
LIFE AND GENERAL INSURANCE

Prepared By:

Brindha.N

Department of Commerce

New Horizon College

Kasturi Nagar

PRINCIPLES OF LIFE INSURANCE

- × Principle of utmost good faith
- × Principle of Insurable interest
- × Principle of indemnity
- × Principle of subrogation
- × Principle of contribution
- × Principle of loss minimization
- × Principle of Causa Proxima

✘ Term insurance

Period of protection is temporary – 1,5,10 or 20

Unless renewed the protection expires

Income is limited

Need is temporary

Can be converted

To secure family needs in case of death or uncertainty

WHOLE LIFE INSURANCE

- ✘ Life term protection
- ✘ Paid on death

ENDOWMENT PLAN

- ✘ Not only covering life risk
- ✘ It can meet the financial needs- children education/marriage/buying a house or property, financial needs, retirement needs
- ✘ On death full amount paid to beneficiary
- ✘ On survival it is paid to the policy holder
- ✘ Dual need coverage

MONEY BACK POLICY

- ✘ Money comes back to life insured
- ✘ Survival benefit paid to nominee
- ✘ Amount comes in instalment

UNIT LINKED INSURANCE PLAN

- ✘ ULIP stands for unit linked insurance plans.
- ✘ ULIP is a combination of insurance and investment.
- ✘ Here policyholder can pay a premium monthly or annually. A small amount of the premium goes to secure life insurance and rest of the money is invested just like a mutual fund does.
- ✘ Policyholder goes on investing through the term of the policy – 5,10 or 15 years and accumulates the units.
- ✘ ULIP offers investors options that invest in equity and debt. An aggressive investor can pick equity oriented fund option whereas a conservative one can go with debt option.

S L. N O	Types of Insurance policy	Features
1	Term Life Insurance	Term insurance is a life insurance product offered by an insurance company which offers financial coverage to the policy holder for a specific time period.
2	Whole Life Policy	The policyholder pays regular premiums until his death, upon which the corpus is paid out to the family.
3	Endowment Plans	Endowment plans pay out the sum assured under both scenarios - death and survival.
4	Unit Linked Insurance Plans	ULIP is a life insurance product, which provides risk cover for the policyholder along with investment options to invest in any number of qualified investments.
5	Money Back Policy	Money back plan is a life insurance product as well as an investment plan which provides life insurance cover against death of the policy holder along with periodic returns as a percentage of sum assured.

INSURANCE UNDERWRITING

- ✘ Is the process of selecting, classifying and pricing applicants for Insurance
- ✘ Underwriter – decides to accept or reject an application
- ✘ Objective – to produce a profitable business
- ✘ underwriters evaluates the risk exposure
- ✘ They decide the coverage for clients
- ✘ Measure risk exposure and premium to be charged by the insurance company

FACTORS CONSIDERED BY LIFE INSURANCE COMPANIES

- ✘ Age
- ✘ Gender
- ✘ Height and weight
- ✘ Health history
- ✘ Purpose of insurance
- ✘ Marital status and number of children
- ✘ Additional insurance
- ✘ Occupation
- ✘ Income
- ✘ Addictions
- ✘ Hobbies (racer, hang- gliding, piloting, non commercial aircraft)
- ✘ Foreign travel

NEED FOR SELECTION OF UNDERWRITING

- ✘ Liability is the responsibility for the payment of eligible claims
- ✘ Financial accounting is the sharing in the financial results of the group benefit plan
- ✘ Premium rate determination is the method used to set renewal rates

Sources of Data

```
graph TD; A[Sources of Data] --> B[Primary Data]; A --> C[Secondary Data]; A --> D[Tertiary Data];
```

Primary
Data

Secondary
Data

Tertiary
Data

CLASSIFICATION OF RISK

- × Physical
- × Occupational
- × Moral

OCCUPATIONAL HAZARD

- ✘ It is an hazard experienced in the work place
- ✘ Hazardous occupation has a special treatment
 - by charging extra premium or by excluding the risk of death due to such hazard
- ✘ People working in mines, electricity poles, stone crushes, forestry workers, commercial fishers etc.,
- ✘ Chemical hazard, biological hazard, environmental hazard, psychological hazard.

MORTALITY RATE

- ✘ A mortality rate is the number of deaths during a particular period of time among a particular type or group of people. Mortality rate, or death rate, is a measure of the number of deaths (in general, or due to a specific cause) in a particular population, scaled to the size of that population, per unit of time. Mortality rate is typically expressed in units of deaths per 1,000 individuals per year

✘ Levels of underwriting

- Field or primary level
- Underwriting department level

METHODS OF UNDERWRITING

- ✘ JUDGEMENTAL METHOD
- ✘ NUMERICAL METHOD

Judgement Method

- ✘ Under this methods, subjective judgement is used.
- ✘ Example: Deciding whether to give insurance to someone who has acute diabetes and on what terms.
- ✘ In such situations, department may get expert opinion of medical doctor or medical referee.

Numerical Method

Under this method underwriting assign positive rating points for all negative or adverse factors.

- ✘ The total number of points so assigned will decide how much extra mortality rating (EMR) it has been given. If EMR is high, insurance may even be declined.