1.

No, I don’t support the view that a bachelor without dependants doesn’t need insurance as there are several other assets other than one’s own life which one can benefit from if they’re insured such as motor, house etc. Apart from that insurances also provide tax benefits which is a huge advantage to the insured person. Also, there might be a slim chance that the bachelor might have a change of mind and decides to get married in the near future. What then?

4.

I believe that the former hazard is way more serious and difficult to manage. When the breadwinner of a family dies suddenly, the family faces emotional as well as financial loss. Post the loss of the breadwinner, the family has to make several difficult decisions including some major financial decisions as well. It becomes very tough for the family left behind to plan financially as a huge source of income just vanished in the blink of an eye. They need to ensure that their resources are used wisely so as to make them last for a long time.

On the other hand, if one lives too long, the person could probably be dependent on his children for financial support. He could also plan his next moves and can make suitable arrangements for future needs and adversities of life.

Thus, we can conclude that even though the risk of living too long is concerning, it isn’t as serious as dying prematurely as the adversities faced by the family left behind are very severe and serious.

6.

In the insurance industry, adverse selection refers to situations in which an insurance company extends insurance coverage to an applicant whose actual risk is substantially higher than the risk known by the insurance company. For example when a smoker is charged at the same premium rate as a non smoker. Moral hazard refers to behavioral changes that might occur and increase the risk of loss when a person knows that insurance will provide coverage. For instance if a person has insured their house against theft and he leaves his home one day without locking it knowing very well that he is insured against theft and on the slight chance that theft occurs, he will be compensated.

12.

If underwriting were not permitted in private , voluntary markets for life and health insurance then insurer and company would not have any medical detail or information about anything in specific which would lead to adverse selection, moral hazard , morale hazard cases , unfair pricing of premiums eventually company could suffer from having more bad risks and face huge losses because of unexpected higher claims . Whole life and health insurance market would get disturbed. Companies would go bankrupt disrupting whole economy significantly .

Bob could purchase a child insurance/ education plan for the future of his daughter who might want to pursue higher education at an expensive school/ college.

He could also purchase a motor insurance as he has an insurable interest present there.

Bob can purchase a life insurance policy making his wife the beneficiary. He should choose a suitable amount which is able to meet various expenses like :

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.
B. One should buy an insurance policy for the following reasons:

➢ Financial Security: No matter how much you are earning or how much you have saved; your financial position can be dented by an unexpected event in a moment. So, the best way to become financially secure is to cover yourself, your family, and your assets with insurance.

➢ Transfer of Risk: The contract of insurance works on the 'principle of transfer of financial risk from the insured to the insurer'. As an insured, you pay premiums to receive compensation from the insurer, in case of occurrence of an unforeseen event. So, having insurance reduces the financial burden on your shoulders.

➢ Complete Protection for You and Your Family: Family is the most important asset that you have and your family also depends on you for financial support. This is why it is important to make sure that you and your family are completely secure to face any emergency.

➢ No More Stress or Tension During Difficult Times: Any unforeseen tragedy can leave you physically, mentally, and financially strained. So, if you have insurance to take care of the outcomes of such tragedies such as illness, injury or permanent disability, even death- you save yourself and your family from tension and stress. With insurance in place, any financial stress will be taken care of, and you can focus on your recovery.

➢ Peace of Mind: Having insurance offers you financial security and also peace of mind. No amount of money can replace your peace of mind.

15.

If underwriting were not permitted in private , voluntary markets for life and health insurance then insurer and company would not have any medical detail or information about anything in specific which would lead to adverse selection, moral hazard , morale hazard cases , unfair pricing of premiums eventually company could suffer from having more bad risks and face huge losses because of unexpected higher claims . Whole life and health insurance market would get disturbed. Companies would go bankrupt disrupting whole economy significantly .

18.

The following are the various types of life insurance a person can buy:

1. Whole life: In this, you're provided with coverage throughout your lifetime given that the policy is in force. The beneficiary receives the death benefit once the insured person passes away.
2. Term: Provides death benefit to the beneficiary if and only if the insured dies during a specified period of time
3. Endowment policy: Payable to insured if he is still surviving on the policy maturity date or to the beneficiary if the policyholder passes away.
4. Annuity: Pays out a fixed stream of payments to an individual who paid a lump sum of payments at the outset.
5. ULIP: The sum assured is linked to an index like NIFTY/ SENSEX etc. Each policyholder receives the value of the units allocated to the policy.

The highest will be endowment plan as the policyholder will receive both the death as well as maturity benefit which increases the guarantee of payment. Followed by whole life as you are covered for all your life (up to 100 years). Finally, it's annuity which provides a fixed amount of payments to the individual. However, if the individual dies, the payments are discontinued.