

A life insurance policy is a contractual agreement between the insured and the insurance company, where the insured pays regular premiums in exchange for a lump-sum payment, known as the death benefit, to beneficiaries upon the insured's death or after a specified period. This type of insurance provides financial security for the insured's family and promotes savings. Life insurance is categorized into life insurance, covering death or disability, and general insurance, which addresses other types of losses. Key characteristics of life insurance contracts include insurable interest, utmost good faith, and the principle of proximate cause. The Life Insurance Corporation of India (LIC), established in 1956, aims to mobilize savings, extend life insurance coverage, and act as a trustee for policyholders, operating through a vast network of offices and agents both domestically and internationally, while investing in various sectors to support economic growth.

Life insurance offers numerous benefits, including risk coverage, health expense coverage, savings and wealth creation, guaranteed income, loan facilities, and tax benefits under Section 80C of the Income Tax Act, 1961. Various types of life insurance policies, such as term insurance, endowment policies, Unit Linked Insurance Plans (ULIPs), money-back policies, whole life policies, and annuity plans, are designed to meet different needs and provide varying benefits. The principles of life insurance encompass insurable interest, the law of large numbers, utmost good faith, and risk minimization. To obtain life insurance, one must submit a proposal form with personal and medical information, undergo a medical examination if necessary, provide proof of age, and review the submitted information. Upon acceptance of the proposal, the insured must pay premiums periodically, after which the insurance policy is issued, detailing the terms and conditions of coverage.

The insurance policy outlines the process of forming a binding contract between the proposer and the insurer, emphasizing the importance of accuracy in the proposal form for the contract's validity. The policy serves as formal evidence of the insurance contract, and any ambiguities will be interpreted against the insurer, following the doctrine of Contra Proferentem. If the issued policy

does not align with the agreed terms, the insured can request rectification. The policy must reference the proposal, premium payments, and conditions for the sum assured, with alterations to the policy occurring by mutual consent, including the revival of lapsed policies due to non-payment of premiums.

Key conditions of the life insurance contract include proof of age, which affects premium calculations and the sum assured; forfeiture of the policy under specific circumstances such as non-payment of premiums or misrepresentation; and a grace period of one month for premium payments, during which coverage remains valid even if the premium is unpaid. The insurer may send a premium notice, although it is not legally required. The first premium is essential for the contract, while subsequent premiums are necessary for its continuation. If the contract does not take effect, the insurer must return any premiums paid. Policies can be revived within five years of lapse, provided conditions are met, and non-forfeiture regulations protect policyholders after five years of premium payments. The guaranteed surrender value can be claimed after a minimum of five years of premium payments, and policy loans can be secured against the policy's cash value.

Assignment of the policy allows the policyholder to transfer rights to another person, categorized as absolute or conditional. Absolute assignment transfers all rights without conditions, while conditional assignment transfers rights subject to specific conditions. Nomination involves appointing a person to receive benefits upon the policyholder's death without changing ownership of the policy; the nominee cannot sue the policyholder, whereas the assignee has the right to sue the assignor.

The life insurance claim process requires the nominee to notify the insurer promptly and submit necessary documentation, including a claim intimation form detailing the date, place, and cause of death, along with supporting documents like the death certificate and insurance policy. Upon verification of the submitted documents, the insurer will proceed to settle the claim.