






## FN281 Individual Assignment

### 1) Discuss one Insurance product and comment on its benefits

From my research, I'm interested in Yim Sabai Muang Thai Haikuen product from Muang Thai Life Assurance company. This is because, we are all taking risk of being infected in all diseases in everyday life. The details of the plan are as follows;

 <p><b>Term of premium payment</b> 15 Years</p>	 <p><b>Term of Insurance</b> 15 Years</p>	 <p><b>Premium Payment Method</b> Monthly Annually</p>
 <p><b>Health Check</b> Subject to the Company's regulations</p>	 <p><b>Rider Purchase</b> Not able to purchase other riders to attach to the policy</p>	

premium payment of 15 years and term of insurance covering 15 years where the method of payment can be either monthly or annually. Customers have 6 alternative plans to choose as the following plans where the maximum benefit in baht in case of death or diagnosed cancer up to

	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6
1. Death	50,000	100,000	200,000	300,000	400,000	500,000
2. Invasive cancer*	50,000	100,000	200,000	300,000	400,000	500,000
3. Daily benefit for injury or illness that needs inpatient hospitalization per any injury or illness						
3.1 In case of hospitalization in a standard patient room (maximum not exceeding 365 days) per day	500	1,000	2,000	3,000	4,000	5,000
3.2 In case of hospitalization in I.C.U. (maximum not exceeding 30 days) per day	1,000	2,000	4,000	6,000	8,000	10,000
3.3 In case of surgery due to accident (maximum not exceeding 30 days) per day	1,000	2,000	4,000	6,000	8,000	10,000

500,000 baht and the maximum daily compensation up to 5,000 baht per day which are in plan 6. In case the insured is alive and has never received the benefits in No. 2-3 upon every three policy years, the company shall pay the benefits equivalent to the amount of

premium paid for one year to the insured. If no claim for every three years, receive premium of year 3 back

Hence, the benefits the insured or customers get will be for sure after paying the premium for 3 year, the elimination period might be longer relatively to other products those might be sooner. The coverage of the term is up to 15 years, the benefit period is not much long comparing to other products but in the other way, there is no high commitment to the company in the case if the company get in trouble. The maximum benefit of 5000 baht is quite desirable and there is the variety of alternative ways to choose how much I need to pay and how much I get in each choice and also the ways to pay the premium can be chosen according to my financial behavior.

## **2) Which mortgage would result in higher total payments?**

**Mortgage A: \$970 a month for 30 years**

**Mortgage B: \$760 a month for 5 years and \$1005 for 25 years**

*Mortgage A:*  $\$970 * 30 \text{ years} * 12 \text{ months} = \$349,200$

*Mortgage B:*  $(\$760 * 5 \text{ years} * 12 \text{ months}) + (\$1005 * 25 \text{ years} * 12 \text{ months}) = \$ 347,100$

Hence, *Mortgage A* would result higher total payments.

## **3) What are the two main types of consumer credit?**

They are 2 types of consumer credit:

- *Closed - end credit:* It is one time credit approval, and is used for specific purpose and involves in a specific amount. It also involves in written agreement, a down payment or trade-in may be required. It is with the balance repaid in equal amount over a period of time. There are subcategories of the closed - end credit which are installment sales credit, installment cash credit and single lump-sum credit. For examples, mortgage loans, automobile loans, and installment loans.
- *Opened - end credit:* It is used to make small purchases at different places or stores, you may have to pay interest or other finance charges and once charges are paid, the amount is available for additional purchases or you have the credit line back. The maximum amount of credit depends on the lender making it available

for you. There are also subcategories which are revolving credit and incidental credit. For example, credit card, car for cash, debit card and overdraft.

#### 4) What are the general rules of measuring credit capacity?

- *The debt payment to income ratio*, it measures to compare an individual's debt payment to his or her overall income, and can indicate an individual's ability to manage monthly payment and repay debts. It is calculated by dividing monthly debt payments by monthly income payment and is expressed by percentage. The low percentage meaning a good balance between debt and income, conversely for the high percentage signaling too of too much debt for a certain amount of income an individual has. The recommendation is that the ratio should not be exceeded by 20%
- *The debt to equity ratio*, it measures the dollar amount of debt an individual has for each baht (another currency) of equity he or she has. It can be calculated by dividing liabilities by net worth which net worth or equity is the difference between the total value of an individual's assets and individual's liabilities. With a high personal debt to equity ratio, indicating a high amount of debt relative to the available equity, it means the low ability to repay the loan. On the other hand, with a low personal debt to equity ratio meaning having a relatively low debt, and thus poses much less risk to the lender, appearing to have a reasonable ability to repay the loan. Hence, the lower the higher ability to pay the loans and the better managing an individual's financial plan. The recommendation is that the ratio should not be exceeded by 0.5.

**5) A few years ago, Michael Tucker purchased a home for \$100,000. Today, the home is worth \$150,000. His remaining mortgage balance is \$50,000. Assuming that Michael can borrow up to 80 percent of the market value, what is the maximum amount he can borrow?**

Book value = 100,000

Market value = 150,000

Remaining mortgage (owe) = 50,000

Borrow up to 80% of the market value:  $80\% * 150,000 = 120,000$

Present market value of Michael's home = \$150,000. Michael can borrow up to 80 percent of the market value, or \$120,000. Michael still owes \$50,000 mortgage on his home. Therefore, he can borrow a maximum of  $\$120,000 - \$50,000 = \underline{\$70,000}$ .