3. Riders in Life Insurance Products

We have seen above, how life insurance contracts offer various benefits which serve as solutions to a host of needs of their customers. Life insurance companies have also offered a number of riders through which the value of their offerings can get enhanced.

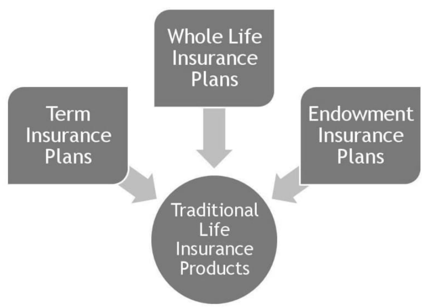
A rider is a provision typically added through an endorsement, which then becomes part of the contract. Riders are commonly used to provide some sort of supplementary benefit or to increase the amount of death benefit provided by a policy.

Riders can be compared to choice of different toppings in a pizza. A base policy is like a pizza base and choice of riders is like choice of different pizza toppings available to customise the pizza as per an individual's requirement. Riders help to customise different requirements of a person into a single plan.

B. Traditional life insurance products

In this chapter we shall now learn about some of the traditional types of life insurance products.

Diagram 2: Traditional Life Insurance Products



1. Term insurance plans

Term insurance is valid only during a certain time period that has been specified in the contract. The term can range from as short as it takes to complete an airplane trip to as long as forty years.

Protection may extend up to age 65 or 70. One-year term policies are quite similar to property and casualty insurance contracts. All premiums received under such a policy may be treated as earned towards the cost of mortality risk by the company. There is no savings or cash value element accruing to the insured.