

### 3. Rating factors in underwriting

Rating factors refer to various aspects related to financial situation, life style, habits, family history, personal history of health and other personal circumstances in the prospective insured's life that may pose a hazard and increase the risk. Underwriting involves identifying these hazards and their likely impact and classifying the risk accordingly.

Let us understand how the characteristics of an individual life have an impact on the risk. Broadly these may be divided into two - those which contribute to moral hazard and those which contribute to physical [medical] hazards. Life insurance companies often divide their underwriting into categories accordingly. Factors like income, occupation, lifestyle and habits, which contribute to moral hazard, are assessed as part of **financial underwriting**, while medical aspects of health are appraised as part of **medical underwriting**.

#### a. Female insurance

Women generally have greater longevity than men. However they may face some problems with respect to moral hazard. This is because many women in Indian society are still vulnerable to male domination and social exploitation. Evils like dowry deaths are prevalent even today. Another factor which can affect longevity of women can arise from problems connected with pregnancy.

Insurability of women is governed by need for insurance and capacity to pay premiums. Insurance companies may thus decide to grant full insurance only to those who have earned income of their own and may impose limits on other categories of women. Similarly some conditions may be levied on pregnant women.

#### b. Minors

Minors have no contracting power of their own. Hence a proposal on the life of a minor has to be submitted by another person who is related to the minor in the capacity of a parent or legal guardian. It would also be necessary to ascertain the need for insurance, since minors usually have no earned income of their own.

Three conditions would generally be sought when considering insurance for minors:

- i. **Whether they have a properly developed physique**  
Poor growth of physique can arise as a result of malnutrition or other health problems posing grave risks.
- ii. **Proper family history and personal history**  
If there are adverse indicators here, it may pose risks.
- iii. **Whether the family is adequately insured**  
Insurance of minors is generally pursued by families having a culture of insurance. One would thus need to be alert when receiving a proposal on a child's life where the parents have not been insured. The underwriter would need to ascertain why such insurance has not been taken. Amount of insurance is also linked to that of parents.