Subject: Life Insurance Topic: chp 1, 2, 3, 4, 5, 6 Page No. ______

Assignment - 1

1) Our Life is uncertain so it is necessary for all individuals to assure themselves of a certain sum of money in the future to take care of unforeseen events or Happenings. ~~The~~ Thus, I definitely agree to the view that a bachelor without dependents needs Insurance. Individuals during their life are always exposed to Risks. Therefore, A Life Insurance Policy was introduced as a protection against uncertainty of Life, and gradually its scope has widened and there are many types of Poli The Bachelor might not have dependents now, but he can get married and have kids later in life. ~~It~~ He would have a family and they would look forward on that person who would be the breadearne of that family. In that case, ~~if we~~ as we all know that the risk can maybe of an event which is certain that is death. Thus, if we imagine, What will happen to other members of the family who are dependent on a Particular individual's income. When human life is lost or a person is disabled Permanently or temporarily, there is a loss of income to the household and so insurance is important to have a financial cover for a contingency linked with human life like death, disability, accident, etc. This helps in making family financially secure after untimely death and helps in meeting responsibilities of family even after death as well as helps in repaying the mortgage loans in ~~the~~ their absence. Not only this, a bachelor without dependents could also have problem. The other risk may be living too long in which an individual may become too old to earn, and so insurance could work as a ray of hope in his difficult times. He could use that to meet his expenses and live his life properly as well as insurance will also work ~~be~~ as a saving. Under such circumstances, individuals seek protection against these risks and so it is essential for bachelors without dependents to have Insurance. ... I agree that bachelors without dependents needs Insurance.

4) Life is uncertain. There are two important hazards that stand across the life path of every person, that could be of, Dying prematurely leaving the dependent family to fend for itself ~~and~~ or Living too long without visible means of support. This is the reasons, people prefer having insurance to keep them safe in difficult situations. Individuals during their life are always exposed to risks. One of the risk ~~is~~ may be of an event which is certain that is Death. Dying prematurely, could lead life of other members who are dependent on the individual's income, miserable. The dependent family will not only face emotional but also economical crisis as there would be a loss of income to the household and cause problems. The family will be financially insecure because of premature death and could possess serious threats in meeting with responsibilities of people like educating their children, payment for medicines of their parents, etc. Along with this, if the individual, in a ray of hope, would have taken debt and have positive approach that they will pay but this uncertain event could lead the family members have the burden of debt. ~~There is a~~ Jack Ma has also said, "~~[illegible]~~ You will not turn Bankrupt because of buying insurance but you will cause your loved ones to turn bankrupt if you don't." However, Living too long without visible means of support is also risky. The individual may become too old to earn so without any visible support, the earnings could decline or end. This might create problems for them meeting their daily needs, could go below the poverty line or have to sell their assets to repay their loans which could be a nightmare for them, at this age and having poor health and energy. However, ~~in my view,~~ government are having old age schemes for ~~old~~ their life which could help them to cope with life but ~~people living~~ situation could be worse for the dependent family and to deal with such situations, ~~could take their~~ they would need to keep themselves strong and have to bring again hopes to deal with the dark phase. Therefore, I feel, dying prematurely leaving the dependent family to fend for itself is more serious and difficult to manage.

6) Adverse selection and Moral hazard is important with respect to Life Insurance. Adverse selection is a term which is used for a situation where the Insurance applicant presents a possibility of loss that is higher than the average expected from a random sample of all applicants. It arises when the information presented to the insurer and the actual material facts we have, relating to the risk are different. Along with it, moral hazards should also be seen quintessential related to Life Insurance. Moral hazards are these hazards which refer to the defects that exist in a person's character that may increase the frequency or the severity of loss and so such a character may tend to increase the loss of the company. Such as killing wife to get death proceeds of Insurance. Thus, Adverse selection and moral hazard is related with respect to Life Insurance.

12) a) There are lots of features, Bob could ~~benefit~~ have taken out from having a the Insurance cover. Bob has a wife and a daughter who is dependent on him. This is why, insurance provides certainty to Bob of payment for the risk for loss and his dependables can live their life in a better way. Not only this, Insurance can not stop the happening of a risk like death but Bob could get protection from Insurance from probable chances of loss and ~~can~~ will be compensated for losses arising from it. Along with this, the money saved by him can be later used by his family in their difficult times ~~which~~ as large funds will be available at low cost and reduces worry and fear for his family and ~~him~~ for himself.

12) b) Life is uncertain so insurance is important and all individuals try to assure themselves of a certain sum of money in the future to take care of unforeseen events or happenings. In this place, People ~~People~~ are willing to buy an insurance policy. Not only this, Individuals during their life are always exposed to risks and one of the risk which is certain is death. In this case, other members of the family who dependent on particular individual's income will be in deep trouble. Along with this, one ~~the~~ of the risk is also living too long in which individual may become too old to earn which is why earnings can ~~will~~ decline or end. Thus, buying a policy helps individuals seek protection against these risks. Furthermore, individuals could also get any kind of disability due to natural or accidental causes leading to ~~at~~ a loss of income to the household and ~~it~~ so, insurance policy should be bought. This will help to ensure continuity in income even after the disability or death of the breadwinner. Insurance policy would help in making the family financially secure and works ~~helps~~ as a savings instrument as well as meeting responsibilities of people. Insurance policy ~~will~~ encourages people to buy it as this will help them to make available large funds for investment or for ~~them~~ themselves at low cost. Thus, to conclude, anyone can buy insurance policy and everyone should have an insurance policy.

15) Underwriting is the Process of consideration of an insurance risk. Underwriting can be termed "assumption of liability." It means signing an insurance policy and thereby becoming liable in the face of a specified loss. However, if underwriting were not permitted in the private, voluntary markets for life and health insurance then their might be many undesirable ~~a~~ consequences. The underwriting framework of a company plays a major role in determing the company's standing in the market but if underwriting was not permitted then the aim to generate profits will reduce and losses ~~x~~ will maximise. Not only this, Underwriting helps to Protect a life Insurance company from anti-selection. The underwriting process will enable a life Insurance company to ~~identif~~ identify lives with a substandard health risk for whom special terms would need to be quoted. In this case, if Underwriting is not provided then insurance company wouldn't be able to identify the most suitable approach which leads to not having adequate risk classification and so all risks might not be rated fairly. Therefore, if underwriting were not permitted ~~than~~ then Insurance company has to face many undesirable outcomes.

18) People have different requirements and therefore they would like a policy to fulfill as their needs. To meet needs of people, the insurers have ~~dev~~ developed different kind of life Insurance products. The various types of Insurance are:

i) Whole Life Insurance:

Whole Life Insurance is a type of life Insurance that provides coverage throughout the entire life provided the policy is in force. Insurance policy also contain a cash value component that increases over time and incase of your demise, before payment of loan, the death benefit ~~will~~ paid to the beneficiaries will be reduced. The premium charged in this policy on a major benefit that it provides coverage against death for the entire life of the insured.

ii) Term Life Insurance:

Term Life insurance is a type of life insurance that provides death benefit to the beneficiary only if the insured dies during a specific period. The premium charged on these insurance is for providing life coverage and financial security to the family of the insured.

iii) Endowment policy:

An Endowment policy is an insurance that is payable to the insured if he/she is still living on the policy's maturity date or to a beneficiary. ~~It provides~~ the premium charged on the insurance is for using Endowment policy ~~as~~ as a means of transferring wealth and it ~~pr~~ provides dual combination of protection and savings.

iv) Pure endowment:

It is an insurance contract which promises to pay the insured a stated sum if he survives a specified period with nothing payable incase of prior death and ~~so~~ so this is the reason premium is charged.

v) Annuity:

An annuity is a financial product that pays out a fixed stream of payments to an individual. Thus, premium is charged to get money and can ~~be~~ use it as an income stream for retirees.

vi) Joint Life Policy:

A Joint Life Policy is a payout which an insurer receives in case of death of the other insured partner during the period. The premium charged is for the advantage that ~~the~~ it pays out regardless of which partner dies.

vii) Unit Linked contracts:

This ~~The~~ insurance have benefits that are directly linked to the value of the underlying investments and this also the reason, the premium is charged.