Assignment : (1, 4, 6, 12, 15, 18)

1) I disagree with the statement.
→ Even though he is a bachelor he can insure his important things like car, bike, house, etc.

4) of the two hazards ~~of~~ I would find first one difficult to manage as the person who died was the only source of income for the family and after his/her death their would be no income for the family making it difficult to manage.

~~6) → Adverse selection with respect to life insurance refers to the Scenario wherein the buyer has not provided all the information to the insurance company. for eg: health conditions~~
~~→ Moral hazard with respect to life insurance refers to the scenario wherein the buyer has not entered into the contract in good faith or has provided false details about its assets, liabilities or credit capacity.~~

6) In the insurance industry, adverse selection refers to situations in which an insurance company extends insurance coverage to an applicant whose actual risk is higher than risk known by the company.
A moral hazard is an idea that a party protected from risk in some way will act differently than if they didn't have that protection. It occurs in insurance industry when insured parties take more risks knowing their insurers will protect them against losses.

Page No.

Date

12) A) ~~Bob~~ The features of insurance bob could have taken are:

→ Insurance of himself, his wife and his daughter for death benifit or survival benifit or even both.

→ He could even insure his car, equipments and his apartment.

13) A person would buy insurance policy makes the person secure financially to face any type of problem in life.

15) If underwriting were not permitted in private sector:

→ The lenders would have charged higher intrest rates to borrowers or even charge high premiums.

→ ~~If there were no underwriters~~ There would be many cases of frauds.

18) Varius types of life insurance are:

→ Whole life

→ Term life

→ Endowment

→ Pure endowment

→ Unit linked.

Premiums charged in highest to lowest format are as follows.

1) Endowment : as it provides both death & survival benifit
2) Unit linked : as it contains risk of the market index going down
3) Whole life : level premiums as gauranteed benifit on death.
4) Pure endowment : survival benifit for specific term period.
5) Term life : as it provides security for specific time only.