

STAT 472

Fall 2020

Quiz 1

August 26, 2020

1. Traditional life insurance policies are often classified as Term Insurance, Whole Life Insurance, and Endowment Insurance. Which of these three types of policies will typically pay you a cash amount upon the termination of the contract while you are still alive?

2. Life annuities can be classified as Single Premium Deferred Annuities, Single Premium Immediate Annuities, or Regular Premium Deferred Annuities. Compare and contrast these three types of annuities. In other words, how are they the same and how are they different?

3. List three reasons why group policies may be cheaper than individual policies.

4. Structured settlements paid on a periodic basis address two risks that are present when a settlement is a single payment. Describe the two risks.

STAT 472

Fall 2020

Quiz 1

August 26, 2020

1. Traditional life insurance policies are often classified as Term Insurance, Whole Life Insurance, and Endowment Insurance. Compare and contrast these three types of policies. In other words, how are they the same and how are they different.

2. The purpose of underwriting is to classify potential insureds into homogeneous risk categories and to determine the appropriate premium level. Why is this important?

3. Under a structured settlement contract, replacement of income is normally less than 100%. List three reasons why.

4. Under lapse supported policies, the premiums are reduced because excess funds from lapsed contracts subsidize the remaining policies. State whether the following types of policies are lapse supported and explain your answer.

- i. Term Insurance
- ii. Whole Life Insurance
- iii. Endowment Insurance
- iv. Life Annuities
- v. Long Term Care Insurance