Definition of life insurance

Life Insurance has been defined by different authors differently As given below:

1. **R.S.Sharma:** Life Insurance is a contract whereby the insurer in consideration of a premium paid area in lump sum or in periodical installment undertakes to pay and and or a certain sum of money a there on death of the insured or on the expiry of a certain number of years.
2. **D.S.Hansell:** Life Insurance is a contact in which a sum of money is paid bcan'essued in consideration of insurance in curing the risk of the paying a lot Sam upon again when

nature of life insurance

- **Offer and acceptance**: like other contacts of insurance the life insurance contract is also the outcome of an offer made by the policy owner and its acceptance by the insurance generally the Life Insurance contact is made in writing.
- **Agreed sum of money:** the insurance agrees to pay a certain sum of money Area on the death of the policy owner or on the maturity of the policy whichever is earlier.
- **Premium:** the policy owner is liable to pay periodically the amount of payment in the form of premium till the death of the policy owner or expiry of the period of policy 7whichever is earlier.
- **Not a contract of indemnity :** Life Insurance contract is not a contract of indemnity as the loss caused by the death cannot be measured in terms of money nor money is a compensation for loss of one's life.
- **Insurable interest:** in life insurance iinsurable interest must exist when the policy is issued through it may not exist when the policy becomes the climb the person who has been assigned and life policy need not have insurable interest in it as the insurable interest was already present at the time of taking policy.
- **Lending a helping hand:** Life Insurance provides helping hand to those who are left support less and helps financially in case of death of the insured it is also considered to be the best alternative for making savings.
- **covers other risks:** Life Insurance covers other risk which are connected with the human life in addition to the risk of death for example total and permanent disability or temporary disability and medical expenses compulsory retirement or the economic tip have also been covered under the purview of life insurance these days
- **Relief from Sword of damocles:** Life Insurance relieves the insured from the swords of damocles i.e., various risk and uncertainty which may occur before and after the death of the insured.

Principles of insurance

Insurance contracts are based on certain fundamental principles. These principles are common to all types of insurance - life, fire, marine and miscellaneous insurance contracts, with the exception of the principles of indemnity which is not applicable in case of life insurance contract because of it being a contingent contract. These principles are: (i) Co-operation, (ii) Probability; (iii) Utmost good faith; (iv) Insurable interest, (v) Indemnity, (vi) Contribution;
(vii)Subrogation, (viii) Causa proxima, (ix) Warranty and (x) Mitigation.

(a) Offer and acceptance: The person who wants to take up cover against particular perils offers his risk through a proposal form to the insurance

company. When the premium is received by the company and cover
note or policy is issued by the company, it signifies the acceptance of the proposal

(b) Consideration: The premium paid is the consideration and on receipt of the premium by the insurance company, the contract comes into force.

(c) Consensus Ad idem: There should be a complete and unbiased agreement between the insurer and insured regarding the terms of the contract. The intention of the insured should have been clearly understood by the insurance company and vice versa.

(d) Capacity of the parties: Both the parties must be legally competent to enter into an agreement. An agreement with a mentally unsound person is not a valid contract. So also an agreement with a minor, insolvent and alien enemy is not a valid contract.

(e) Legality of object of the contract: The purpose for which the agreement is entered into should be legal. It should not be against public policy e.g., insuring contraband goods.

Fundamental Principles

(1) Principle of Co-operation:

The insurer collects premium from the insureds in a pool and pays their claims out of the pool. The insurer is an association of persons who pays the claims out of its pooled money Thus insurance is based on the principle of cooperation. According io Reigal and Miller, "Insurance is pre-eminently social in nature. represents the highest degree of cooperation for mutual benefits

(2) Principle of Probability:

The occurrence of risk in each type of insurance is estimated through the theory of probability for which the insurer follows the theory of large numbers. The insurers collect the data of previous happenings taking a large number of years into consideration and forms an idea about the incidence in future. Life insurance companies prepare the mortality tables and calculate the premium accordingly

(3) Principle of utmost good faith or uberrimae fidei:

Insurance contracts are based upon mutual trust and confidence between the insurer and insured. Utmost good faith requires each party to tell the other "the truth, the whole truth and nothing but the truth". It means that the parties to the contract must make a full disclosure of all the material facts and information relating to the contract. A material fact is a fact which would influence the mind of a prudent underwriter in deciding whether to accept a risk for insurance and on what terms. Examples of material facts in various classes of insurance are : Motor: Details of any young driver

Household: Details of any commercial use of private dwelling house

Commercial : Previous losses hazards

Life: Details of Heart diseases.

(4) Principle of Insurable Interest:

For an insurance contract to be valid, the insured should have an insurable interest in the subject matter of insurance. The insurable interest is the pecuniary interest whereby the insured is benefitted by the existence of the subject matter and is prejudiced by the death or damage of the subject matter. The subject matter of insurance may be a property or life or legal liability, The insurable interest to be valid must be recognised as such under the law

in operation in the country and must satisfy the following conditions:
(a) There must be a physical object like life or property as the subject
matter of insurance which is likely to be destroyed.
(b) The person desiring to insure (insured) must lose or gain money if the
subject matter is lost or saved from future events (like death or fire
etc).
(c) The monetary relationship between subject matter and the insured is
recognised in law
(d) there must be a possibility or chance of a loss due to uncertainty about future event.

(5) Principle of Indemnity:

The term 'indemnity' means making up the loss. Literally it means "security against damage or loss or compensation for loss". All contracts of insurance, except life and personal accident and sickness insurance, are contracts of indemnity. According to this principle, the insured should be placed in the same financial position as far as possible after a loss as he occupied immediately before its occurrence. The insured will neither gain nor lose. In other words, the insurer will pay only the actual loss suffered by the insured i.e. the insurer will not pay the assured amount but only the actual loss suffered by the insured. For example, if a person has insured a cargo for Rs. 40,000 and if a part of the goods of Rs. 7,000 is destroyed, the insurer will pay only Rs. 7,000 and not Rs. 40,000. Thus, this principle ensures that "No one makes a profit out of insurance". The following conditions are supposed to be satisfied in full for the application of the principle of indemnity:
(a) The insured has to prove that he will suffer loss on the insured matter
at the time of happening the event and the loss is actual monetary loss.
(b) The amount of compensation will be the amount of insurance.
Indemnification cannot be more than the amount insured.
(c) If The insured gets more amount than the actual loss, the insurer has
right to get the extra-amount back.
(d) If the insured gets some amount from third party, after being fully
indemnified by insurer, the insurer will have right to receive the
entire amount paid by the third party.

(6) Principle of Contribution:

Contribution is also a corollary of the principle of indemnity. This principle applies where there is more than one policy covering the same subject matter against the same peril for the same period and for the same insured. In such cases, the insured can make claims under all policies with different insurers and recover pro rata from each. Contribution is the right of an insurer who has paid a loss under a policy to recover a proportionate amount from other insurers who are liable for the same loss. To illustrate, we take an example, suppose that Mr.X has insured his house against fire with A,B,C and D insurance companies for Rs. 4,00,000, Rs. 8,00,000, Rs. 12,00,000 and Rs. 16,00,000 respectively. Mr. X has suffered loss of Rs. 4,00,000 in all, due to fire and recovered the entire loss from the insurance company A. In such a case, company A has the right to call upon the other insurers to
contribute to the loss.

(7) Principle of subrogation :

This principle is just a corollary of or supplement to the principle of indemnity. Subrogation means inheriting the rights available to an individual. The insurer after making good the regards the subject matter of insurance. Thus, when the right of the loss, is entitled to all the rights of the insured against third party as insured over the subject matter of insurance is transferred to the insurer by way of this inheritance, it is known as "the doctrine of subrogation".

(8) Principle of Causa Proxima:

The maxim "causa proxima non remota spectature" means that proximale (nearest) cause and not the remote one is to be taken note of at the time of determining the liability of the insurer. The insurer is not liable for remote cause even if it is one of the insured perils. Therefore, if the immediate cause is an insured risk for the occurrence of which the insured is to be paid the insurer is liable to make the payment of loss under the policy, otherwise not For example, a cargo of wheat by a ship was insured against sea hazards. Rats made a hole in the ship, resulting in entry of the sea water in the ship which damaged the wheat. The insurer was held responsible for payment because the proximate cause of loss was sen water. In another case, a cargo of oranges by a ship was insured against loss and damage due to collision Later on the ship collided due to mishandling of the shipment Due to this, the orange becomes unfit for human consumption. It was held that the loss was due to mishandling and thus insurer was not held liable.

(9) Principle of warranty:

There are certain conditions and promises in the insurance contract which are called warranties. According to
Sec. 33(1) of the Marine Insurance Act, "A warranty is that by which the insured undertakes that some particular thing shall or shall not be done or that some conditions shall be fulfilled or whereby he affirms or negates the existence of a particular state of facts". A warranty may be

(A) Express warranty and (B) Implied warranty:

(A) Express warranty. It is that warranty which is expressed in the policy document, either specifically or by reference. The following are the main warranties in marine insurance :

(a) The ship is safe on a particular day
(b) The ship will sail on a specified day
(c) The ship will proceed to the destination without any deviation
(d) The ship will be natural and will remain so during the voyage.

(B) Implied warranty It is that warranty which does not appear in the policy document at all but are understood without being put into words and as such are automatically applicable. These are tacitly understood to have been included in the policy by law, general practice, long established customs, usage or general agreement Implied warranties are three in number:

(a) Sea-worthiness of the ship;
(b) Legality of venture, and
(c) Non-deviation.

(10) Principle of Mitigation of Loss : This principle emphasis the duty of the insured to take all possible steps to minimise the loss or damage to the property covered by the insurance policy in case the mishap happens

For example, when a warehouse catches fire, it is the duty of the insured to do all that he would have done if the goods were not insured (taking all necessary steps to extinguish the fire and prevent it from spreading) Thus, this principle aims at making sure that the insured behaves as a prudent person and does not become careless after taking a policy to convery any risk.

Terms Used in Insurance

There are certain terms which are used very often in insurance. These terms require some explanation

- **Insurer** : The party who agrees to pay compensalion on the happen of a contingency is known as insurer. Generally, the insurersers are the insurance companies.
- **Insured:** The party who has taken a policy for his life or propertyn the Insurance company is called insured.
- **Premium:** It is the consideration for which the insurer gives protection to the insured. It is the price of the insurance cover.
- **Policy**:It refers to the document which contains the lerms and conditions of the insurance contract. It is issued by the insurance company
- **Insured Amount:** The amount for which the risk is insured is called the insured amount or policy money or face value of the policy
- **Peril:** It is an event that causes a personal or property loss
- **Proposer**: The person who sends the proposal form for taking an insurance policy is known as proposer.
- **Beneficiary**: The person to whom policy amount will be paid in the event of the death of the assured is called beneficiary.
- **Hazard**: It refers to a condition that may create, decrease or increase the chance of loss from a given peril. Hazard is of two types: (a) physical hazards, an objective characteristic increasıng the chance of loss, such as the age, or health of an insured person or the location, use and construction of insured property, the production of gun powder in a building, (b) Moral hazard; a subjective characteristic increases the chance of loss such as dishonesty, negligence, or insanity.
- **Risk:** It is defined as a phenomenon closely associated with uncertain events or perils such as fire, storms, collision to which the object 1s exposed or a hazard or set of hazardous conditions which may cause a loss or the probabilitya loss occurring otherwise.
- **Reinsurance:** It is a sub-insurance which the insurer may effect if he thinks that he has insured a big risk and wants his liability to be shared by other insurers. For example, if insurance company X insures A's house for Rs. 20 lakhs but then himself insures it with another insurance company Y, he will have effected a re-insurance. In such a case, X will be called the reinsured and Y the reinsurer. The reinsured can claim the loss from reinsurer only when he has himself paid the loss to the insured person under the original contract.

There are two principle methods of eflecting reinsuranee cover. They are :

a) **Facultati ve Reimsuranee** It is also known asSpecttie Remsurance It is a form which concerns itselt with specilhc msurance Iransaction. It neoessitates the consideration of each risk separately and accordingly cach contract is written on its own merit
(b) **Theaty Reimsurance**: The reinsurer and the direct insurer enter into
a treaty which is a formal legally binding agreement hat the former shall accept a speclied portion of any risk covered by the latter A treaty cmbraces future contracts as well as those in existence at the time the agreement is executed. Trealy reinsurance may be
(1) Quota-share treaty or lixed share treaty; (2) surplus-treaty,
(3) exceSs of loss treaty and (4) excess of loss ratio treaty or stop-
loss treaty

- **Double insurance:** If an insured insures the same subject matter with

Two or more insurance companies and the total sum insured IS more than the value of subject matter, it will be a case of over insurance by means of double insurance. For example, if a person has a house valucd at Rs. 30 lakhs, he may get it insured with two insurers for Rs. 15 lakhs each. But being a contract of indemnity, he cannot recover from his
Insurers more than the amount of actual IoSs. The on ly benefit of double AnSurance is that in the event of loss, the insured can recover the amount of loss from his insurers in any order he likes. It gives him protection in case one (or more) of his insurers becomes insolvent.

Life insurance product orr policy

As mentioned here in the life insurance industry apart from LIC of India several private companies or also involved in selling life policies to general public living in the different corners of our country the policies of private players have already been given in the previous chapter the policies of LIC of India have been group under the following nine major heads:

1. **Whole Life policies**
2. **Endowment policies**
3. **Children's policies**
4. **Joint life policy**
5. **Women's policy**
6. **Term policies**
7. **Special policies**
8. **Group insurance policies**
9. **Pension policies.**

1.Whole Lite Policies

The risk is cOvered for the entire life of the policyholder, which is why they are known as whole life policies. The policy amount and the bonus are payable only to the nominee or the beneficiary upon the death of the policyholder. The policy holder is not enutled to any money during his or her own life time ie., there is no survival benefit. This represents a serious drawback in the case of whole life policies for they go on covering a policyholder s life even after his life has no further economic value for others. One the other hand, a policyholder would probably require the money for himself and his spouse during retired life but this would nof be possible since the sum assured is payable only when the policy holder dies. In this sense, whole-life policies are fairly rigid and suitable only in a few very specific cases. The important whole life policies offered by LIC of India are as follows:

- **Single premium whole life plan No.8 :** Under this policy the total amount of premium payable is paid in one lumpsum by the assured The time element is the predominating feafure and protection element is substantially less than the face value of the policy. The policy is not so popular but is purchased for investment purposes. It suits those persons who get windfall income like lotteries, etc and who can afford such single payment. The minimum sum assured is Rs 20,000 and there is no limit for maximum sum assured
- **Convertible whole life plan No. 27:** This policy is suitable to young man who is on the threshhold of his career and has prospects of increase in income ater some time. The object of this is to provide max imum protection at minimum Cost. It is a whole ife without profit plan, premiums payable upto age of 70 years of the assured The premium charged is that of whole life without profits and therefore sufliciently low. This risk is however covered for the full sum assured After 5 years, the life assured can convert this policy into an endowment with or without profits choosing the tem without having to go in for a medical examination In case the conversion option is not exercised at the end of 5 years, the policy continuous as a whole life plan without profit with the premium payments ceasing at the age of 70. The minimum sum assured in Rupees 20000 and the maximum age at the entry is 45 years.
- **Limited payment whole life plan no5:** in this policy the life assured is required to pay a premium for a fixed period from 5 to 55 years. the life assured should shall have the satisfaction of knowing the maximum amount he will be required to pay no matter how long he lives. If he survives the period of selected number of here no further premium is required to paid. But there assured some becomes available only after his death.
  With profit Limited payment policies do not cease to participate in the profits after completion of the premium paying period but continued to share in the periodical bonus distributions and till the death of the life assured. in case the policyholder space at least three years premium and then discontinuous pain any more premium reduced paid up Assurance policy comes into force.
  Search a reduced paid up policy will not be entitled to the participate in the profits declared thereafter but search bonus as has already been declared on the policy will remain attached there to this policy is betterform of life insurance for family protection since it enables the ashud to pay all the premium during the productivity years of life
- **Whole life with profis plan No.2:** This is the cheapest "with profir policy available from LIC of India. Starting at 2.3% the effective premium goes down to 0.7% in the 25th year of the policy. Premiums under this policy are payable upto the age of 80 or for a 35 years term whichever is earlier. The Bonus rate is calculated at 125% of the endowment with profit plan. The claim is paid on completion of age 85 without waiting for the Life Assured's death. If the payment

of premiums ceases after 3 years, a free paid-up policy for such reduced sum will be automatically secured provided the reduced sum assured, exclusive of any aittached bonus is not less than Rs. 250. Such a reduced paid-up policy is not entitled to participate in the profits declared thereafter but the bomus already declared on the policy will remain attached, provided the policy is converted into a paid-up after premiums are paid up for 5 yeare.

2.**Endowment policies**

Endowrnent policies are taken fora specified period where under sumassu Spayahle on expiry of the specificd period (maturity) or earlier death.premiums are normmaly payable throughout the term of the policy or till the prior death af the life assured These policies provide security to family in cas ol accumulated savings (S.A) as succour for old age. Some ef the varanis ef endowment policies are as follows:

- **Jeevan Mifra - Plan No. 88** this policy secures (a) do ble the sum assured plus the accrued bonus if an insured dies before maturity (b) basic sum assured plus the acu rued bonus if an insured survives the full term of the policy.
- **Jeevan Mitra Triple coer-plan No 133 This** policy provides (a) Thirice of the basic sum assured in the event of death before maturity; (6) sum assured plus the accumulated bonus on maturity. This policy is generally without profit plan and is ideal for collateral security for housing loans.
- **New Janaraksha policy-plan No. 91** This policy is suitable for those who cannot afford to pay the premium regularly like farmers and weavers This policy continues to provide full life insurance cover to the assured for 3 years, even when the premium payments are stopped due to certain reasons, provided that atleast 2 years premiums have been received. It provides basic sum assured plus accrued bonus if an assured dies before maturity or survives the full term of the policy. It offers double the sum assured plus accrued bonuses on the sum assured as defined on the policy document if an assured becomes permanently disabled in an accident.
- **Endowment with profits plan No. 14** Moderate premiums, high bonus, high liquidity and savings oriented are the main features of this policy. It not only makes provisions for the family of the life assured in the event of his early death but also assures a lumpsum at a desired age. In case policyholder becomes totally and permanently disabled due to accident before reaching the age of 70 and the policy is in full force, he will not be required to pay further premiums.
- **Limited payment Endowment with profits plan No. 48** This policy differs from the usual endowment in one respect that premiums are payable for a shorter duration than the maturity period. The risk remains covered upto the maturity date of the policy.
- **Bhavishya Jeevan Policy- Plan No. 95** This policy is meant for those who are having a very short span of earning life like film artiste, professionals on lucrative foreign assignments, ete. The income of such

people is very high over a short period and continuity of the income at
the same level is uncertain thereafter. To provide protection for these
people, this policy is offered with higher premium during the first five
years and lower premiums during the balance term. During the first five
years, the annual premium is three times the amount payable during the
rest of the term.

3.**Children's Policies**

these policies are meant for various needs of children such as educatoon marriage and security of life assurance at an early age. These policies are or 1ypes, those;

(a) on the life of child, or

(b) on the life of the parent of the child and for the benefits of the child.

Some of these policies are discussed below

(i) Jeevan Chhaya- Plan No. 103. This policy is ideal for parents having less than a year old child. It fulfils simultaneously short term needs like family provision in case of premature death of the policyholder and long tem needs like education and marriage of children. It is a right choice if a person wants to provide for the marriage of his daughter. The term can be fixed so as to receive the maturity benefit in marriageable age of the daughter. For example, if the policy is for 20 years, then

- At the end of 17th year - 25% of sum assured is payable
- At the end of 18th year - 259% of sum assured is payable
- At the end of 19th year -25 % of sum assured is payable
- At the end of 20th year balance 25% sum assured plus bonus plus

additional final bonus is payable.

In case the policyholder dies before maturity, besides the fixcd benefits (i.e, 25% at the end of 3 years) an additional amount equal to the summ assured will be paid. Future premiums will stand waived.

(ii) Jeevan Kishore - Plan No. 102. This policy is ideal for parents of children who want to provide a lumpsum amount at a particular age o the child. The amount can be used for any particular need of the child like marriage or start in life. High bonus from day one, child becomes owner of the policy automatically at the age of18 years. Risk commenes after 2 years of policy or on completion of 7 years of age, whichever is later, and no medical examination of the child if age is less than 10 years are the salient features of this policy. The sum assured along with vested bonus and final additional bonus, if any will be payable on maturity or death if earlier, provided the death occurs on or after the date of commencement of risk.

(iii) Jeevan Sukanya - Plan No 109 This policy is designed exclusively for female children. It can be taken on the life of a female child aged between year (completed) and 12 years (last birthday). The risk cover will start 2 years after the date of commencement or from the policy anniversary falling due on or immediately after the date on which the life assured attains the age of 7 years whichever is later. The premiums are payable for a limited period. The tem of the policy will be equal to 50 years minus the age at entry and the premiums paying term will be equal to 20 years minus the age at entry. Premiums are payable till the end of the premium paying term or till the death of the life assured, whichJeeva is earlier This policy ofers risk cover not only on the life assured but also extends it to the life of her husband when she gets married. It provides life cover to life assured and her spouse till the age 50 years. Bonus continues to accrue till age 50 years. In case the life assured survives, the policy anniversary falling due on or immediately afler completion of 20 years of age, the full sum assured will be paid as survival benefit.

4. Money Back Policies

Some persons may need a lumpsum amount even before the expiry of the tem of the poliey for taking a long vacation. purchasing a TV or a fridge or even the marriage of a near and dear one. To meet their need. LIC of India has brought out money back policies, wherein part of the Sm Assured is made payable periodically during the term of the policy. Notwithstanding the payments at periodic intervals the sum assured at risk (payable al death) continues to be the same till the end of the term Some of the popular money back policies offered by LIC are as follows

(i) **Money back with profils -** Plan No. 75 This is with profit plan for terms of 12. 15, 20 and 35 years. Benefits payable under this policy are as under

(a) In case of a 12 -year policy 20% of the sum assured is payable each at the 4th and 8th years and the balance 60% plus accumulated bonus at the end of the 12 year term
(b) In case of a 15- year policy 25% of the sum assured is payable each after 5 and 10 years and the balance 50% of the sum assured together with accumulated bonus at the end of the 15th year.
(c) In case of a 20- year policy :20% of the sum assured becomes payable each after 5, 10, 15 years and the balance 40% plus the accrued bonus becomes payable at the 25 the year
(d) In case of a 25-year policy 15% of the sum assured becomes payable each after 5. 10, 15 and 20 years and the balance 40% plus the accrued bonus becomes payable at the 25 the year
In case the policyholder dies before maturity, the full sum assured is payable without any deduction for the amount that might have been paid earlier by way of survival benefits. Bonuses that are added are calculated on the full sum assured.

(ii) **Jeevun Surabhi policy.** This is an improved version of money back plan where premiums are payable for limited period with -
(a) An added attraction of periodical increase in insurance cover
(b) Free risk coverage even during the non-premium paying period.
(c) Available with premium payment periods of 12, 15 and 18 years.

(d) And policy terms of 15, 20 and 25 years
(e) Money back at intervals of 4 or 5 years as per policy term.
(iii) **Jeevan Sanchaya Policy** It is a variation of money back plan which assures periodic payment of basic sum assured in instalments on survival, with increasing benefits. It enables to make provision for future necessities the timely availability of funds for marriages, education, illness and any unforeseen contingency. It is issued for selected term of 10, 15 and 20 years. Money back is made at intervals of 5 or 10 or 15 years as per policy term. In the event of death within the term, full sum assured is payable without any deduction or adjustment of survival benefits already fallen due. Accrued guaranteed and loyalty addition, if any, will also be paid. Accident bencfit will be granted under this policy, subject to a maximum of Rs. 5,00,000 only.

5.Joint Life policy - Jeevan Saathi - plan No. 89

The LIC of India has brought to light a joint life policy entitled "Jeevan Saath-plan No. 89" Accordingly, a single policy is issued on wo lives such as husband and wife. It protects the incomes of both husband and wife, also grants equivalent benefits to their survivors in case neither survives the policy term period If one or both of them survive on the maturity date, the sum assured along with the accumulated bonus will be paid. In case either of the couple dies during the policy's term, two things happen. One, LIC pays to the surviving spouse the full sum assured. And, two, the policy continues on the life of the Surviving partner without him /her having to pay any further premiums i.e., the life cover on the survivor continues free of cost.

6.Women's Policy

LIC of India has specially designed a policy lor women entitled "Jeevan Sneha - Plan No. 128 ". This policy encourages women to save for satety and security. Ir provides for fund in times of need like education, marriage, sickness. etc. All female lives between the ages 18 years (completed) and 50 years are covered under this policy. Maximum maturity will be 70 years. Physically disabled women are also eligible subject to certain conditions. This poliey is hasically a money back type plan with the following features.

(a) **Survival Benefis** 20% of sum assured payable at the end of 5 years, 20% of sum assured payable at the end of 10 years
20% of sum assured payable at the end of 15 years
40% of sum assured payable together with accrued guaranteed (Rs. 70 per thousand sum assured) and loyalty addition at the end of 20 years.

(b) **Accudent Benefit** Accident benefit would be available under this policy and is admissible during the period of extended cover of3 ycars also without any extra premium

(c) **Death Benefit** In case of death of the life assured during the policy
term, the full sum assured is payable in addition to survival benefits
paid earlier The Guaranteed additions and loyalty addition if any,
are also puyable
(d) Pregnancy and childbirth risk is also covered (with some exceptions)
without extra premium if the policy is in force.
(e) **Option for Anmuity** The policyholder can opt for a pension (annuity)
in lieu of the maturity amounts. This option should be exercised 6
months before date of maturity.

7. Term Policies

Under these policies, the sum assured is payable only in the event of death
during the tem In case of survival, the contract comes to an end at the end of
erm and no payment is made T hese policies are usually non-participating since
only death nsk is covered, the premium is low and the contract is simple. These
policies provide coverage for a specified period of time say 5 or 10 years or so on.
These policies are of the following types
(i**) Bima Sandesh plan No 94** This is a fixed tem life cover policy
withoul bonus. In case of death of the policyholder, the nominee gets
full sum assured. If the policyholder survives till the end of the term, he
receives the total amount of premium paid (less any additional premium
like premium for DAB, health extra, etc). In this policy, standard age
proof will have to be submitted along with the proposal form. The
proposal will be entertained only on the basis of medical report
iRRespective of the sum assured The cost of medical examination is to
he borne by the proponent
Accident benefit equivalent to sum assured would also be available
under this plan as per existing rules. This would, however, be subject to
Overall limit of Rs 5 lakh in the aggregate including existing policies and
also the payment of appropriate additional premium in that behalf at the
ExISting rate
(ii) **Convertible Term Assurance - Plan No 58** Under this policy, the ife
assured has an oplion to convert this policy, provided it is in full force,
Into cither a limited payment life policy or an endowment assurance
poliey, without having to undergo freslh medical examinatiOn, al any
ime during the specilied term except the last two years. The maximum
age limit for entry is restricted to 45 years. In case, the life assured dies
belore the expiry of the specified term, the sum assured is payable to his
nominee. If the life assured survives till the end of the tern of the polhcy,
nothing is payable.

8. Special policies:

LIC of India has brought out some policies to provide solution to the problem like risk of major
elements, maintenance of handicapped dependents, ect. Such polices are discussed below :
Jeevan Aadhar - Plan No. 114: This policy has been specially designed
to make provision for maintenance of handicapped dependents. Under

this policy, an individual or member of HUF can take an assurance on his/her own life to provide for payment of a lump sum and an annuity to the handicapped dependent. This whole life plan, premiums under which are payable for chosen term or till death of the life assured. 20% of the notional sum assured (i.e., Basic sum assured + Guaranteed Additions + Terminal Addition) will be paid in lumpsum and the balance 80% will be utilised to provide an annuity certain for 15 years and life thereafter on the life of the handicapped dependent. In the event of handicapped dependent pre deceasing the life assured during the term of the policy, the contract ceases and the life assured will receive refund of premiums paid.

9. **Group Insurance Policies**

Group insurance policies are certain plans of insurance which are offered to group of persons. The group may be :

(a) Employer - employee group
(b) Association of professionals, doctors, etc.
(c) Members of Co-operative Banks / Credit societies.
(d) Association of weaker sections such as Rickshaw pullers, Railway porters, etc.
(e) Members of Housing Societies.
(i) Borrowers of Housing loan from public sector undertakings.
(g) Borrowers of Bank Co-operative Societies or housing societies.

Characteristics of an Ideally insurable Risk

Private insurers generally insure only pure risks. However, some pure risks are not privately insurable. From the viewpoint of a private insurer, an insurable risk ideally should have certain characteristics.

1. There are ideally six characteristics of an insurable risk:
2. There must be a large number of exposure units.
3. The loss must be accidental and unintentional.
4. The loss must be determinable and measurable.
5. The loss should not be catastrophic.
6. The chance of loss must be calculable.
7. The premium must be economically feasible.

Roles of insurance

The following point shows the role and importance of insurance:

Insurance has evolved as a process of safeguarding the interest of people from loss and uncertainty. It may be described as a social device to reduce or eliminate risk of loss to life and property.

Insurance contributes a lot to the general economic growth of the soCiety by provides stability to the functioning of process. The insurance industries develop financial institutions and reduce uncertainties by improving financial resources.

1. Provide safety and security: Insurance provide financial support and reduce uncertainties in business and human life. It provides safety and security against particular event. There is always a fear of sudden loss. Imsurance provides a cover against any sudden loss. For example, in case of life insurance financial assistance is provided to the family of the insured on his death. In case of other insurance security is provided against the loss due to fire, marine, accidents etc.
2. Generates financial resources: Insurance generate funds by collecting premium. These funds are invested in government securities and stock. These funds are gainfully employed in industrial development of a country for generating more funds and utilised for the economic development of the country. Employment opportunities are increased by big investments leading to capital formation.
3. Life insurance encourages savings: Insurance does not only protect against risks and uncertainties, but also provides an investment channel too. Life insurance enables systematic savings due to payment of regular premium. Life insurance provides a mode of investment. It develops a habit of saving money by paying premium. The insured get the lump sum amount at the maturity of the contract. Thus life insurance encourages savings.
4. Promotes economic growth: Insurance generates significant impact on the economy by mobilizing domestic savings. Insurance turn accumulated capital into productive investments. Insurance enables to mitigate loss, financial stability and promotes trade and commerce activities those results into economic growth and development Thus, insurance plays a crucial role in sustainable growth of an economy.
5. Medical support: A medical insurance considered essential in managing risk in health. Anyone can be a victim of critical illness unexpectedly. And rising medical expense is of great concern. Medical Insurance is one of the insurance policies that cater for different type of health risks. The insured gets a medical support in case of medical insurance policy.
6. Spreading of risk Insurance facilitates spreading of risk from the insured to the insurer. The basic principle of insurance is to spread risk among a large number of people. A large number of persons get insurance policies and pay premium to the insurer. Whenever a loss occurs, it is compensated out of funds of the insurer.
7. Source of collecting funds: Large funds are collected by the way of premium. These funds are utilised in thebindustrial development of a country, which accelerates the economic growth. Employment opportunities are increased by such big investments. Thus, insurance has become an important source of capital formation.

First premium

What is first year premium in life insurance

The premium earned from the new contracts in a given financial year is referred to as the new business premium for an insurance company. It incorporates single premium for that year, the first year premium on regular premium policies written in that year and from those written in previous years.

Renewal

Definition: Renewal premiums are the subsequent premiums that are paid by the insured to the insurer in order to keep the policy in operation and avail the benefits of the policy accordingly. ... The renewal premiums are paid after the initial premium and are indispensable for the continuation of the policy.

Step by Step guide to Car Insurance renewal

Every cge owner needs to renew the insurance of their car before the due date for constant coverage. People should consider the fact that if they do not renew the insurance of their cor within due date, the policy expires automatically. As a result, the policy would stop the insurance cover available according to the car insurance plan. If you find that the insurance of your car has got expired or about to expice within few days, you need to renew it without any delay

Basically, the renewal process of insurance policy involves matins phone calls to the insurance agent and meeting up with them in the insurance office personally. However today, the renewal process for vehicles has become very easy. You do not have to visit the insurance office if chooses online insurance renewal for your car.

There are few types of details required, you need to be ready with while you start the renewal procedure. You can now easily renew car insurance online with the help of some concerned online vesicle Insurance Companies. Just having details like your full name, address, and cor mate and todel details, cor registration number previous policy number, Add ones to be chosen and payment details would definitely speed up the process regarding insurance renewal.

Some below mentioned tips can surely help you to renew your vehicle's insurance quictly.

Step 1: Choose an insurance company

First of all you need to choose an insurance company to get renewal of your car insurance. It would be really great if you make selection of the company that usually offers excellent pre sale and post sale services. Moreover, you would also be able to get sufficient Coverage and reasonable prices by the insurance company. In order to choose the best insurer, you should consider reading online reviews to fulfill your purpose best possibly.

Step 2: Finalize the insurance policy

After finalizing the insurance company, just log in to their website and choose a relevant insurance product. sasically, there are two types of policies for car insurance such as Third porty Car Insurance policy and comprehensive Car Insurance policy. Third party policy is Getually important by law and covers third party liabilities. But Comprehensive policy covers both thied party liabilities and own domage. Moreover, you are also able to enhance the Coverage With Addons.

Step 3: Now it's time to enter your details

After selecting the policy, you will be required to enter your details. You will get a form where you need to feed the details for your car cover renewal.

Step 4: Choosing Add-ons
Making selection of the Add ons is also another step that you can choose if you have opted for an inclusive insurance policy. To extend the scope of your basic insurance policy, you can select from some commonly offered Add-ons such as Roadside Assistance, 260 depreciation, Engine protection, Consumable cover. Return to Invoice, NCB Protect, Loss of Personal belongings etc

Step 5: Payment
Making payment is the last step to be taken after you are all set with the type of the insurance policy and Add-ons.

What Is Mode of Premium payment ?

When you purchase life insurance, you agree to pay a specific sum of money, or premium, to the insurance provider at regular intervals. The frequency or period of your payments depends on your mode of premium. Most insurance providers offer several modes of premium, the most common of which come annually, semi-annually, quarterly, or monthly. The mode of premium payment is not the same as your mode of payment. Your mode of premium payment determines the frequency with which payments are made. It also determines the way in which yobu make payments, such as by cash, check, credit card, or another option.

The modes ot paying insurance Premium depend on the frequency of paymen:
1.lump sum: Pay the total amount hefore the insurance coverage starts.
2. Monthly: Monthly preniuns are paid monthly. These are easy and affortable but, the Policy cost increases.
3.Quarterly: Quaréerly Premiuns are paid quarterly (¢ tines a year). These are lower Compared to MOnthly Premiu M9.
4. Semi-annually: These preniuns are paid wice a yeat and are way theaper than monthly Premium.
5. Annually: These might he natd on your Pocket, as you have to pay a hetty a Mount once a year. owever, the ultin ate cos6 of the Premium is much lower than all other modes.

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Revival of lapsed policies

When the premium is not paid within the days of grace, the policy la maw. however, be revived during the lite time oI the assured under the foll. revival schemes
(A) Ordinary Revival Scheme : Under this scheme, the life assured is reguired to pay all the arrears of unpaid premiums with interest, The evidence of good health wherever necessary is also required to submitted.
(B) Special Revival Scheme : In case the policyholder is not in a position

to pay all the arrears of premium with interest, he can opt this scheme for reviving his policy. According to this scheme, the dateof commencement will be shifted to a date prior to the date of revival. Revival under this scheme is allowed if the following conditions are fulfilled:

(a) The policy should not have acquired any surrender value.

(b) Revival is sought after six months but within three years from the date of lapse

(c) Such revival was not allowed under the same policy previously.

(d) Evidence of good health to the satisfaction of the insurer is required to be submitted.

(e) The revival will be effected through an endorsement on the policy document stating the new commencement and date of maturity, The plan and period of insurance will remain the same as it was in the original policy.

(f) Revised policy conditions are to be applied to the new policy.
new policy.

(C) Instalment Revival Scheme: The revival by instalments scheme is available to those who are unable to pay the arrears of premium in one lumpsum on revival or who are unable to avail of special revival scheme. In this scheme, arrears of premium with interest are allowed to be paid by instalments spread over for two years or more along with normal premium instalment. Revival under this scheme is permitted if the following conditions are fulfilled:

(a) The arrears of premium should be for more than one year.

(b) Six monthly premiums must be paid immediately on the date of revival.

(c)The balance of arTears should be paid in two years thereafter along8 with the current premiums due in future.

(d) Normal paid up and surrender value will be allowed if policyholder pays in one lumpsum.

(D) Loan-cum-Revival Scheme: Under this scheme, a policyholder can obtain a loan to cover the outstanding premium in arrears. The arrears of premium is calculated alongwith interest. The loan is calculated treating all the premiums in arrears as paid and the amount of loan so required is called for If the loan available under the policy is more than the arrears of premium, the same is paid to the assured. The assured has to submit the evidence of good health to the satisfaction of the insurer. He is also Tequired to get the loan papers duly completed.

Surrender value

When the assured is unable to continue the premi
payments on his policy, he can surrender it to the company and aca "the cash surrender value". With this payment, the contract of i insurance comes to an end and the assured will get the cash valh

without any liability of further premium payments. The amount o
surrender value will depend upon the class of the policy and its duration

Computation of Surrender Value

There are two methods of computation of surrender value as (a) Accumulation Method, and (b) Saving Method.

(A) Accumulation Method: This method considers reserve for policy as the basis for distribution of surrender values. The reserve is calculated as gross premium. The expenses are also deducted from the premium received. Thus, the reserve would be equal to all the premiums paid and interest earned thereon minus shares of death claims and of overall expenses of the insurer. Thus:

Surrender value : Full KeserveSurrende charges

.Surrender charges are those expenses and losses which are incurred on surrender or lapsation of policy. The surrender charges include
ifial expenses such as payment of commission to agents and medical oincer wespondence and stationery: (D) Adverse final selection charge; (c) Adverse mortality selection charge; (a) conrbution to contingency reserve and (e) cost of surrender.

(B) Saving Method: The insurer is responsible for payment of claims whenever dheu arise. But if a policy 1s surrendered the insurer is relieved of his obligation for the payment of the assured sum. He is in a position to save some amount due to non-payment of claims. Under Saving Method, the surrender value is paid in lieu of the claim amount. This method is scientific and more logical. The surrender value can be ascertained under this method as given below :

Surrender value : Sum assured + Accumulated value of future expenses+ Future Reversionary bonus (if participating policy) - (Accumulated value of all future premium + Expenses incurred in processing the surrender value).
With the help of the above formula, the surrender value is calculated at the time of maturity or death. But it does not mean that the surrender value is paid only at that time. A provisional amount called minimum surrender allowance is paid at the time of surrender and the rest of the amount may be paid at the time of maturity or death.

What Is a Bonus?

A bonus is a financial compensation that is above and beyond the normal payment expectations of its recipient. Companies may award bonuses to both entry-level employees and to senior-level executives. While bonuses are traditionally given to exceptional workers, employers sometimes dole out bonuses company-wide to stave off jealousy among staffers.

Bonuses may be dangled as incentives to prospective employees and they can be given to current employees to reward performance and increase employee retention. Companies can distribute bonuses to its existing shareholders through a bonus issue, which is an offer of free additional shares of the company's stock.

Understanding Bonuses

In workplace settings, a bonus is a type of compensation an employer gives to an employee that complements their base pay or salary. A company may use bonuses to reward achievements, to show gratitude to employees who meet longevity milestones, or to entice not-yet employees to join a company's ranks.

Incentive Bonuses

Incentive bonuses include signing bonuses, referral bonuses, and retention bonuses. A signing bonus is a monetary offer that companies extend to top-talent candidates to entice them to accept a position—especially if they are being aggressively pursued by rival firms. In theory, paying an initial bonus payment will result in greater company profits down the line. Signing bonuses are routinely offered by professional sports teams attempting to lure top-tier athletes away from competitive clubs.

Performance Bonuses

Performance bonuses reward employees for exceptional work. They are customarily offered after the completion of projects or at the end of fiscal quarters or years. Performance bonuses may be doled out to individuals, teams, departments, or to the company-wide staff. A reward bonus may be either a one-time offer or a periodic payment. While reward bonuses are usually given in cash, they sometimes take the form of stock compensation, gift cards, time off, holiday turkeys, or simple verbal expressions of appreciation.

Examples of reward bonuses include annual bonuses, spot bonus awards, and milestone bonuses. Spot bonuses, which reward employees who deserve special recognition, are micro-bonus payments, typically valued at around $50. Workers who reach longevity milestones—for example, 10 years of employment with a given firm—may be recognized with additional compensation.

Bonus Inflation

While bonuses are traditionally issued to high-performing, profit-generating employees, some companies opt to issue bonuses to lower-performing employees as well, even though businesses that do this tend to grow more slowly and generate less money. Some businesses resort to distributing across-the-board bonuses in an effort to quell jealousies and employee backlash. After all, it's easier for management to pay bonuses to everyone than to explain to inadequate performers why they were denied.

Bonuses in Lieu of Pay

Companies are increasingly replacing raises with bonuses—a trend that vexes many employees. While employers can keep wage increases low by pledging to fill pay gaps with bonuses, they are under no obligation to follow through. Because employers pay bonuses on a discretionary basis, they may keep their fixed costs low by withholding bonuses during slow years or recessionary periods. This approach is much more viable than increasing salaries annually, only to cut wages during a recession.

Dividends and Bonus Shares

In addition to employees, shareholders may receive bonuses in the shape of dividends, which are carved from the profits realized by the company. In lieu of cash dividends, a company can issue bonus shares to investors. If the company is short on cash, the bonus shares of company stock provide a way for it to reward shareholders who expect a regular income from owning the company's stock. The shareholders may then sell the bonus shares to meet their cash needs or they can opt to hold onto the shares.

Assignment

According to Section 38 of the insurance act and assignment means be complete transfer of rights title and benefits under the policy. The insured making and assignment is called as 'assignor' and the person to whom the policy is assigned is called the 'assigned '.

The assignment may be done :

(a) For valuable consideration loan on the security of life policy,

(b) as a gift out of love and affection, and

(c) to the government for the purpose of paying estate duty provided the policy is on life of the policyholder

Assignment may take two forms

(a) Conditional Assignment The assignment is made with a provision that in the event of the assignee predeceasing the assignor or the assignor surviving the date of maturity, the policy may revert to the assignor

(b) Absolute Assignment. The assignment is made by transferring all the rights, titles and interests in the policy to the assignee without any reversion. The policy becomes the property of the assignee who alone can deal with the policy, in any manner he likes and may assign to another person

A policyholder should give notice in writing of assignment since no assignment will be operative against the insurer until such notice is received. This is further necessary since priority of claims under assignment will be governed by the order in which notices are received by the insurer. On payment of the necessary fee, the assignment can be made by an endorsement on the policy itself or by a separate instrument duly stamped, signed in either case by the assignor and attested by atleast one witness.

Nomination

To nominate means to name or to mention by name The holder of a policy of life insurance on his own life may nominate a person to whom the amount of the policy is to be paid in the event of his death. Nomination may be done at the time of taking out the policy or at time before its maturity. The person who is so nominated in the policy is called the "Nominee".

A nomination may be cancelled or changed by an endorsement, or a further endorsement or a will before the policy matures for payment, only when a notice in writing of any cancellation or change of nomination is received from the assured. In case of no nomination or cancellation of nomination, the legal heir of the deceased assured will be the beneficiary of the policy. If a nominee dies earlier than the assured or if a nominee dies after the death of the assured but before the settlement of claim, the legal heir of the deceased assured will be the beneficiary of the policy.

These are the major differences between nomination and assignment

Nomination

1. It can be done at time of the proposal.
2. It can be done only by an endorse- ment on the policy-not by a separate deed.
3. Life assured alone can nominate.
4. It does not take away the ownership and therefore life assured can change the nomination any time he likes.
5. It does not need a consideration.
6. It need not be witnessed
7. It has to be notified to the insurer so that the nominee's interest is protected
8. Nominee has no right to the policy money so long the life assured is alive.
9. On the death of the nominee, nomination becomes invalid.
10. A nominee merely receives the money on behalf of the beneficiaries. He does not own it.
11. The creditor can get the policy attached.
12. It is automatically cancelled bya subsequent assignment.

Assignment

1.It is not possible at the time of proposal, as he has not acquired any property which can be transferred
2.It is possible both by endorsement or a separate deed
3.Assignment is possible by the owner who can be an assignee also.
4.It cannot be cancelled without the assignee's consent.
5.It has to be for a consideration unless it is for love and affection.
6.It must be witnessed.
7.Notice of assignment is required so that the latter assignee gets a priority over the earlier assignee.
8.The assignee is the owner of the policy and can give a valid discharge to the insurer even if the assured is alive.
9.On the death of the assignee, his successors inherit the right to the policy
10.The assignee is the owner of the property which is the insurance policy.
11.A creditor of the life assured has no right to an assigned policy.
12.A assignee can further assign the policy.

FACTORS INFLUENCING THE LIFE INSURANCE DEMAND IN INDIA

ABSTRACT

Life insurance market had experienced a rapid growth over the last decade in India, indicating the increased importance of this sector as a financial intermediary. However, the factors that drive life insurance demand still remain unclear. The main purpose of the study is to identify and investigate the impact of the determinants of

life insurance demand in India. Using time series analysis over the period 1985 to 2013, we find that higher life expectancy at birth, income level, young dependency ratio, urban growth rate and adult literacy rate result in higher level of life insurance consumption, while inflation, old dependency ratio and real interest rate reduce the demand for life insurance in India.

Paid up policy

A life insurance policy in which if all the premium payments are complete and the insured is free of all payment obligations, the policy stays intact until insured's death or termination of the policy is called paid-up policy. Description: Paid-up policy falls into the category of traditional insurance plans.

1. A paid-up policy is one that requires no further premium payments and continues to provide benefits till maturity.
2. A policy can be converted to a paid-up policy once it acquires a surrender value which is typically after 2-3 annual premiums are paid for traditional plans. For Ulips, there is a lock-in period of 5 years.
3. Paid-up value is usually calculated as number of paid premiums X sum assured /total number of premiums.
4. In case of a paid-up Ulip, the policy administration charges, mortality and fund management charges continue to be applicable and negatively impact the fund value.
5. This is a useful option when one is stuck with an inappropriate product due to wrong selection and can be opted for instead of surrendering the policy to avail of a life cover.

Deferment Period

What Is a Deferment Period?

The deferment period is a time during which a borrower does not have to pay interest or repay the principal on a loan. The deferment period also refers to the period after the issue of a callable security during which the issuer can not call the security.

Deferment Period in Insurance

Benefits are payable to the insured when they become incapacitated and are unable to work for a period of time. The deferred period is the period of time from when a person has become unable to work until the time that the benefit begins to be paid. It is the period of time an employee has to be out of work due to illness or injury before any benefit will start accumulating, and any claim payment will be made.

Example of a Deferment Period

A bond issued with 15 years to maturity may have a deferment period of six years. This means investors are guaranteed periodic interest payments for at least six years. After six years, the issuer may choose to buy back the bonds, depending on interest rates in the markets. Most municipal bonds are callable and have a deferment period of 10 years.

Limited period payment

In a limited pay plan, the policyholder pays premium only for a specific pre-agreed duration. However, the insured gets full coverage for the entire policy term, irrespective of the premium payment period.

Limited Pay

In a limited pay plan, the policyholder pays premium only for a specific pre-agreed duration. However, the insured gets full coverage for the entire policy term, irrespective of the premium payment period. Post the expiry of the precise payment tenure, the insured is not liable to pay any dues. In a limited pay option, the term of the policy is longer than the premium payment term.

For example, X, age 40, buys a term plan for 20 years, with a limited pay option. He expects to retire at the age of 55 years and hence, wants to pay off all dues in the 10 years from now. In this case, X will be liable for premiums only till the age of 50 years, post which there is no need for any payment. However, the policy coverage will continue for the entire 20 years.

A limited pay plan is suitable for individuals that have the following conditions:

A limited career span – sportspersons, actors, etc.
Fluctuating monetary situations – people working on commissions, bonuses, etc.
Flexible incomes – self-employed individuals.
Unpredictable working environments – army personnel.
Impending retirement in a few years
Need for uncomplicated plans with convenient payouts.

Single premium

A single premium policy is a type of life insurance policy wherein a lump sum is paid as premium instead of the yearly, quarterly or monthly form of premium payment. ... The maturity proceeds are tax-free only if the minimum sum assured throughout the policy term remains at least 10 times the single premium paid.

What Does Single Premium Variable Universal Life Insurance Mean?

Single premium variable universal life insurance is a type of permanent life insurance in which the premium is paid up front with a single, lump sum payment. After the initial payment, those who have this type of insurance no longer have to make any more premium payments. This type of life insurance carries an investment component.