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Q1) Do you agree with the veiw that a bat bachelor without dependents needs no insurance? If you feel that he needs insurance, state the reason in support of your veiw.

→ ① Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company.

② I don't agree with the point that bachelor without dependents need no insurance. Because insurance helps you save money, by reducing the amount you need to pay out of your own pocket.

③ Here are some reasons about why you need insurance even if you don't have any dependents:-

i) For future needs, take advantage of cheaper premiums.
You may not have any dependents at the moment, but at some point in future you may decide to get married and have children, and your parents will get older too with time. You will have to financially safegaurd them from possibility of your untimely demise.

ii) Critical illness can be devastating both emotionally and financially.
If you contract a major illness like cancer, heart disease, etc., the financial strain caused can be unimaginable. Such expenses can burn a hole in your pocket and thus, it's essential you have someone to fall back on, such as your insurer.

iii) You can avail tax benifits
Most types of insurance, such as life, health illness etc. offer tax savings under Income tax act. These provisons allow that the amount you pay as

premium and receive as maturity benifits, can be deducted up to a pre-defined limit from your taxable income.

iv) You have a lot of assets that need protection
A car, a home, a trip-aboard every one of these and more are prone to risks of damage and destruction on a daily basis. You need to get yourself insurance because if you do not, the cost for repairing each of these will have to be borne easily by you, a situation which can derail your entire future.

Thus, as we can see above, insurance is all about paying nominal amount as premium, in return for an on-demand amount that is exponentially more than what you pay, and can protect you from the financial consequences of damage and destruction to your most prized assets.

Q6) What is adverse selection & moral hazard with respect to life insurance?

→ Both moral hazard and adverse selection are used in economics, risk management, and insurance to describe situations where one party is at a disadvantage as a result of another party's behavior:

① In case of Insurance, adverse selection is the tendency of those in dangerous jobs or high-risk lifestyles to purchase products like life insurance. In these case, it is the buyer who actually has more knowledge. (i.e. about their health)

② A moral hazard is an idea that a party protected from risk in some way will ~~ask~~ act diffrently than if they did't have that protection. In the insurance industry, moral hazard occurs when insured parties take more risks knowing their insurers will protect them against losses.

Q 12.) (B) Why would anyone buy insurance policy?
→ Buying insurance is important as it ensures that you are financially secure to face any type of problem in life, and this is why insurance is a very important part of financial planning.

Q15) What undesirable consequences might follow if underwriting were not permitted in the private, voluntary markets for life and health insurance.

→ Underwriting is the process through which an individual or institution takes on financial risk for a fee. This risk most typically involves loans, insurance, or investment. The term underwriter originated from the practice of having each risk-taker write their name under the total amount of risk they were willing to accept for a specified premium.

If underwriting were not permitted in private, voluntary markets for life and health insurance then following consequences may happen :-
Adverse selection, moral hazard, morale hazard, fair ~~pr~~ pricing issues, competition.

Q18) Describe various type of life insurance a person can buy. Satate which reason on level of premiums (highest to lowest) charged In each case:

→ Types of life insurance a person can buy are as follows :-

(i) Whole life Insurance
(ii) Term insurance
(iii) Pure endowment
(iv) Endowment Insurance
(v) Annuity

(i) Whole life insurance offer you a fixed level premium that won't increase, the potential to accumulate cash value over time, and a fixed death benefit for the life of the policy.

(ii) Term insurance premiums are calculated on the basis of mortality rate and expected claims outgo, and accordingly re-insurance premium that they charge insurance companies. Since they don't offer any return it is less expensive.

(iii) Endowment plan fulfils the need for saving. You get lower sum assured, but you are also offered maturity benifit. This additional feature makes endowment policy more expensive.

(iv) Endowment policy are a type of life insurance policy, which provides the combined benifit of insurance coverage and savings. Endowment plan helps the ~~insu to~~ insured to save regularly over a particular time period in order to avail a lump-sum amount at the maturity of the policy. Hence the premium is high.

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(v) Annuity premiums are the funds that you pay into an annuity. Because annuities are insurance contract, they use insurance terminology. Payments to other insurance contracts are also called premiums.