

LIFE INSURANCE ASSIGNMENT

Q1) Yes, bachelor without dependents needs insurance because of the following reasons:

- He/she will have a peace of mind
- Risk of uncertainty will be shared between him and the insurance company
- Can prevent losses which can be caused by some uncertainties.

Q4) The first hazard 'Dying prematurely leaving the dependent family to fend for itself' is more serious and difficult to manage because:

- If the earning person dies prematurely, he would have not created much wealth and will have very little savings due to which the family will have to suffer badly.
- If the earning person dies prematurely, then there is no financial support for the family making the family suffer for food, children's education fees and several other daily necessities which will make their survival very tough.

Q6) Adverse selection- In this selection the insurance company provides same insurance coverage to an applicant whose actual is comparatively higher than the risk own by the company.

Moral hazard- As soon as the person buys the insurance, he/she starts ignoring the fact that insurance only covers the losses and they don't provide any type of profit gain, not giving proper attention to the insured or insured products results in bad circumstances.

Q12) 1) The features of insurance Bob could have taken out are as follows:

- Provide protection
- Risk sharing

- Prevent losses
- Peace of mind

12)2) One needs insurance because it provides peace of mind, provides protection in case of uncertainty, risk is shared between the insured and insurance company and losses can be prevented.

Q15) There can be many undesirable consequences might occur if underwriting were not permitted in the private, voluntary markets for life and health insurance such as:

- In many cases, insured might not say about his habits like smoking by which insurance company can design a wrong premium amount.
- Time period and claim amount can be false claimed by the insured as there are no underwriting written.
- Insuring company can also not give the exact amount as there is no underwriting written.

Q18) The various types of life insurance a person can buy are as follows:

- Term life insurance- If the insured dies then only the beneficiary will get the claim. If insured survive till the time period claim cannot be made.
- Whole life insurance- Insured gets protection for his whole life, his beneficiary can claim the amount after his death.
- Endowment insurance- Person gets insured for both the cases, if he dies before the time period beneficiary can claim the amount, if insured survives till time period he can claim the amount.

Endowment Insurance > Whole Life Insurance > Term Life Insurance