

“QUESTION PAPER MUST BE ATTACHED ALONG WITH THE ANSWER BOOK.”

November, 2012

FC-92

**FELLOWSHIP EXAMINATION
ACTUARIAL ASPECTS OF PRODUCT DEVELOPMENT**

Reg. No.

[Time : 3 Hours]

Answer **Any FIVE** Questions only.
Each Questions carries 20 marks.

[Total Marks:100]

- | | Marks |
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| Q.1 Write short notes on : | 5 each |
| a) Pure death benefit contracts. | |
| b) Life table. | |
| c) Experience Rating. | |
| d) Guaranteed Surrender Value. | |
| Q.2 a) Explain “ New Business Strain.” | 5 each |
| b) What are the regulatory provisions in India in respect of reinsurance? | |
| c) Section 41 of the Insurance Act, 1938 provides for prohibition of rebates. Explain in brief about this provision. | |
| d) What is “Solvency Margin” and why is it required? | |
| Q.3. a) Describe the “File and Use” procedure as prescribed by the IRDA. Also explain in brief the procedures to be followed for introduction of a new insurance product and withdrawal of existing products. | 10 each |
| b) Discuss the sources of information generally available to a life insurer for assessing the mortality risk in respect of a proponent before issuing a life insurance policy to him. | |
| Q.4. a) Who buys a group policy on group scheme? Why? | 10 each |
| b) What are the reasons for using cash flow method in determination of Premium Rate? | |
| Q.5. a) Define the risk premium and original premium methods of reinsurance. | 10 each |
| b) You are the Actuary employed with newly formed life assurance company. Discuss the suitability of risk premium and original premium methods of reinsuring the business of in each of the following circumstances. | |
| i) The company has substantial capital and proposes to sell mainly individual with profit endowment assurances. | |
| ii) The company has substantial capital but intends to expand rapidly by selling mainly without profit assurances at very competitive rates of premium. | |
| Q.6. Which are the concerns that should be addressed by Life Assurance Product Design? Distinguish between initial expenses and renewal expenses, with specific reference to ‘commission’ and its necessity in sale of a Life Assurance Product. | 20 |
| Q.7. An unmarried person aged 25 years has just completed his studies and has joined a multinational company and his annual income is ₹10 lakhs. Explain with reasons what types of Life Insurance Policies you would suggest for him. | 20 |

Q.8. You are the Appointed Actuary in company XYZ Ltd. which has started writing With Profit life insurance business in India. You have completed the valuation of policy liabilities and have recommended the bonus to be declared for with profit policyholders. 20

Your CEO who is new to the company has asked you to prepare a detailed note covering the following points:

- i) Why do we pay bonus to with profit policyholders?
- ii) What are the various methods of bonus payment?
- iii) What are the general conditions for payment of bonus?

Prepare a reply as desired by the CEO to be submitted to him this evening.

END