

Solution:

(1)

$$\text{Gain due to Insurance} = \$6.5 - \$0.962 = \$5.538 \text{ million}$$

Pre-tax income increases by this amount.

The assets increase by the same amount.

(2)

For accounting purpose, the gain seems fine, but ethically it is wrong because it considers the value of human life to be zero, in terms of money which is unethical.