

**28. Incorrect. The answer is true not false.** Assume if Carol dies, her loss is  $V$  and if she lives, her loss is  $0$ . The expected loss ( $L$ ) is  $L = 0.0001 * V + 0.9999 * 0$ . If Carol is willing to take the above expected loss for  $\$500$ , she is setting her expected loss equal to  $\$500$  or  $0.0001 * V + 0.9999 * 0 = \$500$ . Solving for  $V$  gives the implicit value ( $V$ ) she is giving to her life or  $V = \$500 / 0.0001 = \$5,000,000$ .