Assignment 1

1) Do you agree with the view that a bachelor without dependents needs no insurrance? If you feel that he needs insurrance, state the reasons in support of your view.

→ I disagree though it is true seeing the bachelor's current state he doesn't require insurrance but insurrance is something which is future oriented so seeing broad picture. The bachelor will not remain bachelor forever one day he will have dependents who will suffer greatly after his death. So thinking in this way makes it clear he needs insurrance because insurrance is like leaking roof i.e If you wait for years to take it it's cost increases i.e premium are according to your ~~sala~~ income. So taking insurrance at earlier age comes with it's own benefits

① Advantage of paying cheaper premium
② Help in ~~uoinvil~~ sudden critical illness or mishaps.
③ Tax Saving
④ future Security.

Q4 Life insurance in short is concerned with two hazards that stand across the life path of every person that of dying prematurely leaving the dependent family to fend for itself and that of living too long without visible means of support. Of the two hazards which is ~~means~~ more serious and difficult to manage Give your views with reasons.

→ When person "lives too long" means person is old so if there is no visible means of support Person can still live a life in oldage home and stay alive happy for rest of his life. But when a family loses breadowner premature and after this they have nothing which can help them to survive then whole family can die in that person's absences. So this is more serious and which is difficult to manage ~~as till~~ because till one of the family member becomes capable to earn family ~~ha~~ will face hard time both financially and emotionally ~~And there is no place~~

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 earn Rs 7,00,000/- gross but pays Rs 200,000/- in expenses, most which are fixed expenses i.e leased car and leased equipment. Bob rents an apartment and spends his earnings of Rs 300,000/- on living and entertainment expenses. Bob saves and invest all the other money

Given

Bob's age = 25.

he is married with a 3 year old child.

he earn 7lakh/- gross.

He pays;

Fixed expenses = RS 2 lakh/- (on leased car and equipment which are leased to

Rent of apart. and entertaint = RS 3 lakh/-

So he saves/Invest = RS 2 lakh/-

a. Describe briefly the features of insurances Bob could have taken out. These insurance covers may not necessarily exist in India

→ ① As Bob is just 25 year old and with the given information he is the only bread earner so he should take ~~a policy~~ life insurance policy for himself. most accurately term life because while he is working ~~If~~ he dies his beneficiaries will get little help.

② Bob can take medical Insurance as he have to work in construction area which can cause larg problems in long run.

③ Job insurance - As he works for various builder only so there are high chances that in future building business gets closed and in such cases this insurance can help.

④ Auto Insurance - Though he uses a leased car but ~~at~~ the end he is at risk of suffering heavy loses if he damages it and this insurance can help.

⑤ Contractors equipment policy - Similar to car equipments are also at stack so insuring them can be a base risk management in long run.

⑥ Tenant Home Insurance -
→ 1stly it's not owned so if anything happen ~~he~~ he has to pay ~~his~~ it's owner which can be very huge. so this insurance can help him save his rented home with the belonging that are in.

B Why would anyone buy insurance policy?
→ Insurance is not a money making business for insured but neither it is something which is not worth to invest in. With Insurance Insurer get long term peace of mind either be it a life insurance or car insurance the insurer's fear ~~of~~ is reduced as their fear is taken by insurance company. So a person should buy insurance if ~~the~~ ith the loss of something happening to person or insured belongings will effect current situation.

15 What undesirable consequences might follow if underwriting were not permitted in the ~~perso~~ private, voluntary markets for life and health insurance?

→ Insurance is not a profit making business. It is ~~ju~~ giving peace of mind to ~~for~~ insured. It is for the things which ~~if he~~ after insured for the things which if damaged or lost can affect his life. and life and health insurance are related to life as the name says so losing ~~his~~ insured persons life should be impactful for the beneficiary and not ~~ope~~ ~~for~~ their improving their current life lifestyle. ~~so to avoid~~ Insurance is a way thing where in begining Insured pay premium to company ~~for~~ which helps company grow and when Insured claims the policy company help his dependents or beneficiary ~~for~~ to be stable. So to avoid any fraud from insured side underwriting is a process which ~~is~~ company follow fraud such as suspicion of non-disclosure of disease etc identified after claim etc. So if underwriting were not permitted ~~life~~ the people will take the advantage of this and will hide their habit or pre-existing medical condition that can affect their life which will ~~be~~ result in claiming health insurance or ~~even~~ such habit made lead to death which result in claiming life insurance. So this will not be fair considering life insurance and health insurance.

~~It~~ Another things that can happen if underwritting was not permitted same Same premium irrespective of insurers annual income i.e. ~~Rich~~ poor people cannot take insurance. So this will not be fair from insured person's point view. and Also, All companies will fix their premium which will lead to competition as people will consider those companies whose Rate of claim is highest and other will have to shut down.

18) Describe various type of life insurance a person can buy. state which reason on level of premium charged in each as.

→ 1] Whole life insurance

→ here person insured till death i.e the term ends when he dies and not before that. So person has many benefits i.e Tax benefit till death, and Guaranteed Benefit etc so Insurance company has no other option but to give claim amount to insured's beneficiary so Premiums are high to avoid loss after death of insured person.

2] Term Insurance

→ here person is insured for pre-defined term so if term end and person die's insurance can't be claimed. due to this Sum Assured is high as, person may die at early age so beneficiary will be stable after. here probability is very low for the person to die in term so Insurance company will not have to pay claimed amount if person survives so due to this it is affordable.

3] Endowment Insurance
-> person get Tax benefit with savings and protection benefit etc. which help insured grow so premiums are high.

4) Pure Endowment.
-> only survival benefit i.e. person gets benefit only if person is alive so no mortality benefit if person dies before policy end. ~~As Rate~~ a premiums are higher the term insurance as rate of death is less the rate of survival.

5] Unit Linked Insurance Plan.
-> Premium are high as It gives various seprate benefits. ~~so~~,

6) Annuity
-> Participating profit only one premium then after retiering acts as pension with series of payment there are no regular payment so the one ~~payment~~ premium which is made is high

6) What is adverse selection & moral Hazard with respect to life insurance?

→) adverse selection is people who need life insurance the most buy it i.e the risk of claiming increases ~~but~~ i.e unhealthy and more prone to die people buy it which will result in loss for Insurance company. Moral hazard ~~are~~ happen when takes Advantage of being insured ~~eg~~ i.e act differently after being insured eg person starts smoking after getting insurance. Both adverse selection & moral hazard are not fair to life insurance company.