Life Insurance

Assignment-I

1) No, I don’t agree with he view that a bachelor without dependents needs no insurance. I feel that the bachelor needs insurance for the following reasons:
   - To prepare for change and take advantage of cheaper premiums.
   - Critical illnesses can be devastating both emotionally and financially.
   - The bachelor can avail tax benefits.
   - The bachelor have a lot of assets that need protection.

6) Adverse selection occurs when there's a lack of symmetric information prior to a deal between a buyer and a seller. Moral hazard is the risk that one party has not entered into the contract in good faith or has provided false details about its assets, liabilities, or credit capacity.

12) B.

- Funds to cover immediate expenses after death. This includes medical expenses for terminal illness, expenses for the performance of last rites and religious ceremonies connected with death.
- Funds for meeting expenses for education and marriage of dependent children.
- Regular income fund for meeting the day-to-day expenses of dependant spouse and children.
- Fund for paying off debts. This includes outstanding house mortgage loan dues, car loan and credit card dues and other miscellaneous dues.

15) Life insurance underwriting seeks to assess the risk of insuring a potential policyholder based on their age, health, lifestyle, occupation, family medical history, hobbies, and other factors determined by the underwriter. Life insurance underwriting can result in approval—along with a range of coverage amounts, prices, exclusions, and conditions—or outright rejection.

18) Types of life insurance a person can buy:

- Whole life insurance - Whole life insurance is a type of life insurance that provides you coverage throughout your lifetime provided the policy is in force. Whole life insurance policies also contain a cash value component that increases over time.
- Term life insurance - Term life insurance is a type of life insurance that provides a death benefit to the beneficiary only if the insured dies during a specified period.
- Endowment policy - An endowment policy is defined as a type of life insurance that is payable to the insured if he/she is still living on the policy's maturity date, or to a beneficiary otherwise. An endowment policy provides you with a dual combination of protection and savings.

- Pure endowment - An insurance contract promises to pay the insured a stated sum if he survives a specified period with nothing payable in case of prior death.
- Annuity - An annuity is a financial product that pays out a fixed stream of payments to an individual. These financial products are primarily used as an income stream for retirees.
- Joint life policy - A Joint Life Policy is the insurance cover that you get on a first - death basis. It is a pay out which an insurer receives in case of death of his other insured partner during the period.
- Unit linked contracts - Unit-linked assurances (typically whole life or endowment) have benefits that are directly linked to the value of the underlying investments. Each policyholder receives the value of the units allocated to the policy.

Levels of premiums charged (highest to lowest):

- Pure endowment
- Unit linked contract
- Endowment
- Annuity
- Term life insurance
- Joint life policy
- Whole life insurance