

Class: MSc

Subject : Life Insurance – Principles, Products and Practices

Chapter: Life Insurance - Products

3. PRODUCT TYPES



Term



Whole Life



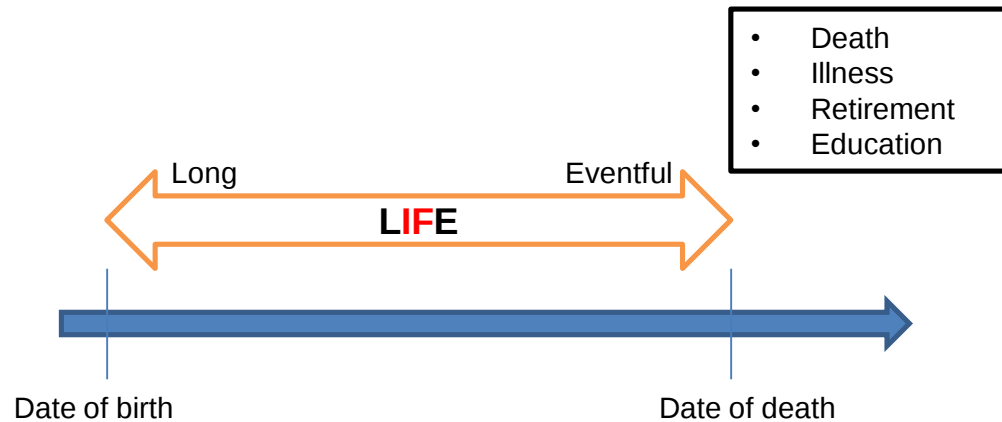
Endowment



ULIP



Annuities



3.1 Life Insurance Products

(ways to categorise life insurance products)

Type

- Traditional
- Unit-linked

Profit participation

- Participating
- Non-Participating

Term

- Products with fixed term
- Products without fixed term

Premium frequency

- Regular (A,S,Q,M)
- Limited
- Single

Ownership

- Individual
- Group

Type

- Endowment
- Term
- Whole life
- Annuities

3.2 Individual non-participating whole of life insurance

Type

- Traditional
- Unit-linked

Profit participation

- Participating
- Non-Participating

Term

- Products with fixed term
- Products without fixed term

Premium frequency

- Regular (A,S,Q,M)
- Limited
- Single

Ownership

- Individual
- Group

Type

- Endowment
- Term
- Whole life
- Annuities

3.3 Individual non-participating term insurance

Type

- Traditional
- Unit-linked

Profit participation

- Participating
- Non-Participating

Term

- Products with fixed term
- Products without fixed term

Premium frequency

- Regular (A,S,Q,M)
- Limited
- Single

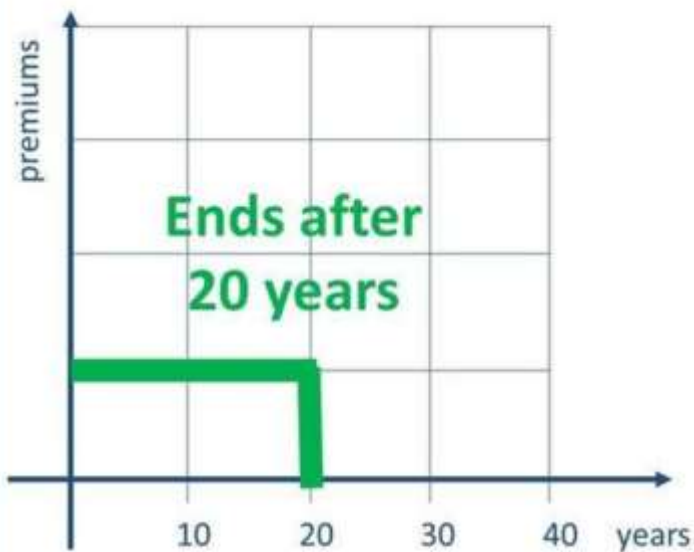
Ownership

- Individual
- Group

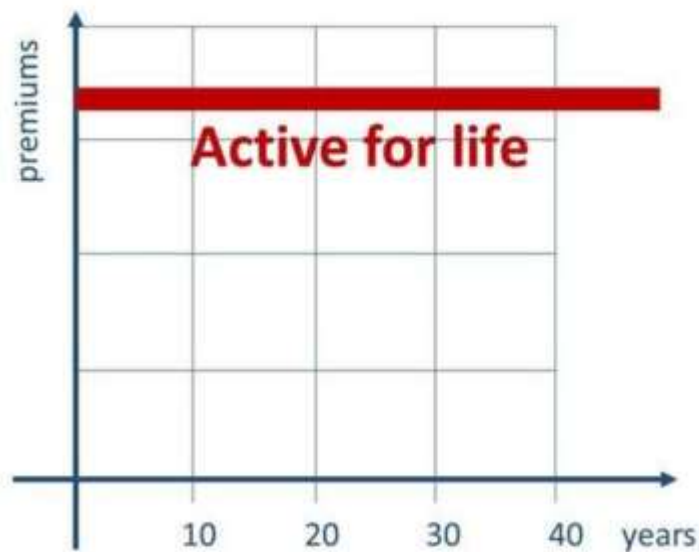
Type

- Endowment
- Term
- Whole life
- Annuities

Term 20 Life Insurance



Whole Life Insurance



Tax benefits for whole life

1

Level Premium

2

Borrow against cash value

3

Guaranteed Benefit

4

Tax benefits for whole life

5

Whole Life Insurance

Term Insurance

- 1 Insured for a pre-defined term
- 2 Higher Sum Assured
- 3 Affordable
- 4 Tax Benefit for Premium paying term

3.5 Individual non-participating endowment

Type

- Traditional
- Unit-linked

Profit participation

- Participating
- Non-Participating

Term

- Products with fixed term
- Products without fixed term

Premium frequency

- Regular (A,S,Q,M)
- Limited
- Single

Ownership

- Individual
- Group

Type

- Endowment
- Term
- Whole life
- Annuities

3.6 Unit Linked Endowment

Type

- Traditional
- Unit-linked

Profit participation

- Participating
- Non-Participating

Term

- Products with fixed term
- Products without fixed term

Premium frequency

- Regular (A,S,Q,M)
- Limited
- Single

Ownership

- Individual
- Group

Type

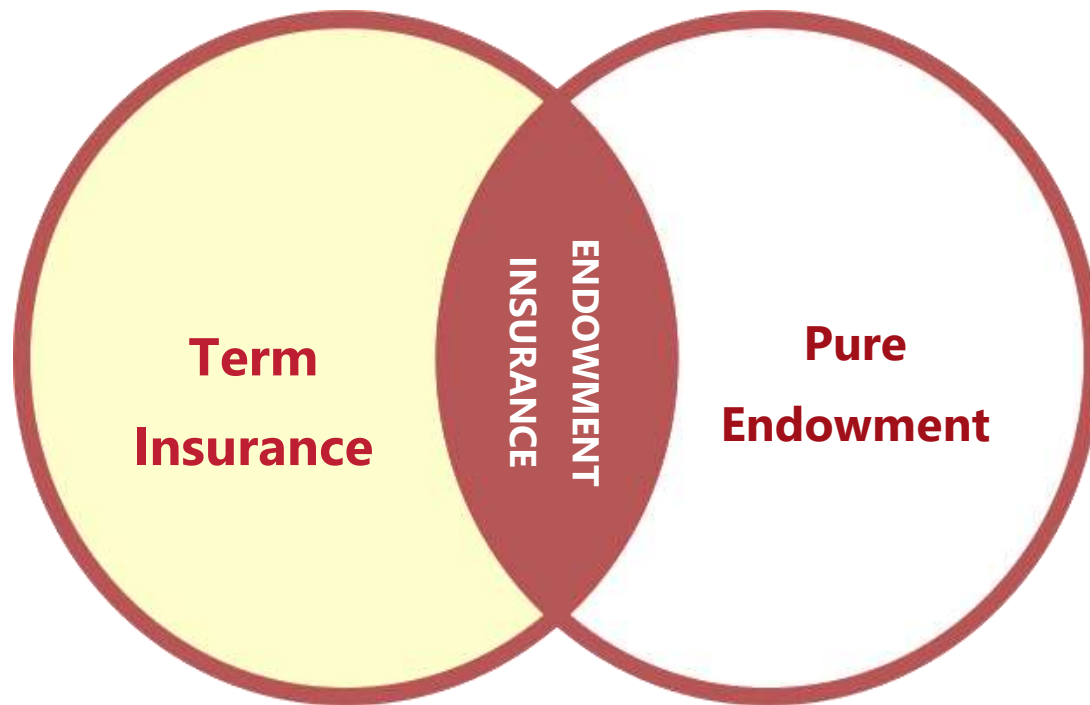
- Endowment
- Term
- Whole life
- Annuities

Endowment Insurance

- 1 Savings + Protection
- 2 Comparatively higher premiums
- 3 Meeting Long term goals
- 4 Tax Benefits
- 5 Surrender Benefit

Pure Endowment

- 1 Only Survival benefit
- 2 No Mortality Benefit Payment
- 3 Opposite of Term Insurance



Savings + Protection

1

Comparatively higher premium rates

2

Meeting Long term goals

3

Tax Benefits

4

Surrender Benefit

5

Wealth Creation

6

Unit Linked Insurance Plan

3.7 Individual Annuity

Type

- Traditional
- Unit-linked

Profit participation

- Participating
- Non-Participating

Term

- Products with fixed term
- Products without fixed term

Premium frequency

- Regular (A,S,Q,M)
- Limited
- Single

Ownership

- Individual
- Group

Type

- Endowment
- Term
- Whole life
- Annuities

Series of payments

1

Starts with a lump sum

2

Deferred or Immediate

3

Famous as a Pension Product

4

Fixed Annuity or Variable

5

Annuity

Joint Life Product

- 1 Covers both lives in the same product
- 2 2 Term Plans = 1 Joint Life?
- 3 Annuity Benefits also available
- 4 Prominent for Young working couples

Pay off debts if borrower dies

1

Lenders Relief

2

Level or Decreasing Cover

3

Surrender benefit in case of prepayment of loan

4

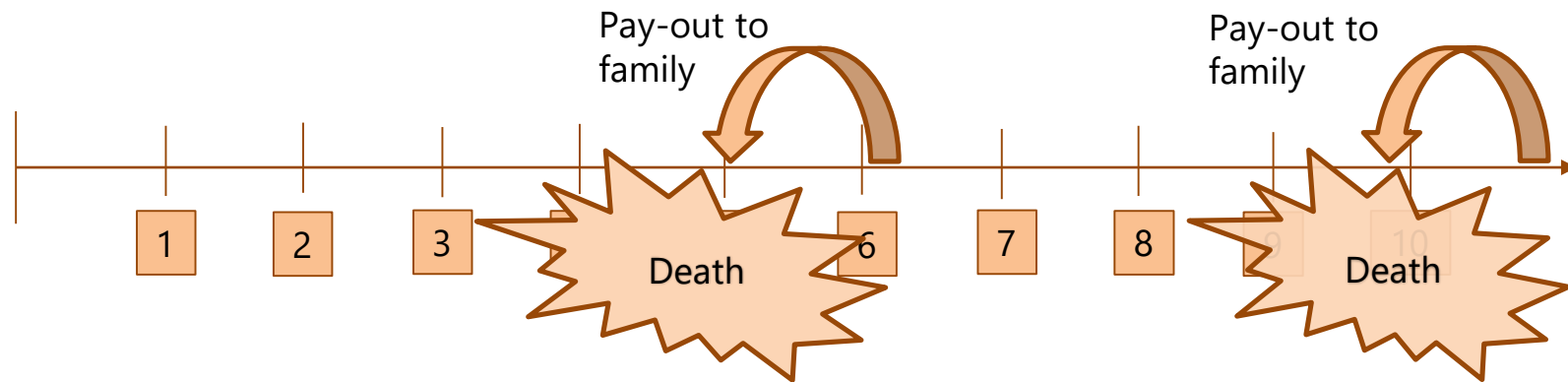
Credit Life Insurance

Other Types

- 1 Cancer care Products
- 2 Child Product
- 3 Micro insurance (low ticket size)
- 4 Group Insurance

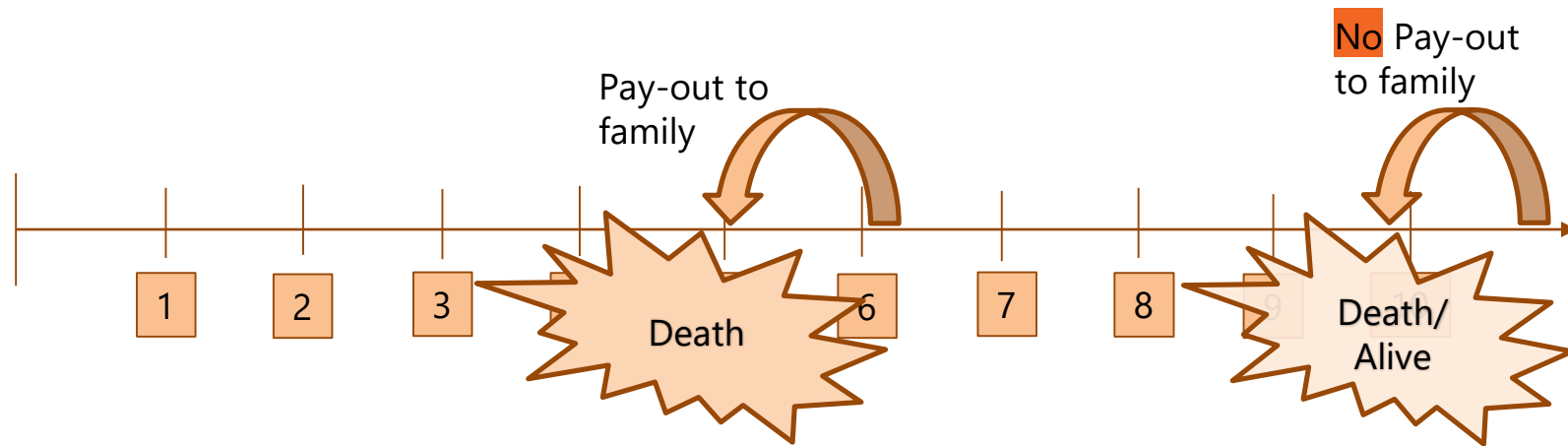
Basis	Death Benefit	Maturity Benefit
Meaning	amount that the insurance company provides to the nominee on the unforeseen demise of the life assured	a lump-sum amount the insurance company pays you after the maturity of insurance policy i.e. on survival.
Whole life Insurance	✓	NA
Term Insurance	✓	NA
Pure Endowment	NA	✓
Endowment Insurance	✓	✓
Annuity	NA	✓

Whole Life Insurance



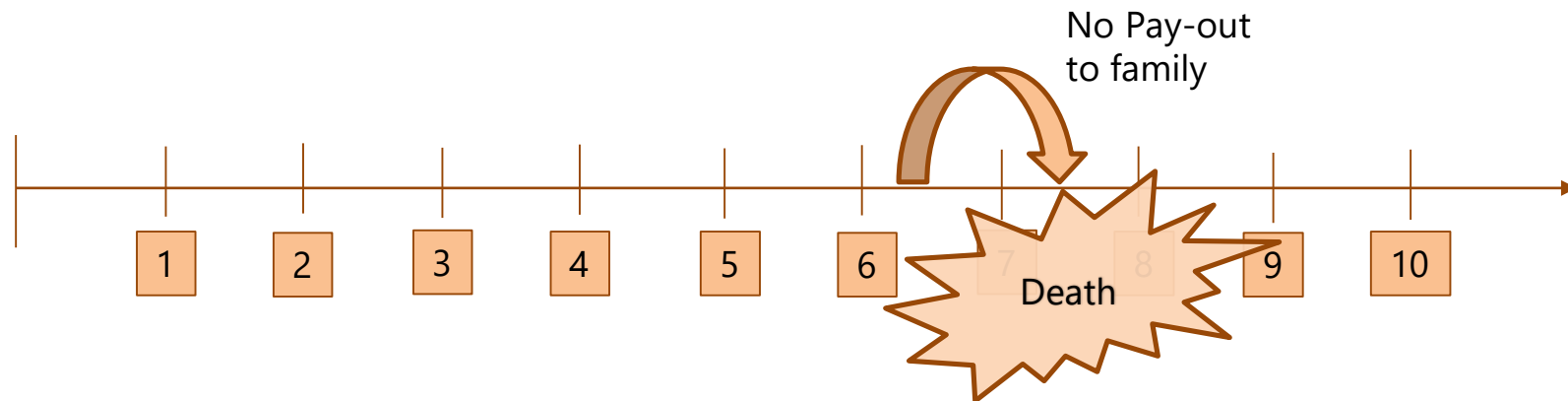
Pay-out received whenever the insured person dies.

Term Insurance (policy term 10 years)



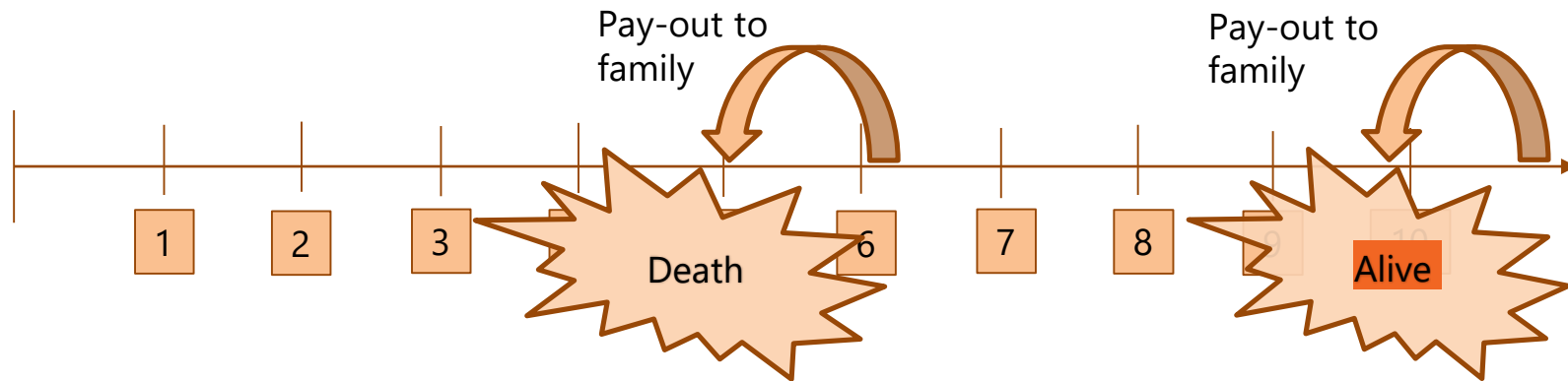
Pay-out only if insured person dies within the policy term

Pure Endowment (policy term 10 years)



Pay-out only if insured person survives till the end of policy term.
This is a plan to cover the risk of Living too Long.

Endowment Insurance (policy term 10 years)



Pay-out received if insured person dies within the policy term or if the person survives till the end of the policy term

3.8

Life Insurance Products

(Other Products sold by life insurers in India)

Health Insurance

- Hospitalisation
- Critical Illness

Rural

- Micro-Insurance Savings
- Micro-Insurance Term

Riders

- | | |
|---------------------------------|-----------------------------------|
| • Guaranteed Insurability Rider | • Accelerated Death Benefit Rider |
| • Accidental Death Rider | • Child Term Rider |
| • Waiver of Premium Rider | • Long - Term Care Rider |
| • Family Income Benefit Rider | • Return of Premium Rider |

3.8.1 **Guaranteed Insurability Rider**

- allows you increase the coverage on your life insurance policy without taking another medical exam.
- It is also known as a guaranteed purchase option rider.
- most beneficial when there has been a significant change in your life circumstances, such as the birth of your child, marriage or an increase in your income.

3.8.2 Accidental Death Rider

- is a provision that can provide an additional payment if your death occurs as the result of an accident, often double the amount of money.



3.8.3 Waiver of Premium Rider

- an insurance policy clause that waives premium payments if the policyholder becomes critically ill, seriously injured, or disabled.
- This rider can be valuable, particularly when the premium on the policy is quite high.



3.8.4 Family Income Benefit Rider

- is an addition to a life insurance policy that provides the beneficiary with an amount of money equal to the policyholder's monthly income in the event the policyholder dies.



3.8.5 Accelerated Death Benefit Rider

- creates a provision in your life insurance policy that allows you (the insured) to receive a portion of the life insurance death benefit while you're still living if you become terminally ill
- Benefits are paid to policyholders with a chronic illness, terminal illness, or who need long-term care and meet certain conditions.



3.8.6 Child Term Rider

- provides a death benefit in case a child dies before a specified age.
- After the child attains maturity, the term plan can be converted into permanent insurance with coverage up to five times the original amount without the need for medical exams.



3.8.7 Long - Term Care Rider

- a living benefit on a life insurance policy that lets you access a portion of the policy's death benefit every month to pay for long-term care expenses.

3.8.8 Return of Premium Rider

- provides for a refund of the premiums paid on a term life insurance policy if the policyholder doesn't die during the stated term.
- This effectively reduces the policyholder's net cost to zero.
- A policy with a return of premium provision is also referred to as return of premium life insurance.