Life Insurance - A 1

~~PS Q1 Assignment 2~~

Q1] I don't completely agree with the statement that bachelors without dependents needs no insurance. One can pass through some possible scenarios, in which insurance may decrease the negative impact on the insured. Some reasons for this agreement are:—

1) Eventhough he has negligible liabilities against his income, his own wellbeing can become a great burden on his savings. To prevent this, one should have basic insurance in his portfolio.

2) Any asset damage (car, furniture etc) or collateral damage (rented properties) is easily bearable through insurance.

3) One can avail tax benefits under insurance schemes for future benefits, such as inheritance and critical illness circumstances.

Q2] Type of Insurances are :-

1) Whole life Insurance :- It provides you lifetime cover, provided the policy is in force. It also allows you to withdraw cash from saving's aspect of the policy, after a certain threshold is passed.

2) Term life Insurance:- It only provides a death beneficiary ~~to the~~ if the insured dies within the period of policy. It does have a peculiar quirk, that is it doesn't give out any survival benefit to the insured at the end of term.

3) Endowment Policy :- It is payable to the insured if it is still living on the policy's maturity date, or to a beneficiary otherwise.

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Damodaran :-

One of its specialized subtypes are:
→ Pure Endowment Policy

4) Annuity :- Financial Product that pays out a fixed stream of payments to an individual for post retirement benefits.

4) From the company's point of view, a premature death case would sound hazardous in context than the other one. A possible reason ~~is that~~ of above opinion is that the claim incurred is more economically heavy than a possible occurence of a policy lapse.
Also, Insurance companies can retain some amount of premium from the elderly by introducing holiday premiums, or decrease the claim amount by making it a paid-up policy.

Insurance and gambling are structurally and fundamentally different, though there are some similarities :-

1) The Amount claimed has no proportion with the amount paid
2) There is a promise given of future payments, even if the future cash flow is not certain.

Some Differences:-
1) Principle of utmost good faith is being used in insurance but not in gambling
2) Insurance is based on modelling, while gambling is purely speculative

3) Insurance ~~[illegible]~~ have a legal authority, while gambling is not supported by the legal authorities

Q6]

Q7] Advantages of Group Insurances:-

1) Residents with negligible insurance may get some measure of protection through insurance.

2) Some companies may not allow employees to take benefit of their products, group insurance in this case is a ~~[illegible]~~ remedy to this case.

3) No of clients are reached, in a short span of time.

4) Similar to Insurance (individual) policies, it is tax saving asset.

→ Disadvantages:-

1) The nature of group insurance is temporary.

2) The individual needs of insurance may not be filled using ~~[illegible]~~ group insurance schemes.

3) The Range of ~~[illegible]~~ health conditions is large, hence resulting in ~~a~~ ~~[illegible]~~ costly premiums.

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9] Advantages of Insurance to the society:-
1) Provides Capital and helps in economic progress:-
The accumulated funds in the company are being invested in ~~various~~ various financial products, thus striving the economy of the country
2) Saving and Prevention of Losses:- It helps the masses to protect themselves from financial degradation, thus protection of masses from possible economical damage due to unfortunate demise.
Disadvantages:-
1) While insurance companies may conduct certain methods to regain their profit, the social welfare of the society is ~~[illegible]~~ and the economical ecosystem is hampered.
2) Negative impact can occur on the intermediaries of the society, if a certain insurance company collapses.

Q10]. Insurable interest is one of the prominent principle in insurance policy. One fundamental concept of this principle is that the contract quantifies on the interest of the insured, not the object that is insured. The insured must have an interest in the preservation of the thing or life ~~[illegible]~~ insured. In the case of property insurance, insurable interest of the insured in the property may not be the owner of the property.

Q11] Features of a whole life Insurance Policy:-

→ It provides financial coverage against death of the insured.

→ It provides a hassle-free way in the inheritance and funeral procedures, for the beneficiaries.

→ It helps to reduce the tax liability against the sum assured obtained by the beneficiary after the unfortunate demise.

→ They allow loan facility against the amount accumulated in the policy.

Q12] A. He could buy different types of insurances:-

→ Life insurance for his wife and child.

→ Property insurance for all his physical assets i.e ~~insurance~~ furniture, electronic items etc.

→ Endowment for his child's future education (Pure Endowment)

→ Annuity ~~[illegible]~~ (Deferred) for his Retirement Savings

→

B. We would take insurance because:-

a) Provides certainty:- It provides quantitative certainty of payment in the risk of loss. There are uncertainties of happenings of time and amount of loss.

b) Protection of Savings:- Insurance provides this aspect by covering expenses at the worst scenarios.

2) Risk sharing :- On the happenning, risk is shared by the company with the relatives of the insured.

3) Risk Assessment :- Depending upon the risk portfolio of the insured, premiums would be altered simultaneously

3) The life insurance industry is going through a drastic change:-

1) Low interest rates and stricter regulatory changes

2) Application of Automation with RPA and Machine Learning in written notifications, followups, and underwriting

3) Splitsinsurance :- a type of insurance defined for the college students of Switzerland, this insurance allows protection to flat-sharing mates in college

4) Adoption of Chatbox across insurance is an amazing concept implied to bridge the gap between insured and the insurer.

5) Lemonade, a american insurance company created excellent market ratings by declaring the decision of taking only a flat amount of profit from premiums, and donating the rest to charities worldwide

There are other many adventorous concepts like Thor, Fizzy etc

4)

Profit	Without Profit
1) Type of policies through which policyholders are rewarded by a stream of regular payments called as dividends	1) Type of Policies which do not provide the facility of streamlined payments called dividends

30/10   30/3

2) The decision of distribution is at the discretion of the Director	There is no relation between the policyholders and shareholders
3) They do get some of the shareholders rights	They are mere policyholders

Q 15] The underwriting framework of a company plays a major role in determining the company's standing in the market. He/she must generates profits and minimize losses through a well balanced policy. In the absence of this intermidiary, company will loose out several acceptable policy and may face substantial losses.

It would not be able to protect the company from antiselection. It also would not help classify the substantial health risk to the company.

Q 16] An employer can be helped meeting his statutory obligations by the help of group insurance. The scheme can be contributory or non-contributory or jointly contributed. The fundamentals behind this scheme is that the employer takes their policy for the benefit of their employees, a trust is found normally for the scheme. Two of the prominent examples are Employer ~~Gratuity~~ Gratuity benefits and Employees Deposit Linked Insurance Schemes.

Employee Gratuity Schemes state the upcoming of gratuity an employee would have earned at ~~the~~ his retirement based on his last drawn salary. Also, the beneficiaries would obtain relaxation against tax liabilities ~~is 100% tax free~~.

EDLI scheme states the processing of all the Provident Fund ~~of~~ for the beneficiary in the period of last 12 months. If the service of the employee is uncertain, this scheme may or may not be applicable.

17] The sharing or transfer of risk from one insurance company to another is termed as reinsurance. It is one of the shelters to insurance companies. It is used by companies who are not able to handle the risk on their own and ~~possible~~ make it possible for insurers to obtain more business than they would be able to.

Importance :-

1) It protects the Company from Insolvency
2) It strengthens the Company's stratgic and financial coefficients.
3) It limits liability to a specific risk.