

7. Analyze each of the following situations and decide whether you AGREE or DIS-AGREE with the conclusions, explaining why.

(a) A single woman of 35, without dependents, who has \$35 000 of group insurance in association with her employment, has been called on by a life insurance agent. He encourages her to take out a whole life policy of \$100 000. His arguments are as follows: (i) the premium will increase if she postpones buying insurance and (ii) she should have permanent insurance and not depend on the group policy, which covers her only as long as she stays with that employer. She decides that he is right.

(b) A woman who is widowed at 35 returns to work as a professional librarian to support her four school-age children because her husband's estate was small. She asks an insurance agent for a renewable term policy. The agent recommends that she buy permanent whole life insurance instead, so that she will have something for her old age. She tells the agent that she doesn't want a small amount of permanent life insurance, but a large amount right now.

(c) A young couple with three small children wonders what kind of life insurance to buy. He earns \$45 000 a year, and she stays at home to look after the children, while working part-time for another \$12 000 per year. They are thinking of taking out a family policy that would put \$10 000 on his life, \$3000 on hers and \$4000 on the life of each child. That way, the couple would cover the major risks.

(d) A retired couple of 75 and 73, who have a whole life policy for \$25 000 on the husband's life, wonder whether to keep paying the annual premium of \$175, or to cash in the policy and take the cash surrender value of \$12 200. They are living on Old Age Security, Canada Pension, an employer's pension, and the income from their modest investments. They decide not to cash in the policy now but to keep it for the wife's protection in case she should be widowed.

8. Review the life insurance policy in Appendix 5A. Do you AGREE or DIS-AGREE with the conclusions?