Life Insurenc Assignment - 1

1. No, I feel a bachelor without dependants needs an insurance policy because:-

i Savings → It enculcales a habit of saving money at an early age because eventually his expenses will increase day by day.

ii Tax Benefit → Insurenc policy helps a person to save some amount i.e. get relaxation while paying taxes.

iii Protection → The person gets protection from the losses. The insurenc ~~policy~~ company compensates for the loss as the person was paying premiums.

iv ~~It may happen to mean~~ He might marry in future and have kids ~~which~~ who will be his dependents.

~~2~~ 4. I feel the hazard of "living too long without visible means of support" is much more serious than the other case. ~~Although~~ The reasons are:-

i To the first case the dependants may find it difficult to survive but eventually they will start earning money, face hardships of life and become financially independent and strong. Family members may help them.

ii It is not necessary that the person who is living long had invested his money in several policies, bonds, shares etc in his early years.

iii Nowadays a person with no income and no money faces a lot of difficulties in life and also he might have a family to feed. Money is one of the most important factor in one's life.

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6. (i) Adverse selection → Adverse selection is ~~a term~~ used for a situation when the insurance applicants presents a possibility of loss that is higher then the average expected from a random sample of all applicants. It arises when the information presented to the insurer and the actual material facts relating to the risk are different.

(ii) Moral Hazard → These hazards ~~are~~ refer to the defects that exists in a person's character that may increase the frequency or the severity of loss. Such a character may tend to increase the loss for the company. e.g. kill wife to get death proceeds of insurance.

12. A] There ~~features~~ are several feature Bob cap can opt for.

(i) Whole life Policy → The coverage is provided throughout the lifetime. It also offers loan facility to the policyholder. It provides claim on death or maturity which ever is earlier.

(ii) Term life insurance → Bob can also purchase a term life insurance policy not only that he can also add riders to his insurance policy. He will also a tax benefit. The premium rate is low as compared to others.

Riders can also be ~~ado~~ opted for. These are special benefits that are added to a master policy. ~~e.g~~ e.g.

a) Premium waiver rider → Future premium can be waived off incase of disability or if he becomes critically ~~ill~~ ill.

b) Accidental death rider → As Bob works ~~in~~ with several dangerous equipment ~~it might~~ dead can also occur while working at construction sites etc hence this rider can be added if he dies accidently.

B] A person should buy insurance policy due to several reasons:-

(i) Protection → Policy protects the policy holder and his family ~~one~~ in hard times. It compensates for the loss occured for which premium is paid.

(ii) Peace of Mind → It provides a certain peace of mind and lets you live a ~~less~~ stress free life because you know the loss can be compensated. Now adays living a ~~stra~~ stress ~~fre~~ free life is very necessary for one's mental sanity.

(iii) Savings & Investment → During the tough times Policies is a great thing to rely on. Insurance policies acts as protection + savings combo. ~~Att~~ Also you get a tax benefit under the Income Tax Act if you pay policy premiums.

(iv) Dependents → After untimely death the dependents are left alone. They ~~have~~ will have to face tough times emotionally as well as financially. ~~if insurance~~ Insurance policy helps them in several ways.

15. Underwriting is the process of consideration of an insurance risk. It analyses and equates the risk. ~~ie~~ Underwriter is a professional that evaluates the risk of ensuring a particular insured and uses that information to set premium pricing for the policy. The consequences if underwriting were not permitted in private voluntary market for life & ~~hot~~ health insurance are:-

(i) The companies won't be able to analyse and ~~equa~~ evaluate the risk present in the insurable good or ~~matter~~ subject matter. which in turn would affect the pricing of the premium.

(ii) ~~A~~ There would be not difference between a good risk or a bad risk, e.g. a smoker and a non smoker would pay the same amount of premium where as a smoker would be more prone to be ealthy ~~dis~~ diseases and get a claim for it. This would result in huge losses for insurance companies.

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(iii) ~~Th xp customer base~~ There would be lack of utmost good faith between the insurance company and the customer.

18. The different types of life insurance policies are :-

i Whole life Insurance → It provides full coverage throughout your lifetime. You ~~w~~ can claim the money on death or due date which ever is earlier. Tax benefits is also provided in whole life insurance policy.

ii Term life insurance → Term life insurance policy provides a death benefit to the beneficiary only if the insured dies during a specific period. Term insurance plans offer higher coverage at a minimum premium rate. Additional riders can also be added.

iii Endowment Policy → It is payable to the insured if he/she is still living on the policy's maturity date. It provides you a dual combination of protection and savings. Tax benefit can also be provided.

iv Pure Endowment → An insurance contract promise to pay the insured a stated sum if he survives a specified period. It is used when a policyholder intends to save up money towards some specific financial goals.

v 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.

vi Joint life Policy → It is a cover that you get on a first-death basis. It is mostly bought by husband-wife or business partners. The advantage of joint life policy is that it pays out regardless of which partner dies. It is cheaper than taking 2 individual policies.

vii Unit linked contracts → These have benefit that are directly linked to the value of the underlying investment. The amount is related to ~~a~~ an index like Nifty or, Sensex etc. As each premium is paid a specified proportion is invested in an ~~inf~~ investment fund chosen by the policyholder.

The set of ~~prem~~ premium in highest to lowest order are:-

(i) Unit ~~lite~~ linked contracts → It is because it is related to a specific index which is volatile.

(ii) Endowment Plan →

(iii) Whole life Policy → It has a level premium. Claim can be received only after death ~~that~~ it happens in a specified time.

(iv) Joint life Policy → The premium is less ~~like~~ if compared to a buying 2 separate whole life policies.

(v) Annuity → The level of premium is low ~~as~~

(vi) Term Insurance → The premium is least in term insurance policy it provide plans ~~offers~~ with high coverage and at minimum rates.