



CASE STUDY # 5



Never Judge a Book by Its Cover

The reason why underwriting is exciting in its own way is because of the uniqueness of each proposal that an underwriter evaluates. They often say that learning for an underwriter never stops until the last day of his work & the last case that he underwrote. This case study is an example of such a unique learning experience.

Case details

We talk about a lady in her early twenties, applying for a Term Plan of sum assured Rs 5 Crores under Employer-Employee scheme. Along with all other mandatory documents salary slips and bank statement showing salary credits were submitted to establish financial eligibility. The salary slips had all the details such as the Name of Employer, Designation of Employee, Bank Account Number, UAN Number, Month of Pay, Days of working etc. The employer was a very renowned Ayurveda clinic headquartered in Chennai with strong presence across southern India. In order to diminish any iota of doubts, there was a bank statement showing salary credits and the amounts were exactly same to the net figures as per salary slips. What else could we ask for to ascertain the financial wellbeing of a life? Evidently the proposed insured was earning gross salary of approximately seven and a half lakhs per month which propelled the underwriter to believe that applicant is eligible for the cover applied. We also got audited business financials of the Employer for several years showing year on year growth in sales and profit. Hence justifying premium paying capacity was also not a challenge. Up to this point there were no questions in our mind, and we were comfortable offering the applied sum assured. We came across a 26 year's old male life having annual income of Rs 5 lacs from business and a graduate as per application form. The applicant proposed for a Term plan of Rs 1 crore along with Critical Illness rider of Rs 10 lacs. Benefit Term & Premium Paying Term was the same (25 years), he opted for monthly mode of premium payment. Business was sourced by Agency channel and from a non-negative area. As an underwriter we are wary about offering high Critical Illness rider and anything more than 10% of base sum assured makes us skeptical.

The other side of the coin

The first negative thought that came to our mind was when we spotted designation of the applicant, it was stated as "Manager" in salary slip. A Manager in a domestic company drawing remuneration of seven lakhs? Around the same time, we had a look into the photograph of the proposed insured and a real doubt arose when we saw the credit report of the lady. Though the appearance from the photo was not anything related to

sickness etc. but it was way different from a person whose annual income is around 90 lakhs, also the Aadhaar Card portrayed a similar image of the lady. When we probed the credit report of the client, it was of utter disbelief. The credit report depicted that the lady did not have any digital or credit footprint. Now the question that started playing in mind is, "How come a person of this stature does not hold at least one credit card?" It is hard to believe that a lady earning net salary of around 5 and a half lakhs per month does not make any digital or POS credit transaction. We looked at the bank statement again and realized that there was no significant lifestyle or otherwise expenses made through bank account either. The money which comes by the way of salary keeps accumulating month on month. This was very different from our usual experience.

Observing the contradictory sides of the profile and the amount of sum assured applied for, a physical verification was conducted which revealed that the father of the proposed insured was the Managing Director in the company which was the proposer-employer in this case. Goes without saying, being the MD, all financial evidence were easily accessible to him, and he could decide what amount of salary is to be paid to whom irrespective of skillset. The physical verification further revealed that life assured was not actively at work, in fact she had nothing to do with father's business. This indicated to a scenario where a father is trying to use his position and influences in a wrongful manner to get advantage through his daughter. The end decision was to decline the risk.

Further correlations

After drawing a conclusion on the financial side, when we checked into the medical reports of the proposed insured the entire picture become crystal clear on why such mischiefs took place!

It was the CBC report which reflected worrying signs about the health of the lady. The CBC report showed her Hemoglobin count was 6.8 gm/dL, RBC count was 2.82 mn/mm³ and the value of PCV was 19% with RBC indices within normal limits. Clearly it was a case of Anemia of chronic disease, which resulted in obvious postponement. Calling for a repeat or further qualitative testing was surely not an option here.

Never judge a book by its cover

The very old proverb of not to judge a book by its cover, holds good for this case. Here the father of the proposed insured had an anti-selective approach & attempted to use insurance for financial gain, which was denied by the analytical and thoughtful judgment of an experienced underwriter.

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