2. Whole life insurance

While term assurance policies are examples of temporary assurance, where protection is available for a temporary period of time, whole life insurance is an example of a permanent life insurance policy. In other words **there is no fixed term of cover but the insurer offers to pay the agreed upon death benefit when the insured dies, no matter whenever the death might occur.** The premiums can be paid throughout one's life or for a specified period of time which is limited and is less than one's lifetime.

Whole life premiums are much higher than term premiums since a whole life policy is designed to remain in force until the death of the insured, and therefore it is designed to always pay the death benefit. After the insurance company takes the amount of money it needs from the premium, to meet the cost of term insurance, the **balance money is invested on behalf of the policyholder. This is called cash-value.** One can withdraw cash in the form of a policy loan should he require emergency funds, or he can redeem by surrendering the policy for its cash value.

In case of outstanding loans the amount of loan and interest gets deducted from the payout that is made to the designated beneficiaries upon death.

A whole life policy is a good plan for one who is the main income earner of the family and wishes to protect the loved ones from any financial insecurity in case of premature death. This person must be able to afford the higher premiums of a whole life insurance policy on a consistent and long-term basis,

3. Endowment assurance

An endowment assurance contract is actually a combination of two plans:

- A term assurance plan which pays the full sum assured in case of death of the insured during the term
- A pure endowment plan which pays this amount if the insured survives at the end of the term

The product thus has both a death and a survival benefit component. From an economic point of view, the contract is a combination of decreasing term insurance and an increasing investment element. Shorter the policy term, larger the investment element.

The combination of term and investment elements is also present in whole life and other cash value contracts. It is however much more pronounced in the case of endowment assurance contracts. This makes it an effective vehicle to accumulate a specific sum of money over a period of time.
The plan is also made attractive because of the provision for deduction of premiums for tax purposes.

Yet another proposition in the Indian context has been the facility to place the policy in a trust created under the **MWPA (Married Women's Property Act), 1874** the money can only be paid to the policy beneficiary, who is thus protected against all creditors' claims on the property of the insured.