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LIFE INSURANCE UNDERWRITING

3.0 INTRODUCTION

Life Insurance Underwriting is the process of accepting the proposal of the customer based on the guidelines formulated by the insurance company. The insurance companies codify a set of procedures which must be followed before accepting any new business. When a new proposal comes to the insurance company its underwriting department scrutinizes the proposal whether or not it fulfills the criteria laid down by the company. If they find any lacunae they ask the agent to get it corrected. It is not that one can get whatever cover one wants. The issue of policy depends on income of the insured and whether he has the capacity to pay the premium over the years. Once the underwriters are satisfied that all the conditions have been fulfilled they go ahead to accept the premium and issue the policy. **Underwriting can be defined as the decision making process during which the company decides whether to insure or not and if yes at what rate.**

3.1 OBJECTIVE

After going through this lesson you will be able to

- Recall the various underwriting procedures
- Remember the points to be considered while examining a proposal

3.2 LIFE INSURANCE IN OPERATION - FROM PROPOSAL TO POLICY

Since life insurance is a financial contract, and a long-term contract and that a contract which may come to be executed

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when one of the parties to the contract may not exist and may be called upto a court of law in case of dispute in future, it is essential that all the terms and conditions of the contract must be clearly understood and put in writing legibly.

Looking at the importance of the contract combined with the raised expectation of a benefit which is still in the womb of a promise, unstinted trust should be created in the mind of the insured so that he remains confident of its benefit and continues to perform his part of the duty during the continuance of the contract.

The proposal form, as prescribed by the insurer for the type of insurance that the prospect has agreed to buy, must be appropriately selected. The proposer, must go through the proposal column by column, appreciate the meaning and importance of each information sought and fill it up legibly and completely.

Hyphens and obliques, dittos and blanks should be avoided as they are likely to be misunderstood or can be misused. An incomplete proposal leads to further queries and in the process a lot of valuable time and effort is wasted.

While different insurance companies will have different formats for the proposal form the points on which information is sought, are substantially the same.

Wherever medical report is required, the medical examiner is required to endorse the answers to the questions relating to personal history and personal health as stated in this form. If no medical report is required, the life proposed has to give additional information about his physical measurements as required.

However, most insurers insist upon medical reports only in cases where either the sum assured is very high, or the life proposed is beyond certain age limit or the plan of insurance carries a lot of risk element. We shall discuss these points later on in this chapter. However it is sufficient to state here that a medical report has to be given by a company approved medical examiner.

Medical examination has to be conducted at a well-equipped clinic. A lady life has to be examined by a lady doctor only. The medical examiner should not be related to the life proposed

and the report should be submitted confidentially to the insurer who pays for the medical examination. However, if the prospect decides ultimately not to go ahead with the completion of the proposal, he bears the cost of the medical examination and the initial deposit is refunded less this cost.

Every insurance company has its own policy as to the need for the medical report and therefore company rules must be consulted before taking the life proposed to the doctor.

The insurer may also ask for special reports like X-ray, ECG, Blood Sugar Test etc. after examining the proposal. There are also standard rules for obtaining these reports depending upon age at entry, sum under consideration or personal history of illness etc. These circumstances are provided in the company manual.

The cost of these special reports is initially paid by the prospect but it is reimbursable by the insurer, after the proposal is completed. The rates of payment for these reports are fixed by the insurers in advance and these reports are confidential and are the property of the insurer irrespective of who ultimately pays for those reports.

A host of other documents are required depending upon special need. While the prospect has the obligation to disclose all information about himself relating to his health, habit and occupation, the agent has the responsibility of being circumspect, see the overall posture of the prospect, to note any obvious physical deformity, appearance and physical environment of his residence or work place to know about his financial standing.

The amount of Insurance should commensurate with the income. Too much of insurance may mean a propensity to die early either due to an undisclosed disease or suicide, due to financial problem or family circumstances. Technically this is called moral hazards, which can be uncovered by diligent enquiries made about the prospect by the agent.

Personal statement regarding health declaration- This statement is required at the time of revival of a policy either with or without a medical report depending upon the duration of policy-lapses and physical condition of the life assured. However if there is a delay in completing the proposal say 3 months to one year, the insurer may ask for a statement in the prescribed form.

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Queries regarding occupation - This statement gives a complete picture regarding the extent of hazard, if the life to be assured is engaged in any hazardous occupation like electrical industry or mining or chemical industry etc.

If a policy is to be taken under Married Women's Property Act 1874, to secure the policy money against all other claimants to the estate, prescribed forms are used depending upon the number of beneficiaries and trustees.

For the revival of a children's policy, a separate health declaration is required. Special statements are required, if the proposal has to be financed by a HUF for the benefit of one of its members. If the insurance is to be taken on the life of a key functionary in a company - what is called Keymans' policy, a separate questionnaire is to be filled in by an authorised person of the company.

INTEXT QUESTIONS 3.1

1. Define Underwriting.
 2. When is a health declaration made?
 3. When are medical tests needed to be done?
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3.3 CLASSIFICATION OF RISKS

The Life Insurance underwriting involves classification of risks affecting the policyholders. The factors that affect risk on the life of an individual is known as hazard. The hazard may be classified as

- 1) Physical
- 2) Occupational
- 3) Moral

3.2.1 Physical hazard

The physical hazard that affects a human life are as follows:-

- a) **Age** - The probability of death increases as the age increases. So the premium also increases with the age.
- b) **Sex** - The female lives have different underwriting consideration due to various factors such as employment, child birth etc.

- c) **Built** - The built of person indicates whether a person is healthy or not. The height, weight and chest measurements helps to find out whether the person is suffering from any ailment or not. Height and weight must be given after taking actual measurement. This gives an idea of the body built. In fact, most insurers publish a chart of desirable height and weight which even medical practitioners follow. This is a product of medico-actuarial study. While writing the height and weight, do not quote from the build-chart. Write the actual measurement only.
- d) **Physical Condition** - The Physical condition of the person helps to decide about the premium.
- e) **Physical Impairments** - Blindness, deafness and other conditions which are not illness or degenerative are hazards affecting the probabilities of death.
- f) **Personal History** - Personal history of illness affects the prognosis. Some diseases leave their mark and may relapse or weaken the resistance. Hence a detailed information regarding present and past illness relating to different body systems is called for. Let it be noted that any affirmative answer regarding any past or present disease does not mean decline of a life cover or extra premium. Most of the common diseases are either ignored or the insurers may advise for a waiting period of 3 to 6 months.

But correct answer must be given so that the insurance cover remains indisputable and security, which is the object of insurance, is guaranteed. Mention the exact disease and the duration if the answer is in the affirmative. Give details of the treatment received. Bodily deformity or previous accident are also important information. Alcohol, drugs are bad for health and habit forming. This is a risk which an insurer would like to avoid unless it is of casual nature. Some insurers treat non-smokers as better than standard lives.

- g) **Insurance history** - The next question relates to the insurance history of the proposer. If at any time earlier, any proposal for revival has been declined or considered with certain conditions like extra premium, the underwriters would like to know the reason thereof in order to eliminate the possibility of concealment of any material fact relating to personal history.



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- h) **Family History** - Family history is another important source of information for the insurer to have a prognosis about the prospect's life. Prognosis as opposed to diagnosis, is a long term estimation about the longevity of the prospect. The children of parents who live to a very ripe old age are supposed to live long.

Diabetes, blood pressure, insanity etc are some of the problems which run in a family. Family members sometimes get infected if some close relatives suffer from infective diseases like tuberculosis. Aids of course is a dread which all insurers would like to avoid. A correct information as far as possible about the family history should be given. Of course, what is not known cannot be declared.

3.2.2 Occupational hazard

We have already explained elsewhere that the nature of occupation has an impact on the life style of the insured. A hazardous occupation calls for special treatment by the insurer either by charging an extra premium or excluding the risk of death due to such hazard. The insurer normally lists out occupations on the basis of the hazard and mentions the special treatment expected.

There is a social angle to this problem of occupational hazard. People working in mines, on electricity poles, or insanitary condition like stone crushers or road cleaning are normally the socially disadvantaged people doing a great service to society. While facing the hazard of their occupation, should they be penalised by paying a higher premium or exclusion of the risk?

Name and address of the present employer is useful for contact and also to appreciate his social standing. Similarly information regarding education, annual income, sources of income and whether the prospect is an income tax payee indicate his social and financial status.

Whenever the proposer is employed in armed forces, his physical health is assured to be excellent. There is a provision for regular medical examination and the army people are categorised on grounds of health. The army personnel can insure without any medical examination for a very high sum assured, a benefit which is not available to the general public.

3.2.3 Moral hazard

As we have said earlier too much insurance may lead to moral hazard. Insurer, therefore, would like to know how much insurance he is having or going to have. Therefore insurance policies taken through separate proposals or revival of a lapsed policy are important information for undertaking life risk.

3.2.4 Previous Insurance policies

A detailed list of all previous policies has to be provided along with their present status so that the underwriter is able to know the total life cover that this proposer has taken and proposes to take. No insurer would like that anybody should take a fresh insurance immediately after surrendering the previous policy.

As we have explained elsewhere this is bad for all concerned. IRDA has also provided in the agents regulation that no agent shall advise a prospect to take a fresh insurance, if the previous policy has been terminated within a period of six months. Concealment of this fact may affect the validity of the insurance policy.

3.4 FEMALE LIFE

Certain special questions are asked to female proposals relating to pregnancy, and previous history of miscarriages if any. These questions are health related and therefore correct information is relevant to the insurer. Pregnancy is considered an extra risk and particularly first pregnancy. Underwriter takes extra care to cover this risk.

Information relating to husband are important to know about the financial standing of the family vis-a-vis his total insurance. It is true that in case of an insurance proposal on a male life, such questions about wife are not called for. Probably it is a vestige of our social conditions which are extremely important for an insurer.

If husband is insurable and not sufficiently insured, the underwriter would like to know why the wife is proposing for a sum which is higher than that of her husband. It is particularly important if wife has no independent income. Of course if the wife is educated and has her own source of income, inadequate insurance of husband is not very material.

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**Notes****3.5 PROPOSAL FORM**

That this form has to be filled in with utmost care needs no emphasis for this form is the basis of life insurance contract. All the answers must be given completely and legibly and no ambiguity is to be left. All answers should be preferably given in block letters for clarity's sake. The complete address with pin code must be written. If the present address is different from the permanent address, both should be mentioned. Insurance being a long-term contract, one never knows the position say 20 or 30 years hence. A paid up policy is likely to be forgotten.

Sometimes the family members are not aware of the insurance being taken by the breadwinner, who may become victim of a sudden accident. Instances are not unknown when the insurance company traces the life assured through his permanent address which may be in a rural area, where some relatives are staying.

Occupation must be clearly stated so that the nature of the job performed becomes clear. Business, engineer, operator, service etc. are too vague terms to indicate the hazards involved. Of course whenever, special hazard is involved in the occupation, requisite form must be filled in. Any concealment or non-disclosure in this area may lead to the insurance contract being declared void.

3.6 AGE PROOF

Date of birth is important, for premium rate is age dependent. A proposal signed by a minor is invalid. In case of a minor, the risk starts only on attainment of a certain age. Amount of annuity instalment is based upon age and is not much concerned with health. In case premium waiver benefit is desired on a proposal of minor life, proposer's life risk is taken and therefore age proof is a must.

Hence it is advisable that an acceptable and genuine proof of age should accompany the proposal for life insurance. Sometimes proposal is acceptable under certain conditions with an undertaking to submit the age proof at a later date. But such situations should be avoided as non-compliance of the undertaking may lead to various avoidable complications in case of unexpected death of the life assured. Generally school certificate and passport are considered acceptable proofs of age.

3.7 SELECTION OF PLAN AND TERM

The plan should be carefully selected taking into consideration the special need of the life to be insured. A plan well selected generates lot of goodwill for the company which means a lot more business, a lot more income.

Term of course means the period of the plan after which it matures for payment. Here again the need of the proposer alone is to be considered. Term also determines the rate of commission to the agent, but this is of no consideration while canvassing insurance plan and term.

3.8 OBJECTS OF INSURANCE

Objects of insurance can be family provision or old age provision etc. Irrespective of what is stated here, the payment of claim money is decided by the nature of the plan of insurance purchased. There are plans specially designed to provide for the marriage of the female child, maintenance of a handicapped child, a child's insurance to give him the benefits of lower premium etc. Therefore the object stated must match the plan selected.

An endowment plan benefits the family in case of early death of the insured, when the claim money is paid in a lump sum. In case of maturity also, the money is paid in lump sum. However, it is also possible to opt for instalment payment of the lump sum money, in the shape of a pension if option is so exercised in good time, say one year in advance. It is called "settlement option".

A danger inherent in lump sum settlements is though it is most flexible in the hands of the receiver, that the money may be mismanaged, poorly invested or spent foolishly. The surviving beneficiaries of the family need a guaranteed income rather than cash. Of course it is possible to purchase an annuity policy with the cash amount available, even if no such advance arrangement has been made.

3.9 SUM PROPOSED

This is the amount insured and is paid as claim money either on death or maturity along with bonus or guaranteed addition etc. as per the conditions of the policy. As stated earlier, life insurance is not a contract of indemnity and therefore, the claim amount is not related to the financial status of the life



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assured. It is therefore, advised, while deciding the sum proposed, a proper estimate on lines of Human Life Value theory should be made.

In case, the prospect finds it difficult to pay the required premium for a certain sum assured, which is proper, the agent can select a plan, which permits high sum assured with a low premium like a convertible whole life policy. Alternatively he may keep in continuous contact with the life insured to sell him additional insurance, whenever, his financial situation improves.

In any case, everybody needs a review of his insurance cover from time to time at least for two reasons - One - the income goes up along with the liability in course of time. Two-the continuous inflation in the market, reduces the money value of the insurance over time and therefore additional insurance has to be purchased, at least every five years, to maintain the value of sum assured, at the original rate planned for.

For example, the sum assured of one lakh taken today may find it worth only if compared in terms of its purchasing power ten years from now. The problem is, that as people pay more for goods and services and as their income and wages rise, they often do not increase the life insurance protection to compensate for the other changes. An agent would do well to appreciate this for continuous business.

3.10 ACCIDENT BENEFIT

This part refers to the double accident and permanent disability benefit and for this a small extra premium is charged. We will discuss this benefit a little later. But first let it be known that there is a normal provision for disability benefit allowed in all policies for free and the benefit relates to the waiving of all future premium after the total permanent disability has been caused due to an accident as defined hereafter within stipulated period of the accident and provided the policy is in force.

The Double Accident and Permanent Disability benefit has two parts - one relating to death due to accident and second permanent disability suffered due to such accident.

The benefit payable on the death of the life assured is an additional sum equal to the sum assured, provided the policy was in force at the time of accident and the bodily injury has

been sustained directly due to an accident caused by an outward, violent and visible means and the death has been caused solely, directly and independent of all other intervening causes, within the stipulated period, due to the bodily injury.

Thus the above definition of accident excludes self injury, attempted suicide, insanity, immorality or when the life assured is under the influence of any liquor, drug etc. The injury suffered by a person while flying in any capacity other than as a passenger without any duty on board is also excluded. So also injury caused during riots, civil commotion, war, mountaineering etc. or while the life assured is committing any breach of law or while in the employment of the armed forces or navigation.

As a general rule, whenever an extra premium is charged due to the hazardous nature of occupation this benefit is excluded, in case the death or disability occurs due to such occupation. So also life assured with physical impairment. The children, male or female are not granted such benefit. Normally an exclusion clause is inserted in the policy document in all such cases.

The permanent disability benefit is the payment of a sum equal to the sum assured, in monthly instalments spread over a period of years. However, if the policy becomes a claim either due to death or maturity, before the expiry of specified years, the balance instalments are paid with the claim.

The second benefit in case of permanent disability in the way of waiving the payment of future premium to the extent of a sum assured specified.

To be eligible for the aforesaid benefit the disability must be the consequence of an accident as defined above and must be total and permanent. In other words the disability must completely disable the life assured from following any occupation or profession in order to earn his livelihood. The insurer must be informed about the happening of this disability with such proof as required and the insurer has a right to examine the disabled person through a medical examiner. However any wrong payment on this count is recoverable by the insurer.

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**Notes****3.11 MODE OF PAYMENT OF PREMIUM**

This is an important aspect of selling life insurance because the immediate sacrifice of cost burden to the policyholder can be regulated by selecting carefully the mode of instalment payment. In the prospectus, the insurer prints only annual premiums and if the mode of payment is chosen yearly, a rebate in premium is allowed.

In case the mode selected is half-yearly lesser rebate is allowed. Quarterly rate is exactly one fourth of the published annual rate. Monthly instalments invite 5 % extra. The reason is the higher administrative cost to account for more frequent payments.

Many prospects may find it difficult to pay annual premium in one go. Resistance to sale becomes less, if payment amount can be divided in a number of instalments. However, there is a danger of forgetting such frequent payment causing policy to lapse. It is in the interest of the agent and of the policyholder to ensure that the policy does not lapse due to non-payment of premium.

Modes of payment like payment by bank on a scheduled date or loan from P.F. A/C are other alternatives. For those who are in secured jobs with reputed companies including government, payment of premium through salary savings scheme is possible. In such a case the insurer and the employer enter into an agreement whereby the employer agrees to deduct the premium from the salary of the insured employee who accordingly authorises the employer for the deduction and the employer remits a consolidated amount with a demand note to the insurer.

However this mode of premium payment is not free of its complications. The employer as a third party is involved in payment of premium and thereby keeping the policy in force. If for some reason which may be anything from non-payment of salary to negligence or misappropriation or financial problem of the employer the instalment of premium does not reach the insurer and the claim arises there is a real problem leading to misery and litigation.

In Salary Savings Scheme for keeping the policy in force utmost vigilance on the part of the agent and policyholder is the price to be paid for. From time to time, it has to be assured that

premium is being deducted from salary regularly and it is sent to the insurer with clear identification of each policyholder with policy number and salary number.

Every employer is given a Paying Authority Code at the time of entering into the contract. Similarly each employee has a salary roll number or a badge number by which he is identified by his employer and the department must have a code number for immediate identification. At the time of the proposal a special form in the form of a letter addressed to the employer is signed by the insured employee authorising the employer to deduct the premium from his salary and remitting to the insurer every month.

He undertakes not to revoke this authority to the employer. This authority should be irrevocable just to ensure that insurance premium must get paid regularly without any interruption, which may mean lapse of risk. This scheme has the great advantage of being uninfluenced by the temptation to spend the money if the money comes in hand.

3.12 DECLARATIONS

At the end of the proposal, the proposer makes three declarations which make the answers in the proposal the basis of the insurance contract:

1. The proposer guarantees as to the truthfulness of the information so far it is within his knowledge. Thus the foundation of the basic principle of “utmost good faith” is laid and the breach of it makes the contract void.
2. The proposer authorises the doctor to divulge all information known to him about the health and habit to the insurer whenever necessary. Thus a doctor giving such information to the insurer at any time, either at the time of proposal or at the time of claim, cannot be held guilty of divulging any confidential information.
3. The third declaration relates to a period between the date of signing the proposal and acceptance of the risk by the insurer. This is a period during which the underwriter has not yet seen the proposal and has, therefore, not undertaken any risk. Any unfavourable incident during this period shall, therefore, materially affect the decision.



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The proposal is to be signed in the presence of a witness because that is the legal requirement to enter into a contract. Normally agent should sign as a witness as that is the proper way. If the proposer has signed in a language other than the one in which the questions have been asked in the proposal form, he must declare that he has understood the questions and has answered in his own language.

The person who has explained the questions must also endorse for having done so. However, if the proposer is illiterate and puts his thumb impression, similar declaration is required both by the proposer and the person who has explained the questions. Under no circumstance, the agent should write the answers in the proposal form in his own hand. It is prohibited in the Agents Regulation, 2000.

Section 41 of the Insurance Act states that offer or acceptance of any rebate other than what is permitted in the company prospectus is an offence. However we hope, this provision of law becomes really effective.

Whenever the proposer has to be medically examined by an authorised doctor, the doctor signs the proposal as a proof of having read the proposal form duly filled in. The life proposed signs to establish his identity. The proposal form duly filled in is the basis of contract and no amount of care taken to fill it up is too much. It is rightly compared with the rituals which a couple goes through at the time of marriage. An elaborate ritual is necessary to realise the importance of the relationship. Insurance, establishes a lifetime relationship.

INTEXT QUESTIONS 3.2

1. When is a declaration made?
 2. Types of accident benefit.
 3. Modes of payment of premium.
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3.13 ADVANCE PAYMENT OF PREMIUM

The Sec. 64VB of the Insurance Act 1938 reads as follows : -

1. No insurer shall assume any risk in India in respect of any insurance business on which premium is not ordinarily payable outside India unless and until the premium payable is received by him or is guaranteed to

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be paid by such person in such manner and within such time as may be prescribed or unless and until deposit of such amount as may be prescribed, is made in advance in the prescribed manner.

2. For the purpose of this section, in the case of risks for which premium can be ascertained in advance, the risk may be assumed not earlier than the date on which the premium has been paid in cash or by cheque to the insurer.

Explanation - where the premium is tendered by postal money order or cheque sent by post, the risk may be assumed on the date on which the money order is booked or the cheque is posted, as the case may be.

3. Any refund of premium which may become due to an insured on account of cancellation of a policy or alteration in its terms and conditions or otherwise shall be paid by the insurer directly to the insured by a crossed order cheque or by postal money order and a proper receipt shall be obtained by the insurer from the insured, and such refund shall in no case be credited to the account of the agent.
4. Where an insurance agent collects a premium on a policy of insurance on behalf of an insurer, he shall deposit with or despatch by post to, the insurer, the premium so collected in full without deduction of his commission within 24 hours of the collection excluding bank and postal holidays.

Life insurance is a contract legally enforceable. No contract is complete without the consideration money and premium is the consideration money against which the insurer promises to fulfill its obligation. As at the beginning of the insurance contract, the insurer incurs certain expenses such as medical test and other administrative expenses, it is necessary that some advance deposit should be made along with the submission of the the proposal form. Life Insurance Corporation of India has fixed certain minimum deposit depending upon the amount of sum assured and the agent is made responsible for its collection.

Normally any insurer expects that the advance deposit should be equal to the first premium subject to a certain minimum.

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If the proposal is accepted, this deposit is adjusted towards the first premium. If the proposer is not willing to complete the proposal for any reason like the policy is rated, i.e., an extra premium is charged, the insurer normally returns the balance amount of this initial deposit after deducting the minimum amount spent towards medical expenses, to the insured and such refund shall in no case be credited to the account of the agent.

Here however, the most important fact is that non-completion of proposal and return of the deposit to the proposer means total futility of the agents' effort. When we buy anything, we pay for it. That is the normal procedure and it is so with life insurance. The agent while canvassing the proposal must make it a point to collect the total first premium after convincing him that the premium is the necessary price to be paid for the benefit of insurance.

The agent being the first underwriter should be able to know whether the insurer will accept the risk at normal rate or with an extra loading. If the insurer is charging an extra premium, it must be for valid reasons and the proposer should be willing to bear this extra expense.

The most compelling reason for getting cash with the application is the matter of putting the insurance in force. A proposal which is acceptable to the insurer and is accompanied with full first premium carries the protection from the date of application. This is a vital consideration for the insured and the beneficiary, since the applicant has no guarantee that he or she shall survive long enough to see the policy issued.

There are too many cases on record where the applicant has died between the date of application and the issue of policy. Even though the advance deposit does mention that this payment does not amount to insurance cover, most insurance companies, would pay the claim, if no other requirements are due from the applicant and the proposer has died after completing all formalities leading to the completion of the proposal.

3.14 SUMMARY

The proposal form is the first document filled in and signed by the proposer with all relevant information. The insurer considers these information and accepts the risk, with suitable

conditions. The proposer replies to all the questions honestly and truthfully lest the claim when it arises is not paid. These information relate to his own personal health and family history. Age proof is important. He must nominate somebody to receive the claim when he is no more.

Accident benefit is a rider which is available on payment of a small extra premium. While accepting proposal of insurance from a female life who is not self-earning, the insurer is more circumspect. Agents' confidential report helps the insurer to select a good life for insurance.

Advance payment of premium is a must for the insurer to even consider an insurance proposal. The agent plays important role from the time of canvassing a proposal to the date of payment of claim whenever it arises.

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3.15 TERMINAL QUESTIONS

1. Classify the various kinds of risk.
2. What special considerations are required in case of female lives?
3. What are the contents of proposal form?
4. Why object of insurance is necessary?
5. Discuss the various modes of payment of premium.
6. Why premium needs to be paid in advance?
7. Why signing of declaration by proposer is important?

3.16 OBJECTIVE TYPE QUESTIONS

1. What is proposal?
 - a. A request for an insurance cover.
 - b. An offer to enter into a contract.
 - c. Both a request and an offer to enter an insurance contract.
 - d. None of the above.
2. Moral hazard may be suspected in cases where
 - a. The life to be insured is old.
 - b. The insurance is for a very large sum insured.
 - c. In the both the cases.
 - d. None of the above cases.

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3. Under the system of non-medical underwriting
 - a. There is no restriction on age.
 - b. There is no restriction on sum assured.
 - c. Only some towns are covered.
 - d. There is restriction on both the Sum assured & age.
4. Which one of the following statements is correct?
 - a. An underwriter charges extra premium for physical hazards.
 - b. An underwriter charges extra premium for moral hazards.
 - c. Both (a) and (b) statements are correct.
 - d. Both (a) and (b) statements are wrong.
5. Which one of the following statements is correct?
 - a. The underwriter assesses the risk.
 - b. No policy can be issued without underwriter decision.
 - c. Both (a) and (b) statements are correct.
 - d. Both (a) and (b) statements are wrong.
6. Which one of the following statements is correct?
 - a. Underwriting is done only when there is a medical examination.
 - b. Medical examination is necessary before a policy can be issued.
 - c. Both (a) and (b) statements are correct.
 - d. Both (a) and (b) statements are wrong.
7. Which one of the following statements is correct?
 - a. Underwriters are more cautious while considering cases on female lives.
 - b. Underwriting are more cautious while considering cases of educated women.
 - c. Both (a) and (b) statements are correct.
 - d. Both (a) and (b) statements are wrong.

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8. Which one of the following statements is correct?
 - a. Working women are treated at par with men.
 - b. Educated women are treated at par with men.
 - c. Both (a) and (b) statements are correct.
 - d. Both (a) and (b) statements are wrong.
9. Financial underwriting is done to evaluate
 - a. The probability of the policy lapsing in future.
 - b. The possibility of moral hazard.
 - c. Both (a) and (b) statements are correct.
 - d. Both (a) and (b) statements are wrong.
10. Which one of the following statements is correct?
 - a. Underwriting standards are changing.
 - b. The underwriting standards of all insurers are the same.
 - c. Both (a) and (b) statements are correct.
 - d. Both (a) and (b) statements are wrong.

3.17 ANSWERS TO INTEXT QUESTIONS

3.1

1. Underwriting is the process of accepting the proposal of the customer based on the guidelines formulated by the insurance company.
2. This statement is required at the time of revival of a policy either with or without a medical report depending upon the duration of lapsation and physical condition of the life assured.
3. The medical test is required when either the age of proposer or sum insured is high.

3.2

1. At the end of the proposal form the insured makes declaration.

MODULE - 3

Practice of Life Insurance

Life Insurance Underwriting



Notes

2. Double Accident and Permanent Disability benefit
3. Yearly, Half-yearly, Quarterly and Monthly (Salary Saving Scheme)

3.18 ANSWERS TO OBJECTIVE QUESTIONS

- | | |
|------|-------|
| 1. c | 2. c |
| 3. d | 4. a |
| 5. c | 6. d |
| 7. a | 8. c |
| 9. b | 10. a |