

Workshop

Life insurance processes:

Product development

Underwriting

Claims

Azerbaijan, 20th June 2014

Why?

- Workshop aim is to identify general rules for life insurance processes such as product development, underwriting and claims.
- Which are new experiences based on this workshop?
- At the end of this workshop participants are able to state how further project development would be.

Objectives - examples

- Objective 1. What kind of life insurance products are you interested in?
- Objective 2. Which are key insurance processes where you see potential improvements?
- Objective 3. Which is an optimum duration for a project development?
- Objective 4. Which is consultancy role?
- Objective 5. What kind of special needs arises from a project?

Case study

Product development

Company A wants to introduce a new product. Their marketing department finalized a study which showed that clients are looking nowadays only on life insurance products which offers both guarantees on money invested and protection for their lives. In addition the marketing department discovered that currently no other insurance company has this type of product therefore time to launch such an insurance is very important.

Company management decided to go for this project and allocated experts to start developing the product:

Actuary – informed the team about traditional life insurance risks on long term period: technical interest rate's trend in life insurance is decreasing as long as interests on investment market are decreasing and capital requirement will increase in the future. Actuary recommended an unit linked product with both investment guarantee and death cover.

Asset manager – informed the team about the asset suitable for this kind of insurance such as a T-bills or a bond with interest rate guarantees.

1st delivery – the concept: an unit linked with guaranteed interest on premium paid (maturity benefit expressed as % of premium paid) and guaranteed death cover.

Marketing expert – tested first concept and delivered back to technical staff client needs: single premium and medium term duration, 5 to 7 years.

Case study

Product development

2nd delivery – new product design:

- Single premium unit linked with 7 years duration
- Benefits are defined as:
 - Maturity benefit calculated as 150% from premium paid;
 - Death benefit as 110% from fund value at the time of death
 - Surrender benefit as 90% from fund value starting with 2nd year, no surrender in the first year).

Now the product design is ready and they started to work on development: parameterization and operational processes.

Actuary, Sales and IT Experts started to work on parameterization: set up cost structure, benefits, sales volumes and it framework adaptation for administration such a product.

Underwriter, Operational Manager and Legal Advisory started to define operational processes: underwriting process, offer, application form, policy design, terms and conditions and reports.

Risk manager tested if existing procedures meet new product issuing and administrating procedures.

Questions:

1. Please state an example of unique selling preposition.

2. Which kind of underwriting process would you propose for this kind of product?

Case study

Underwriting

This case study involves a family with 2 children which want to have a life insurance policy:

- Ages: Male, age 41/ Female, age 40
- Desired sum insured: 100,000 euro.
- Beneficiary: 50,000 euro for each child.
- Background:
- The male is a clerk worker with an income of 12,000 euro per year, no medical history, no current diseases, only 10 kilos weight gain over last year. Smoker and occasionally alcohol consumer.
- The female is a nurse with an income of 10,000 euro per year. No medical history or current diseases, non smoker and no alcohol consumer.

Questions:

- 1. Which kind a life insurance product would you recommend to this family?**
- 2. Which kind of underwriting process would you propose to issue this policy?**



Case study

Claims

This case study involves a claim file when a client asked for a surgical intervention lump sum and 30 days of hospitalization due to an accident. Both risks happened after 1 months from policy inception.

Questions:

- 1. Would you initially suspect a fraud?**
- 2. Which documents would you ask for this case?**

Case study

Portfolio

This case study involves a portfolio of life insurance policies which experiences high lapses both surrenders and cancellation.

Question:

- 1. Which kind a measures do you propose to stop / decrease lapse rate?**