Life Insurance

1] The bachelor shouldn't take a life insurance as he has no dependent relying on his income unlike other scenarios. But other insurance like automobile and property should help him cover other risk.

4] ~~The hazard of 'that of dying prematurely leaving the dependent family to fend ~~of~~ for itself' seems to be a more dangerous than the other hazard as when the bread winner dies the entire dependent family is left to look after yourself and hence are pushed below the poverty line whereas in living too long without any means is manageable due to various government schemes and they can ~~prov~~ have previous savings.~~

6] ~~The~~ Adverse ~~sel~~ selection is one of the reason why underwriting takes place, in reference to life insurance ~~it~~ is that a high risk person is more likely to take out a policy due to their lifestyle and hence if insurance companies don't do underwriting they are exposed more to risk as they ~~as~~ haven't incoporated the risky lifestyle factor in premium charges.

Moral hazard is the consicous decision a person can take to earn profit and

12] A] their intent is wrong. As in a person might kill their spouse to gain benefit in joint life policy which is a moral hazard.

Q4] I believe the hazard of 'living too long without visible means of support' is more hazardous than the other as, when a person gets older his costs increase in sense of medical costs and the capacity of a person to take care and work for himself reduces substantial leaving them with nothing to support their life. Whereas while dying early comes with ~~s~~ extreme costs, dependents like spouses can rejoin workforce and kids can be taken in by near relative which can get them educated cheaply until 18.

Q12] A] Bob could have taken help of term policy or ~~life poli~~ joint life policy to safeguard his family and wife also take out annuity or endowment policy to prepare for retirement although he already saves so he might not need it. But Bob could avail different riders like guaranteed insurability rider which would allow him to increase sum assured since his daughter was born.

He could also use accidental death benefit rider or disability feature considering the nature of his job. ~~to allow~~ Also family income benefit rider will allow his daughter and wife to recieve steady income.

3] Life insurance policy helps us a person transfer the risk of life to someone else so as to ~~get~~ minimize impact of financial loss and give peace of mind to buyer. It helps people especially those who aren't able to save, to create safety net for their families.

Q15] If underwriting wasn't permitted insurance companies would suffer huge loss as they would be unable to identify level of risk. As they would have no ~~of~~ personal information, they would charge higher premium to each and every person making it not possible for people to afford it resulting loss of jobs and loss capital to invest in society as a whole.

Q18] The ~~various~~ basic type of life insurance a person can buy is term insurance that provides protection for a fixed period of time and if the contingency happens in that time then only benefit is paid. It charges the lowest premium as it is not guaranteed that sum assured has to be paid. Unlike term in whole life policy the entire life is covered i.e. sum assured has to be paid at death. Hence whole life has higher premium than term life.

The other type of policy is given ~~or~~ to cover risk of survival which is pure endowment where in if and only if a person survives upto fixed age / term then the benefit is given. Pure endowment has lower premium ~~endowment~~ than endowment but higher than term life. In endowment policy the sum assured is definitely paid either due to death in fixed term or due to survival in ~~upto~~ the same ~~or~~ fixed term. Hence endowment are the most expensive as they provide both saving and protection.

Term life Policy < Pure endowment < Whole life Policy < Endowment.