

PGDM (Insurance Business) 2013-15
Life Insurance Underwriting
INS-202
Trimester – II, End-Term Examination, December, 2013

Time allowed: 2½ Hours

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Note : - Please be relevant and brief in your answers.

- Section C is compulsory.

- Do not write anything on this question paper except your roll no.

Section-A

There are 5 questions in this section. Attempt any 3 questions. Each question carries 5 marks.

Describe in brief the meaning , scope and relevance of the following in Life Insurance Underwriting :

- A-1. Numerical Rating Method
- A-2. Diminishing Lien
- A-3. Genetic Underwriting
- A-4. Avocation Risk
- A-5. Glaucoma

Section-B

[Note: Answer 2 out of the 3 Questions below. Each Question carries 10 marks.

[2x10=20]

B-1. How do we classify the risk in life insurance underwriting ? Describe in brief the possible underwriting decisions associated with such risks.

B-2. What is a reinsurance arrangement ? What are the advantages of having such arrangement for a direct life insurance company ?

B-3. What is Diabetes Mellitus ? Explain why the underwriters are so concerned with this particular health condition ? What are the underwriting implications/ possibilities associated with it ?

P.T.O.

Section-C

A) Mr. Shyam Lal is an IT professional working with a leading software company in Bangalore. He came to Bangalore in 1995 as a young executive @ age 23 and had a very good professional career growth thereafter . In 2000 he married with Ms. Jaya a colleague working in same organization and they were blessed with a daughter in 2003. In 2005 , Mr. Shyam took a loan of Rs. 50lakhs from a bank and moved in to his 3 BHK flat. The loan tenure was for 20 years and the EMI of Rs. 48000. In year 2010 , Ms. Jaya took a conscious decision of being at home and take care of the need of the growing daughters and the old parent in laws. The monthly house hold expenses for the family then was around Rs. 50000 and the salary income of Mr. Shyam Lal was sufficient enough to take care of it.

Mr. Shyam had a serious bronchitis related problems in his childhood. His father was a technician in coal mining company in Andhra Pradesh. After his std. 10th , Mr. Shyam Lal moved to Bangalore to stay with his uncle and then after he did not have that trouble. In year 2002 , Mr. Shyam got seriously injured in a road accident and was operated for a fractured leg. He was in hospital for almost a month then. During the course of a routine medical check up in 2007 Mr. Shyam was found having a border line diabetic condition and was advised by doctor to follow a regular exercise etc. Things did not work out well and he had to start taking medicine from 2009.

The desired work –life balance remained a distance dream for Mr. Shyam. The long commutation to the work place and job related stress added further complications and he started having the BP related issue also. In the last conducted medical test , he was found having the fasting blood sugar level @ 140 mg/dl and the BP reading of 150 / 100.

From the parent side Mr. Shyam did not have any serious health issue till date. His father is having the BP problem for last 10 years while mother is a known diabetic for last 15 years.

Based up on the above fact , pl carry out the financial and medical underwriting for Mr. Shyam giving reasons for your outcome . (10)

b) Mr. Prasad, a Reader in the Kanpur University was approached by one of his students Sunil who had taken up life insurance selling. After understanding the brief details of the plan and the Income Tax related benefits thereon he signed on the dotted line as suggested by Sunil and gave the required amount. As promised by Sunil, the document came well within time and he was impressed with the service.

Almost after three months while travelling in a train, he overheard a discussion of few trainee officers of an insurance company about the suppression of the health condition of the majority of the clients and the related troubles at the claim stage. Mr. Prasad remembered well that Sunil did not discuss / ask anything about his health condition at the time of getting

his signature. Being a diabetic and on regular medication, Mr. Prasad got alarmed and he immediately rang Sunil to find his mobile phone switched off. On contacting the concerned office he was informed that Sunil was no more with the company. No help came even from the toll free customer service but for a suggestion of meeting the Branch Manager of the Insurance Company.

Pl specify the steps and solution which the Branch Manger should take/suggest to Mr. Prasad should he decides to approach him. (5)