuation is the process by which the value of all existing policies is ascertained. It is valuation of liabilities of the insurance company. Since the process of valuation is taken up by an actuary by applying actuarial principles, it is termed as an actuarial valuation.

12. The early years of a policy, the premium received by an insurance company surpasses the required amount due to the Level Annual Premium system. Thus the collective excess, corresponding to the premiums of all the policies. The excess then constitutes a funds pool, which enables the company to, settle claims & meet deficit during years when the premium is not sufficient. It now becomes essential to determine whether the premium accumulated is on the same lines as the calculated premium. This enables the company in determining its solvency. Thus the process by which the value of all existing policies is ascertained by Actuarial Valuation. Therefore, we need Actuarial Valuation.

13. In life insurance content, word surplus signifies an estimated profit. This is because the calculation of profit in insurance business is slightly different from other businessnes. Profit in insurance business is 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.

14. Different Methods of Surplus Distribution

1. Contribution Method: Directly based on the contribution of the policies to the surplus accumulated from basic sources of interest, expenses, mortality.
2. Simple Reversionary Method: Bonus is paid in addition to the sum insured when the event for which insurance is provided occurs.
3. Compound Reversionary Method: In this method, bonus addition of each year is of an increasing nature, and the rate is percentage of sum insured and the bonuses added during maturing years of policy.
4. Bonus in cash: Bonus announced is paid in cash to policyholders.
5. Bonus in reduction of premium: Bonus is given by reducing the premium payable by the policyholders to the company.
6. Tontine Bonus: Bonus is distributed after a specific period to the survivors among the policyholders.
7. Interim Bonus: Bonus are announced based on valuation of all policies at the date of valuation.
8. Guarenteed Bonus: Applicable for without profit policies, which are not entitled to surplus of actuarial evaluation
9. Final Additional Bonus: Extra bonus paid by company to policyholders apart from usual.

annual bonus. This is generally paid to policies
10. lasting for long durations.

15.

Profit	Surplus
1. Term is ~~to~~ used to refer to the extra income that is needed to pay for the cost ~~fo~~ of providing insurance.	1. Term is used to describe the amount by which a life insurance company's assets exceed its liabilities and capital.