Life Insurance Assignment - 2

1. Distribution channels which are used to sell the product are:-
a Direct Response → includes mail, telephone or television
b Financial Institute → e.g. mutual fund organisation, credit unions
c Market Intermediaries → e.g. agents and brokers.

2 5 causes of lapsation of life insurance policy are:-
a) External causes
i Economical decision making of the policyholder
ii Economic - social ~~back~~background
iii Availability of alternative investment options
b) Internal causes
i Product design and choices
ii Marketing and personal strategies
iii Other factors like tax issues, policy mismatch.

3.
a Yes I think insurance company is right for denying the claim because it Mr Harvey already knew about his ~~h~~aemoglobin condition still he filled the questioner.

b. Mrs Harvey can complain against the Insurance company for the mistake made ~~which~~ by the nurse.

c. Claims can be denied for various reasons like non-disclosure, ~~or~~ avoiding medical test, fraud etc.

d. Underwriting is the process of consideration of an insurance risk. It can also be termed as 'assumption of liability'. Reasons for underwriting are

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i Proper and adequet premiums can be charged.
ii Avoid moral and morale hazard.

e. Types of underwriting are:-
(i) Financial underwriting
(ii) Medical underwriting
(iii) Lifestyle underwriting.

4. The rate of insurance are fair, adequate and not excessive because proper underwriting and medical check-ups are done for adequate pricing of the premiums. It also checks if the premium is not too high as the customer would opt for other insurance companies in this case. The policy-holder is taken into consideration in many ways like his finances, lifestyle, medical condition. It is required to calculate the risk in the customer's life. Customers are given options for payment of premium according to their suitability eg. annually, monthly, semi-annually.

5. There are several options available to the policyholder for premium payment. These are:-
~~a) Yearly renewable plan~~
a) Single Premium plan → The lump-sum is paid in a single go so that it can cover the risk for the selected period.

b) Level Premium plan → Premium is payable throughout the period of insurance. Premium paying term is equal to the policy term.

c) Flexible Premium plan → Amount paid that is the premium is flexible where the premium paying term is less than the policy term.

6. In traditional value insurance a proportion of the premium paid is invested in various funds depending upon the policy holder risk appetite. The returns upon maturity of the policy or death of policyholder on the plan depends upon the performance of the market.

In universal life policies out of the premium amount that is paid mortality charges and expenses are deducted and balance accumulates and the insurer gives interest credit to the ~~ins~~ insured.

~~7.~~

7. There are several types of claims which are:—

a) Death claim → When person assured dies during the term of the policy proceeds under the policy as a claim is payable to the beneficiary which is called a Death Claim.

b) Maturity → A maturity ~~benefit~~ benefit is a lump-sum amount the insurance company pays after the policy is matured. The term is the return of premium ~~o~~ rider.

c) Surrender → A surrender is a full cancellation of a life insurance policy. It does not affect your credit score and a surrender will not affect your ability to get a new life ~~ins~~ insurance policy in the future.

d) Lapsation → There are 3 types of lapsation pure lapse, lapse and ~~zero~~ zero duration lapse. There are certain factors external and internal due to which lapsation is caused

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8.

A] The basic requirement to settle a death claim are:—

(i) Death of the policyholder i.e. the death certificate should be submitted.

(ii) Presence of the dependent ~~a~~ or nominee.

B] The basic requirement to settle a maturity claim are:—

(i) Policy document is required.

(ii)

9.

10. Claim settlement method is evolving from time to time. The insurance industries has also ~~ar~~ evolved and set certain standards. The future is mostly based ~~on~~ and dependent on Informational Technology (IT). There are certain advantages of Information Technology in the e-bussiness:—

(i) Information on fingertips for decision making.

(ii) Automated check against fraudulent, exaggerated claims.

(iii) It also plays an important role in reinsurance scenario.

(iv) Results in better distribution channels to policy holders.

(v) Less scope of error.

(vi) Elemination of duplication,
(vii) Reduced Paper work which is also environment friendly.

11. The process by which the value of all existing policies is ascertained is called valuation. It is also called 'valuation of liabilities' of the insurance company. And since the valuation is taken up by an 'actuary' by applying actuarial principles it is termed as actuarial valuation. There are several methods of valuation like prospective method, net premium method of valuation etc.

12. Actuarial valuation is necessary as:—
(i) It benefits the company to ensure that the company considers the benefit payable to employees so a such a situation does not arises when an employee is resigning or retiring but the company does not have the funds to pay the employee's accrued benefit.
(ii) It is mandatory to perform an actuarial valuation.
(iii) Actuarial valuation is required for regulatory compliance during financial audit of a company.

13. Surplus means an 'estimated profit' in insurance. This is because the calculation of profit in insurance business is different from others. Profit is a result of margin kept on the basis of adopted for the calculation of premium with regard to morality, expenses, interest etc. There are certain sources of surplus that are:—
a) Surplus from investment earnings
b) Surplus from morality
c) Surplus from loading
d) Surplus from surrenders.

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14. Different methods of distribution of surplus are:-

(i) Contribution method → also known as fair distribution

(ii) Bonus in cash → Bonus announced is paid in form of cash to policyholders.

(iii) Bonus in reduction of premium → Bonus is reduced from the premium which payable by the policyholder.

(iv) Tontine Bonus → The bonus is distributed after a specific period to the survivors amongst the policyholders.

(v) Interim Bonus → Bonus is announced on the basis of valuation of all policies

15. Surplus & Profit in life insurance.

(i) Surplus in life insurance is estimated ~~as~~ profit. It is the calculation of profit is the excess over the cost price of the product.

(ii) Profit is the result of margin kept on the basis adopted for the circulat of the premium with regard to mortality and other factors.

(iii) When the actual experience is better than the projected, the profit achieved is not only due to margin kept during valuation of premium but is also the profit arising.

(iv) Furthermore the excess of assets that remain after settling current liabilities ~~so~~ can't be termed as 'profit' as it ~~is~~ will be required to meet the liabilities in future.

(v) After this the funds lefts with the company ain be considered as prof

(vi) And distribution of it is called surplus.