***Accounting & Financial Analytics***

***Assignment – 4***

***Task – 2: Insurance Policy Comparison***

***Title: Comparing Two types of Insurance Policy***

***Content:***

1. ***Introduction about two types of insurance.***
2. ***Research and gather information.***
3. ***Identify Hypothetical Scenarios.***
4. ***Assess Suitability for Each Scenario.***
5. ***Present Findings in Comparison Table.***
6. ***Conclusion.***

***LIC New Jeevan Anand***

***Introduction***

**Insurance Regulatory & Development Authority (IRDA) requires all life insurance companies operating in India to provide official illustrations to their customers. The illustrations are based on the investment rates of return set by the Life Insurance Council (constituted under Section 64C(a) of the Insurance Act 1938) and is not intended to reflect the actual investment returns achieved or may be achieved in future by Life Insurance Corporation of India (LICI).**

**LIC new Jeevan Anand-915. LIC New Jeevan Anand 915 is an endowment life insurance policy. With features like lifelong coverage, participation in profits, and loan facility, it assures financial security. Policyholders can choose riders for added benefits.**

**The major highlight of the plan is that it offers twin benefits of full payout on maturity and continuous lifelong cover.**

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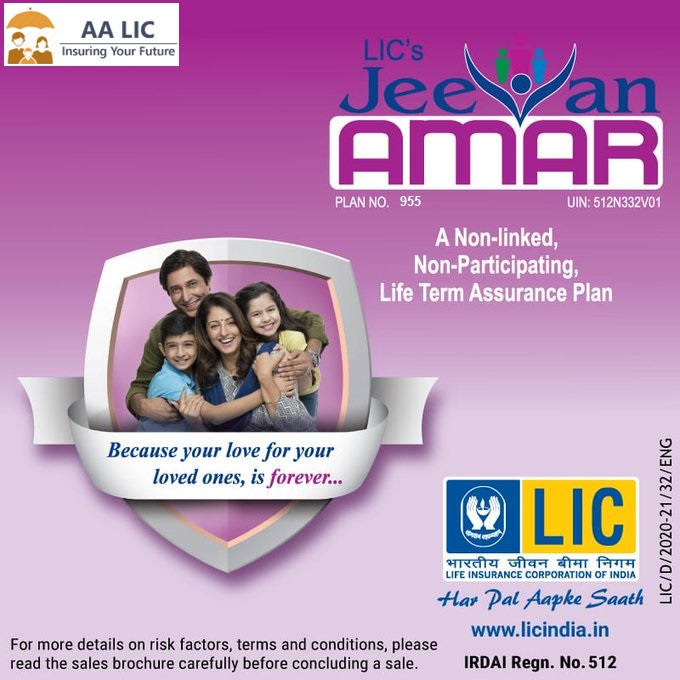
***LIC New Jeevan Amar***

***Introduction***

**The LIC Jeevan Amar Plan is designed to provide financial security to your loved ones in case of your unfortunate demise. It is Non-Linked, Non-participating Offline Term Assurance Plan that offers flexibility with two benefit options: Level Sum Assured and Increasing Sum Assured.**

**The Unique Identification Number (UIN) for LIC’s NEW JEEVAN AMAR plan is 512N350V01. This number has to be quoted in all relevant documents furnished to the Policyholders and other users (public, distribution channels). In addition to this plan, the plan allows you to boost coverage by adding the Accident Benefit Rider.**

**The plan allows the policyholder to choose from Level Sum Assured or Increasing Sum Assured and provide flexibility to choose Single, Regular or Limited Premium Payment.**

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***LIC New Jeevan Anand***

***Research and Gather Information:***

* **Coverage: LIC Plan 915 offers the following four options for riders which can be opted for by paying an extra amount of premium. However, the life assured can avail LIC Accident Benefit Rider, Accident Death, and Disability Benefit and New Plan Assurance Rider.**
* **Benefit: This plan is a combination of Endowment Assurance and Whole Life plans. It provides financial protection against death throughout the lifetime of the life assured with the provision of the payment of a lump sum at the end of the selected term in case of his survival.**

**Minimum entry age – 18.**

**Maturity benefits – Payable to policyholder after the maturity period includes basic sum assured and bonuses accrued from time to time.**

**Sum assured on death – 125% of basic sum assured 10 times the annualized premium subject to a minimum of 105% of the total premiums paid.**

**Accident Benefit - An additional Sum Assured (subject to a limit of Rs.5 lakh) is payable in a lump sum on death due to accident up to age 70 of life assured. In case of permanent disability of the life assured due to accident this additional Sum assured is payable in instalments.**

**Supplementary/Extra Benefits - These are the optional benefits that can be added to your basic plan for extra protection/option. An additional premium is required to be paid for these benefits.**

* **Exclusions: LIC's New Jeevan Anand is a popular life insurance policy offered by the Life Insurance Corporation of India (LIC). Like any insurance policy, it has certain exclusions or circumstances under which coverage may not be provided. While the specifics may vary depending on the policy document and the version of New Jeevan Anand in question, typically, common exclusions include:**

***Suicide* - Most life insurance policies, including New Jeevan Anand, have a suicide clause. This means that if the insured dies by suicide within a certain period after the policy's inception (usually within one to two years), the death benefit may not be payable, or only a portion of it may be payable.**

***Fraudulent Misrepresentation -* If the insured provides false or misleading information during the application process, the insurer may deny coverage or void the policy*.***

***War or Acts of Terrorism -* Death resulting from war, declared or undeclared, or acts of terrorism may not be covered under the policy.**

***Hazardous Activities -* Engaging in hazardous activities such as skydiving, bungee jumping, or professional sports may void coverage or require additional premiums.**

***Pre-existing Conditions -* Some policies may exclude coverage for pre-existing medical conditions or impose waiting periods before coverage begins for certain health-related issues.**

***Criminal Activities - If the insured dies while engaging in criminal activities or illegal acts, the death benefit may be denied.***

***Intoxication* - Death resulting from the influence of alcohol or drugs may not be covered under the policy.**

* **Premiums:**

**Scenario 1 -**

**Let's assume that the policyholder survives the policy term, in which case the benefits will be paid as under:**

|  |  |
| --- | --- |
| **Year of Maturity** | **2039** |
| **Age of Maturity** | **50 Years** |
| **Sum Assured** | **Rs. 5,00,000** |
| **Bonus Additions** | **Rs. 8,00,000 (Approx.)** |
| **Total Amount Payable** | **Rs. 13,00,000** |

**Scenario 2 –**

**If the individual expires before completion of the policy term, his nominee will be eligible for 125% of the Sum Assured, reversionary bonuses, and final additional bonuses. If the individual dies due to an accident, then additional benefits equal to the minimum sum assured is added to the claim amount. The below table illustrates the approximate values of sum assured and associated accidental life cover:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Year of Premium**  **Payment** | **Total Premiums**  **Paid** | **Life Cover (approx.)** | **Accidental Cover (approx.)** |
| **1st Year** | **Rs. 21,472** | **Rs. 6,10,000** | **Rs. 11,30,000** |
| **5th Year** | **Rs. 1,07,360** | **Rs. 7,50,000** | **Rs. 12,60,000** |
| **10th Year** | **Rs. 2,17,720** | **Rs. 9,00,000** | **Rs. 14,00,000** |
| **15th Year** | **Rs. 3,22,080** | **Rs. 10,52,000** | **Rs. 15,50,000** |
| **20th Year** | **Rs. 4,29,440** | **Rs. 12,63,125** | **Rs. 17,70,000** |
| **25th Year** | **Rs. 5,36,800** | **Rs. 15,80,000** | **Rs. 20,00,000** |



***LIC New Jeevan Amar***

***Research and Gather Information:***

* **Coverage: *Death Benefit* - The policyholder's family gets a lump-sum amount as death benefit in case of policyholder's demise.**

**The 'Sum Assured on Death' for regular and limited premium will be the highest of: a) 105% of the total premiums paid as on the date of demise; or b) the actual amount assured to be paid on demise; or c) 7 times of annualised premium.**

**The 'Sum Assured on Death' for single premium will be the highest of: a) The actual amount assured to be paid on demise. b) 125% of single premium.**

**The policy also gives option to avail death benefit in instalments instead of lump sum amount.**

***Maturity benefit –* The policyholder does not get any maturity benefit upon survival at the end of policy tenure.**

***Rider Benefit –* The policyholder can avail LIC’s Benefit Rider under the limited and regular payment options by paying and additional premium during the policy term, provided the minimum remaining premium paying term is five years.**

* **Benefit: Benefits available under New Jeevan Amar are:**

***Death Benefit* –**

**The death benefit is paid to the nominee after the policyholder demise during the policy term. The benefit paid for regular and limited premium payment plans will be highest of:**

1. **7 times the annualised premiums paid or**
2. **105% of the premiums paid till death or**
3. **The absolute sum assured to be paid on death**

**The death benefit for a single premium is defined as:**

1. **125% of single premium paid or**
2. **Absolute death benefit, whichever is higher**

***Availability of Raiders for enhanced protection –***

**The plans offer four additional raiders, namely LIC Accident Benefit Raider, which can be added to protect against accidental death.**

***Tax Benefits –***

**The death benefit received under LIC Jeevan Amar Policy is eligible for tax benefits per the prevalent tax laws.**

***Optional Benefits:***

1. **The policyholder can add the LIC Accident Benefit Rider to the base plan after the first two years of premium payment. The rider applies to any instance of death by accidents and adds the proceeds to the absolute sum assured that is released as a death benefit to your family.**
2. **Under the plan, the policyholder can Death Benefits in instalments over 5, 10, or 15 years instead of getting one-time lump sum amount for an activate insurance policy. The policyholder can decide to do this while they are alive. They can receive either the full or a portion of the death benefits in instalments a percentage of total claim amount.**

* **Exclusions: No Terminal Illness Benefit, Certain policies will disburse the entire cover amount the moment you are diagnosed with a terminal illness. So even in the absence of death, you can still get the money and use it any way you wish. Unfortunately, New Jeevan Amar does not extend the terminal illness benefit.**
* **Premiums: Below the premium chart for the LIC’s New Jeevan Amar Plan for a basic Sum Assured of Rs. 50 Lakh (non-smoker, man, standard lives:**

**Option 1 (Level Sum Assured) Premium Chart**

|  |  |  |  |
| --- | --- | --- | --- |
| **Age** | **20** | **30** | **40** |
| **Policy Term** | **20** | **20** | **20** |
| **Regular Annual Premium** | **Rs. 5,959** | **Rs. 7,830** | **Rs. 15,441** |
| **Annual Premium for limited premium paying term of (Policy term minus 5) years** | **Rs. 6,873** | **Rs. 9,091** | **Rs. 18,067** |
| **Annual Premium for Limited Premium paying term of (Policy Term minus 10** | **Rs. 8,830** | **Rs. 11,788** | **Rs. 23,629** |
| **Single Premium** | **Rs. 57,768** | **Rs. 78,213** | **Rs. 1,60,200** |

**Option 2 (Increasing Sum Assured) Premium Chart**

|  |  |  |  |
| --- | --- | --- | --- |
| **Age** | **20** | **30** | **40** |
| **Policy Term** | **20** | **20** | **20** |
| **Regular Annual Premium** | **Rs. 7,832** | **Rs. 11,125** | **Rs. 23,933** |
| **Annual Premium for Limited Premium Paying term of (Policy Term minus 5) Years** | **Rs. 9,078** | **Rs. 12,994** | **Rs. 28,119** |
| **Annual Premium for Limited Premium Paying term of (Policy Term minus 10) Years** | **Rs. 11,748** | **Rs. 16,954** | **Rs. 36,946** |
| **Single Premium** | **Rs. 77,786** | **Rs. 1,14,187** | **Rs. 2,52,525** |

***LIC New Jeevan Anand***

***Identify Hypothetical Scenarios:***

**Education Fund Security:**

**Sonia and Raj are a couple in their early 30s with twin toddlers, Rahul and Riya. Being diligent parents, they want to ensure their children's education is well-funded, regardless of any unforeseen circumstances. They decide to take a New Jeevan Anand Policy, which will not only offer life coverage but also accumulate a substantial corpus over the years to fund their children's higher education.**

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***LIC New Jeevan Amar***

***Identified Hypothetical Scenario:***

**Unexpected Medical Emergency:**

**The young family, living in New Jersey, consists of parents in their mid-thirties and two young children. They've been managing their finances responsibly, but life takes an unexpected turn when one of the children is diagnosed with a serious medical condition that requires ongoing treatment. Despite having health insurance, the out-of-pocket expenses are significant, putting a strain on their savings. In order to secure their family's financial future and ensure they can continue to afford the child's medical care; they realize the importance of getting life insurance. They opt for New Jeevan Amar, a term insurance plan offered by LIC (Life Insurance Corporation of India), which provides them with substantial coverage at an affordable premium. This gives them peace of mind knowing that in the event of an unfortunate circumstance, such as the untimely death of a parent, their children's financial needs will be taken care of.**

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***LIC New Jeevan Anand***

***Assess Suitability for Each Scenario:***

* **Affordability:**

**We need to know the combined income of Sonia and Raj. This will determine their ability to pay premiums regularly. They should evaluate their monthly expenses, including household expenses, utilities, groceries, childcare costs, and any existing loans or debts. Saving for their children's education is a significant financial goal. They need to assess how much they need to save for their twins' higher education and whether they can allocate funds towards the premium payments. They should consider any existing insurance policies, investments, or savings they have.**

**They need** **to ensure that they can afford the premiums without compromising their other financial obligations. It's essential to have an emergency fund in place to cover unexpected expenses. They should not overlook this aspect while budgeting for insurance premiums. They can create a budget to allocate funds towards different financial goals, including insurance premiums, savings, and expenses.**

* **Coverage Limits:**

**The New Jeevan Anand policy provides life coverage for the insured individual throughout their lifetime. In the unfortunate event of the demise of either Sonia or Raj, the policy would provide a death benefit to ensure financial protection for the surviving spouse and their children. This ensures that the family's financial needs are taken care of even in the absence of one of the parents. The policy offers a savings component wherein premiums paid accumulate over the years, thereby building a corpus. This accumulated corpus can serve as a source of funds to finance their children's higher education expenses. As the policyholder, Sonia and Raj can systematically contribute towards this fund by paying regular premiums.**

**Upon maturity of the policy, the insured individual is entitled to receive the maturity benefit, which includes the sum assured along with any accrued bonuses. This lump sum amount can be utilized to further support their children's educational needs or any other financial goals they may have planned for the future. The New Jeevan Anand policy offers flexibility in terms of premium payment options, coverage duration, and the choice of riders (additional benefits) that can be added to enhance the coverage according to specific needs.**

* **Long-Term Benefits:**

**The primary benefit of the New Jeevan Anand policy is the life coverage it provides. In the unfortunate event of the demise of either Sonia or Raj during the policy term, the surviving spouse and children will receive the sum assured, ensuring financial stability for the family during a difficult time. The policy not only offers life coverage but also accumulates a corpus over the years through bonuses and guaranteed additions. This accumulated corpus can serve as a significant source of funds for Rahul and Riya's higher education expenses. Since Sonia and Raj have twin toddlers, they have a longer time horizon to accumulate a substantial corpus by the time their children reach college age.**

**The New Jeevan Anand policy provides flexibility in terms of premium payment options, policy term, and coverage. Sonia and Raj can choose a policy term that aligns with their financial goals, ensuring that the policy matures around the time their children are ready for higher education. Premiums paid towards the New Jeevan Anand policy are eligible for tax deductions under Section 80C of the Income Tax Act, up to a specified limit. Additionally, the maturity proceeds or death benefits received from the policy are generally tax-free under Section 10(10D), subject to certain conditions.**

**By investing in the New Jeevan Anand policy, Sonia and Raj are securing their children's future education expenses, providing them with peace of mind knowing that their children will have access to quality education regardless of any unforeseen circumstances. Purchasing an insurance policy like New Jeevan Anand instils a sense of discipline in savings. Since premiums need to be paid regularly, Sonia and Raj will develop a habit of setting aside funds for their children's education, ensuring that they stay on track towards their financial goals.**

**Beyond funding their children's education, the policy can also serve as a part of Sonia and Raj's legacy planning. Any remaining corpus after fulfilling educational expenses can be passed on to their children as an inheritance, providing them with a financial cushion for their future endeavours.**

***LIC New Jeevan Amar***

***Assess Suitability for Each Scenario:***

* **Affordability:**

**The family should assess their current financial situation, including income, savings, and expenses, to determine how much they can allocate towards life insurance premiums without compromising their ability to meet other financial obligations. Creating a detailed budget can help the family understand their cash flow and prioritize their expenses. They should ensure that they can comfortably afford the premiums without straining their finances.**

**They should consider the cost of the New Jeevan Amar premiums relative to the coverage it provides. While the plan may offer substantial coverage, they need to ensure that the premiums are affordable in the long term. Given the child's medical condition and the strain it's putting on their savings, securing life insurance coverage is crucial for the family's financial stability. They should weigh the importance of having adequate coverage against the affordability of the premiums.**

**The family may want to explore alternative life insurance plans or providers to compare premiums and coverage options. They should also consider any employer-sponsored life insurance benefits they may have access to. it may be beneficial for the family to consult with a financial advisor who can provide personalized advice based on their specific circumstances and financial goals.**

* **Coverage Limits:**

**The family should consider whether the coverage amount provided by New Jeevan Amar is sufficient to meet their needs. They may need to assess their current and future financial obligations, such as outstanding debts, mortgage, living expenses, education costs for the children, and ongoing medical expenses for the child with the serious medical condition. The coverage amount should be enough to support their family's lifestyle and ensure their financial stability in case of a parent's untimely death. While New Jeevan Amar offers affordable premiums, the family should ensure that they can comfortably afford the premiums without straining their finances. They need to budget for the premiums alongside their other expenses and consider any potential future increases in premiums.**

**Since one of the children has a serious medical condition, the family should be aware that insurance companies typically conduct medical underwriting to assess the risk and determine the premium rates. The child's medical condition may affect the premium amount or eligibility for coverage under the policy. New Jeevan Amar may offer additional riders or options for enhanced coverage, such as critical illness rider or waiver of premium rider. The family should evaluate whether these riders are necessary to address their specific needs and consider the additional cost associated with them.**

**Term insurance provides coverage for a specific period, typically ranging from 10 to 30 years. The family should choose a policy term that aligns with their long-term financial goals and obligations, considering factors such as the children's ages and expected duration of financial dependency.**

* **Long-Term Benefits:**

**One of the primary benefits of the New Jeevan Amar policy is that it provides financial protection for the family in the event of the untimely death of one of the parents. This can help ensure that the surviving family members, including the children with ongoing medical needs, are financially supported and can maintain their standard of living. Since the family has been managing their finances responsibly and is facing significant out-of-pocket expenses due to the child's medical condition, the affordability of the premiums offered by New Jeevan Amar is likely a significant benefit. This allows the family to secure adequate coverage without adding further strain to their finances.**

**Knowing that they have a life insurance policy in place can provide the family with peace of mind, especially in light of the uncertainties they are facing due to the child's medical condition. They can rest assured that their children's financial needs will be taken care of, even if something were to happen to one of the parents. As a term insurance plan, New Jeevan Amar provides coverage for a specific period, typically ranging from 10 to 30 years. The family should consider the implications of this limited duration coverage and ensure that it aligns with their long-term financial goals and obligations, including the duration of their children's dependency.**

**Unlike some permanent life insurance policies, such as whole life or universal life, New Jeevan Amar does not accumulate cash value over time. This means that if the policy is not utilized (i.e., the insured individuals do not pass away during the policy term), there is no payout or return on investment. While New Jeevan Amar offers substantial coverage at an affordable premium, it may have limited customization options compared to other life insurance policies. The family should ensure that the policy meets their specific needs and consider additional riders or options if necessary.**

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***New Jeevan Anand and New Jeevan Amar:***

***Present Findings in Comparison Table:***

|  |  |
| --- | --- |
| ***New Jeevan Anand*** | ***New Jeevan Amar*** |
| **1) It offers a combination of both maturity benefit and death benefit throughout the term of the policy. In case of the policyholder's demise during the policy term, the nominee receives the sum assured along with bonuses, if any, as a death benefit. Additionally, the policy continues and the maturity benefit is paid at the end of the policy term.** | **1) It offers a pure term insurance plan with only a death benefit. The nominee receives the sum assured as the death benefit in case of the policyholder's demise during the policy term. There is no maturity benefit provided.** |
| **2) It offers a maturity benefit at the end of the policy term if the policyholder survives till maturity. This maturity benefit includes the sum assured along with bonuses, if any, accrued over the policy term.** | **2) It does not provide any maturity benefit as it is a pure term insurance plan.** |
| **3) Typically, the policy term ranges from 15 to 35 years.** | **3) It offers flexibility in choosing the policy term, typically ranging from 10 to 40 years.** |
| **4) Premiums are usually paid throughout the policy term or until the demise of the policyholder, whichever occurs earlier.** | **4) Premiums can be paid for a limited term or throughout the policy term, depending on the choice of the policyholder.** |
| **5) In this the policy may offer additional riders for enhanced coverage, such as accidental death benefit, critical illness rider, etc.** | **5) In this also policy may offer additional riders for enhanced coverage, such as accidental death benefit, critical illness rider, etc.** |





***Conclusion:***

**"The New Jeevan Anand" and "New Jeevan Amar" are both life insurance products offered by the Life Insurance Corporation of India (LIC). Both plans have their own unique features and benefits, catering to different needs and preferences of individuals. Both the policies have their own merits and suit different financial needs and objectives.**

**Individuals should carefully assess their requirements and financial goals before choosing between the two plans. It's advisable to consult with a financial advisor or LIC agent to determine which plan aligns best with one's needs and circumstances.**

**The New Jeevan Anand is a traditional participating endowment plan that offers both insurance coverage and savings. It provides a combination of protection and savings, with bonuses accruing throughout the policy term. And in New Jeevan Amar Plan offers high coverage at affordable premiums. It provides financial protection to the policyholder's family in the event of the policyholder's demise during the policy term.**

**In the New Jeevan Anand Plan the policyholder receives a lump sum amount on maturity, along with bonuses accrued over the policy term. Additionally, in case of the policyholder's demise during the policy term, the sum assured along with accrued bonuses is paid to the nominee. And in the New Jeevan Amar Plan the policy provides a lump sum death benefit to the nominee in case of the policyholder's demise during the policy term. However, it does not offer any maturity or survival benefits.**

***Thank You***

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***BBA 3rd Year***

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