

PGDM (IBM), 2016-18
Life & Health Insurance Underwriting
INS-305

Trimester – III, End-Term Examination: March 2017

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**. In case of rough work please use answer sheet.

Note: - Please be brief and relevant in your answers.
- Section C is compulsory.

Section-A

[There are 5 Questions in this section. Attempt any 3 Questions. Each Question carries 5 marks.]

[3x5=15 Marks]

[A1]

- (a) In how many ways can an underwriter decide on a proposal before him or her? [3.5]
(b) What is the logic behind postponing consideration of a case put up for underwriting? [1.5]

[A2]

- (a) What are the major considerations in underwriting insurance cover for housewives or women with no earned income? [3]
(b) How would you underwrite a proposal on the life of a minor? [2]

[A3]

- (a) Why is "equitable to insureds and equitable to the insurer" important as a principle in underwriting? [3]
(b) How is "persistency" a relevant concept in underwriting? [2]

[A4]

- (a) How does "creditor insurance" alleviate the economic loss of a creditor in a business transaction? [2.5]
(b) What are the key questions that an underwriter has to examine in creditor insurance? [2.5]

[A5]

- (a) How does a "waiver of premium for disability benefit" supplementary cover operate? [3]
(b) What is a "direct response insurance product" and how does it operate? [2]

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Section-B

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

[2x10=20 Marks]

[B1]

(a) The numerical underwriting method is based on two fundamental assumptions. What are these? Explain [6]

(b) From the following compilation of values derive what set of numbers is appropriate to Preferred, Standard, Substandard and Uninsurable classifications? Draw a horizontal table with suitable column headings in which write the pair or in threes of numbers:

500, 85, 115, 180, 130, 120, 150, 75, 600, 100? [4]

[B2] What are the basic underwriting principles to be considered in insuring groups? Discuss in detail. [10]

[B3]

(a) How would the following impairments be treated in life and health insurance underwriting: Asthma, Diabetes, Epilepsy and Fractures? [5]

(b) What types of modifications and exclusions are generally possible in health coverage? [5]

Section-C

Case Study

[Marks - 15]

❖ This section is compulsory.

❖ Read the two caselets below and the answers and question given their.

CASELET 1:

Given the data below pertaining to a male life, work out as to which category (standard, substandard etc.) does the life belong to.

Age : 35 Years

Height : 5 8"

Weight : 200 lbs.

Family History: Better than average

-3-

Habits : Good

Occupation: Executive in an IT company

Personal History: Slightly High BP

Additional data on health

Debit for overweight: 25 Credit for Family History 10
Extra mortality for Blood Pressure: 75

Question:

Write out a small note on the underwriting approach to be adopted by you in this case. [7.5]

CASELET 2:

Aspire Insurance Co. has received a life insurance proposal under Anticipated Endowment plan for Rs. 1 lakh from a male life aged 22 years. This is his first proposal. The proposer is working in a factory atmosphere as a cutter/tailor in a leading apparel manufacturing company which is mainly export business. He is a permanent employee. His monthly emoluments is Rs. 20,000/-

He lives with his parents and sister in a slum colony near Delhi. His father, aged 45 years is a headload worker who gets seasonal work with uncertain income. His mother, aged 43 years is a domestic worker earning Rs. 3,000/- per month. His sister, aged 20 years is a student in a nearby college.

The proposer's height is 5' 5". His weight is rather low for his age and is about 45 Kgs. which is 20% underweight. The extra for underweight is Rs. 5 per thousand sum assured.

Question:

Taking all the above facts into consideration what would your underwriting approach be? [7.5]
