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Assignment-1

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Subject: Life Insurance - Principles, Products and Practices
Roll no: 66

S ① Do you agree with the view that a bachelor without dependents needs no insurance? If you feels that he needs insurance, state the reason in support of your view.

Sol^n yes, ofcourse he needs the ~~we~~ insurance, the reason are as follow:

→ The Fund may be used for higher study.

→ To cover immediate expense after after. includes the medical expenses for the illness, expenses for the perfoming the last rites and religious ceremony after death.

→ If he/she dies the claim can be useful for the parents for their upcoming life.

→ To get the a good return at the time of the child death.

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(4) Life Insurance in short is concerned with 2 hazards that stand across the life path of every person of 'that of dying prematurally leaving the dependent family to fend to itself' and 'that of living two hazard which is more serious & difficult to manage? Give your view with reason:

Soln The more serious and difficult and to manage is 'that of dying prematurely leaving the dependent family to fend itself'

→ If you die before there is a very worst situation for the family, as one of person who would be breadwinner is died.

→ There should be perform like further education of the child, marraige of child etc...

→ To meet to the day-to-day expenses.

→ To pay-out the debts, for house loans, cars & mortage.

→ To keep care of the old-age grandfather grandmother

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→ To keep care of the old-age grandfather-grandmother.

→ To help to meet the perform duty of the last rites & religion ceremony after death.

→ Insurance is enforceable by law where as in gambling none of the parties has any legal remedy.

⑥ What is adverse selection & moral hazard with respect to life Insurance Contracts?

Solⁿ Adverse Selection:

Adverse selection refers to situation 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.

eg: A car salesman known that he has a faulty car, which is worth $1,000.

Moral Hazard:

A moral hazard is an idea that a party protected from risk in some way will act differently than if they didn't have that protection.

eg: Killing a husband to get the policy is called moral hazard.

(12) Bob is a 25-year old carpenter who is subcontractor to various builder. He is married and has one 3-year old daughter. He earns Rs 700000 gross but pays Rs 2,00,000 in expenses, most which are fixed expense i.e a leased car and leased equipment. Bob rents an apartment and spends his earning of Rs 3,00,000/- on living and entertainment expense. Bob saves & invest other money.

A) Describe briefly the feature of insurance Bob could have taken out. These insurance cover may not necessarily exist in India?

B) Why would anyone buy insurance policy?

Soln

(A) (i) Whole Life Insurance :

→ Major benefit of the life Insurance that it provide the coverage against the death throughout the entire life.

→ It can be bought online in a simple & hassle-free way.

→ Whole life insurance provide loan facility to policyholder

→ It is very useful as means of the providing for funeral expense or for meeting any liability of tax.

→ In last respect, It is useful as a means of protecting some of the expected transfer of wealth that a parent would be aiming to make for his/her child when he/she die.

② Endowment Policy :

→ Endowment plans provide the dual benefit of savings cum insurance coverage.

→ Tax benefit can be availed.

→ It offers the benefit of long-term saving to the policyholder.

→ It also contain rider to increase the coverage & also give additional bonus facility.

→ It often used as a mean of transferring wealth from say parents to child.

B) The reason that one should buy Insurance:

→ The insurance is one type of the saving.

→ The insurance secure you life, so if anything happens to you beneficiary will get get the amout which would help them in the future.

→ It is also helpful for the education & marriage of the children.

→ It's also ~~helpf~~ helpful to perfom the last rites and religion ceremony relatel to death.

→ It help ~~you~~ to pay the debts, includin house loan, car, mortage and etc

→ As mention, it is often use a way for transfering the weath, say from parents to child.

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(15) What undesirable consequences may follow if ~~underwrig~~ underwriting were not permitted in the private voluntary market for life and health insurance?

Soln

→ If the underwriting is not permitted, the insurance company may get loss at the large scale.

→ The premium is not based on the and can be chosed on any of the basis.

→ If underwriting is not done, the policy cannot be ~~do~~ formed properly.

→ Underwriting is very necessary for the premium rate, sum assured & other products related to the insurance.

(18) Describe various type of life Insurance a person can buy. State which reason on level of premium charged in each case.

Soln

* Types of life Insurance.

(1) <u>Whole life Insurance:</u>

— Whole life Insurance provides you the coverage throughout the lifetime provided that the policy

→ Whole life Insurance policies also contain the cash value component that increase over time.

— The life Insurance, coverage against death the entire life is insured.

→ This is tax free.

→ The level of premium in whole life Insurance is fixed level that generally remain same till the death.

② Term life Insurance:

→ Term life insurance is a type of life insurance that provide a death benefit to the beneficia if the insured dies during specific time.

→ If the insured survives until the end of period, or term, the coverage cease without any value.

→ Term life insurance is income replacement that remain active for some time

→ The premium is not much high it is affordable.

③ 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 policy maturity date, or to a beneficiary otherwise.

→ An endowment policy provide you with a dual combination of protection and saving.

→ In this policy, If the insured die in the term of the policy, the nominee will recieve the sum assured plus the bonus.

→ The bonus and the profit are paid for the years the insured survive the policy.

→ The rate of premium is generally high as the payment is certain, either the insured die or survive till maturity date, we have to paid the amount.

④ <u>Annuity Policy</u>:

→ An annuity is a financial product of insurance that pays out a fixed stream of payment to an individual.

→ There products are generally use for the retirees

→ Upon annutization, the holding institute will issue a stream of paymen as later point in time.

→ The level of premium is high as they have to give the specific amount till the death.