

Life insurance is a contractual agreement between an insurance company and a policyholder, where the policyholder pays regular premiums in exchange for a lump sum payment (sum assured) to a nominated beneficiary upon the occurrence of a specified event, typically death. Life insurance policies can be categorized into protection policies, which provide benefits only upon the insured event, and investment policies, which combine protection with investment, offering payouts either on death or at the end of the policy term. Group life insurance is a type of coverage that employers or groups can obtain for their members, providing benefits such as death from all causes, critical illness, permanent total disability, and funeral expenses, often at a lower cost than individual policies.

Key provisions in a life insurance policy include the premium, which is the amount paid to secure coverage, and the distinction between with-profits and without-profits policies. With-profits policies allow policyholders to share in the insurer's profits through annual bonuses, while without-profits policies maintain a fixed sum assured throughout the policy term. Policies may also acquire a cash or surrender value after a certain period, allowing policyholders to cancel their policies for a cash payout, although early cancellations are discouraged due to potential losses. Other features include the option for policy loans against the cash value, endorsements for policy changes, and provisions for reduced paid-up policies and automatic premium loans if premiums are unpaid.

A cooling-off period allows policyholders to cancel their policies within 30 days of inception for a refund, minus any medical fees. There are also exclusions, such as benefits not being paid for deaths resulting from suicide within a specified period, war, pandemics (with exceptions for COVID-19 in Uganda), participation in strikes or riots, and hazardous pursuits if engaged in professionally. Overall, life insurance serves as a financial safety net for families and estates against unforeseen catastrophes.