

PGDM-IBM, 2016-18
Products and Practices of Life Insurance
INS-207

Trimester – II, End-Term Examination: December 2016

Time allowed: 2 Hrs 30 Min
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**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

Section A

Q1. What are the different ways to acquire market power? Explain giving examples from insurance industry of India

Q2.a) What is free rider problem? Explain with example from Insurance Industry.

b) What is principal agent problem? Explain with examples

Q3. Explain the following:

- a) Misstatement of age or gender provision
- b) Cooling –off provision

Q4. A) What is Good Health Declaration Form? What is its importance in the life insurance industry?

B) Differentiate between group and individual life insurance products

Q 5. Explain briefly –

- a) Level pricing system
- b) Policy Loans

Section B

Q1. Ms. Radhika, professor at a private reputed university is of age 35 years. She is earning 13 lacs per annum. She is single but her parents, aged (father-65 and mother- 62) are dependent on her. All of them are staying together in the university campus. Ms. Radhika has not bought any insurance plan apart from the group health insurance plan provided by the university. This group health insurance plan only covers her and not her parents.

Do you think that she needs to buy life insurance plans? If yes, please suggest the appropriate plans for Ms. Radhika and her family.

Q2. You are working in a life insurance company looking after the corporate clients for their employees insurance needs. You are analyzing a client having a chain of Multi Specialty hospitals in India.

What are the factors you would consider while providing group insurance plan to its employees working in the hospitals

Q3. Mr Verma, aged 35 years works in an MNC and has just completed his retirement planning. To his surprise, he has realized that out of a total of Rs. 30 Lakhs that he would need, his current investments and superannuation funds would earn him a total of approximately Rs 10,50,000 i.e. only 35% of total money required.

Can you help Mr. Verma in provisioning for additional 65% amount that he would need once he retires.

Section C

Please provide appropriate solutions for the below mentioned cases:

1. Mr. Shushil held a policy with Anchor Life Insurance Company and the Policy was in lapsed condition because of non-payment of the premium. He approached the company for the revival of the policy and paid the required premiums with interest along with the other documents on 11.03.09. A fresh medical report was also called for by the insurance company and he complied with that too on 24.03.09. The papers were forwarded to the Head office of the insurance company as the sum to be revived was beyond the financial limit of the Branch. The Head office approved the revival of the policy subject to change in plan & term with class I extra premium. The decision was communicated to the life assured on 04.04.09 but he was not agreeable to pay an extra premium and change in plan and requested the reconsideration of the decision. The matter was again referred to the revival section in HO. They agreed for continuation of the same policy but raised the extra charges to class II. Mr. Shushil was not satisfied. He complained about harassment, delay and the loss of IT rebate which was looking for after the revival of the policy. The Branch Manager of the insurance company told him that the procedure of revival of a Policy was as good as a new contract and hence, they had the prerogative to impose fresh conditions or to refuse the revival altogether and the delay in revival of the policies was procedural delay at their central office. He suggested to Mr. Shushil to accept the decision for the continuation of the insurance cover.

a) Do you think that the insurance company is at fault? Justify your answer

b) Can you suggest a solution for Mr. Sushil

2. Mr. Hitesh, the life insurance advisor got a call from one of his oldest client Mr. Ankit requesting him to come immediately to his home for a Child Insurance plan. Mr. Hitesh got puzzled as Mrs. & Mr. Ankit were not having any issue. However, he immediately reached to Mr. Ankit's home. There he was introduced to Mrs. & Mr. Ratnesh, his relative (brother-in-law) and their daughter Priya aged 7. Mr. Ankit was interested in taking / sponsoring a child education plan for Priya for Rs 5 lac in his name and wanted the process to be completed immediately. As a seasoned life insurance advisor, Mr. Hitesh got the application form etc. filled and collected the cheque for the premium and started for office. The case/proposal was rejected by the junior underwriter. Since Mr. Hitesh did not want the cases to go out of hand, he approached the Branch Manager Mr. Srivastawa for help and suggestion. Mr. Srivastawa talked to Mr. Ankit and understood that the parents of the Priya were poor and even he was contemplating to adopt Priya in due course and hence this request.

a) Please give an appropriate solution.

Do you think that she needs to buy life insurance plans? If yes, please suggest the appropriate plans for Ms. Radhika and her family.

Q2. You are working in a life insurance company looking after the corporate clients for their employees insurance needs. You are analyzing a client having a chain of Multi Specialty hospitals in India.

What are the factors you would consider while providing group insurance plan to its employees working in the hospitals

Q3. Mr Verma, aged 35 years works in an MNC and has just completed his retirement planning. To his surprise, he has realized that out of a total of Rs. 30 Lakhs that he would need, his current investments and superannuation funds would earn him a total of approximately Rs 10,50,000 i.e. only 35% of total money required.

Can you help Mr. Verma in provisioning for additional 65% amount that he would need once he retires.

Section C

Please provide appropriate solutions for the below mentioned cases:

1. Mr. Shushil held a policy with Anchor Life Insurance Company and the Policy was in lapsed condition because of non-payment of the premium. He approached the company for the revival of the policy and paid the required premiums with interest along with the other documents on 11.03.09. A fresh medical report was also called for by the insurance company and he complied with that too on 24.03.09. The papers were forwarded to the Head office of the insurance company as the sum to be revived was beyond the financial limit of the Branch. The Head office approved the revival of the policy subject to change in plan & term with class I extra premium. The decision was communicated to the life assured on 04.04.09 but he was not agreeable to pay an extra premium and change in plan and requested the reconsideration of the decision. The matter was again referred to the revival section in HO. They agreed for continuation of the same policy but raised the extra charges to class II. Mr. Shushil was not satisfied. He complained about harassment, delay and the loss of IT rebate which was looking for after the revival of the policy. The Branch Manager of the insurance company told him that the procedure of revival of a Policy was as good as a new contract and hence, they had the prerogative to impose fresh conditions or to refuse the revival altogether and the delay in revival of the policies was procedural delay at their central office. He suggested to Mr. Shushil to accept the decision for the continuation of the insurance cover.
 - a) Do you think that the insurance company is at fault? Justify your answer
 - b) Can you suggest a solution for Mr. Sushil