1, 4, 6, 12, 15, 18

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L.I Assignment 1

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

→ No, i dont agree with the view that a bachelor without dependents needs no insurance. since,

i) we don't only have to invest in insurance for lives, but we have a lot of assets that need protection.

ii) Having insurances avails to us tax benefits.

iii) If you contract some critical illness, and since you have no dependents, insurance will help you financially.

iv) since you are with lower risk, your premium will be charged cheaper, thereby making it more better.

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

→ Out of the two hazards that stand accross the life path of every person, even though with meagre manageability difference, i think the one that of dying prematurely leaving the family to fend for itself is more heartthrobbing since i think, anyone can still manage to live life, without a support in this new world full of gadgets and new surprises everyday, but the fact that your loved one is no more, is too much of strain, suffering and affliction! Even though there are relatives with you, but losing a part of your brood is some irreplacable pain! Thus, i feel this hazard is more of a serious one and even though not impossible, but, yes, difficult to manage.

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

→ Adverse selection:- It means in a situation where the losses incurred by the insured are higher than average expected losses; thereby occuring due to lack of preciseness in the real actual facts and that of the information presented to the insurer by the insured.

Moral Hazard:- This is the case wherein there is hazard to a company due to

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defects in a person's character and mindset. Such a person may increase the severity of the loss to the company.
For eg:- Killing husband to get death proceeds of insurance.

12> Bob is a 25-year-old carpenter who is a subcontractor to various builders. He is married and has one 3 year-old daughter. He earns ₹700,000/- gross but pays ₹200,000/- in expenses, most which are fixed expenses i.e. a leased car and leased equipment. Bob rents an apartment and spends his earnings of ₹300,000 on living and entertainment expenses. Bob saves and invests all the other money.

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

→ 1. Bob can definitely have his family (wife mainly) covered if he dies unfortunately.
2. He can also have another L.I.P. for his daughter, either before or after the age of 18.
3. He can have his car, equipments, etc covered if anything bad happens.
4. He may make up a policy wherein if he dies his family might get the amt. insured for car/equipments since he isn't alive anymore and no one uses them anymore.
(Equipments prominently)

B. Why would anyone buy insurance policy?
→ I think, buying insurance is very important as it makes sure that the insured is financially secured to face ANY type of problem in life. It also covers burial expenses (if any), pays off the debts, helps building cash value, diversifies investments and also avails tax benefits. All of this with affordable premiums and great coverages.

15> What undesirable consequences might follow if underwriting were not permitted in the private, voluntary markets for life and health insurance?
→ Following are the undesirable consequences:-
1. May put up adverse selection
2. Moral Hazards may affect the company.
3. Morale hazards that are again not good for the company's growth.
4. Helps doing fair pricing and subsidizing.
5. Keeps up with the competition.
6. Declined risks if any.

18> Describe various type of life insurance a person can buy. State which reason on level of premiums (highest to lowest) charged in each case.
→ Various types of life insurances a person can

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buy are:-

1. Term Life Insurance.
2. Whole life Insurance
3. Endowment Policy
4. Money Back Policy
5. Savings & Investment Plans
6. Retirement Plans
7. U.L.I. Plans
8. Child Insurance Policy.

Premium is an amount paid periodically to the insurer by the insured for covering his risk.

The higher the risks linked to the individual, higher the premium charged.

If the risks are low, the premium charged will be comparitively less.

—x—o—x—