



Class: MSc

Subject :

Subject Code:

Chapter: Unit 2 Chapter 1

Chapter Name: Endowment insurance

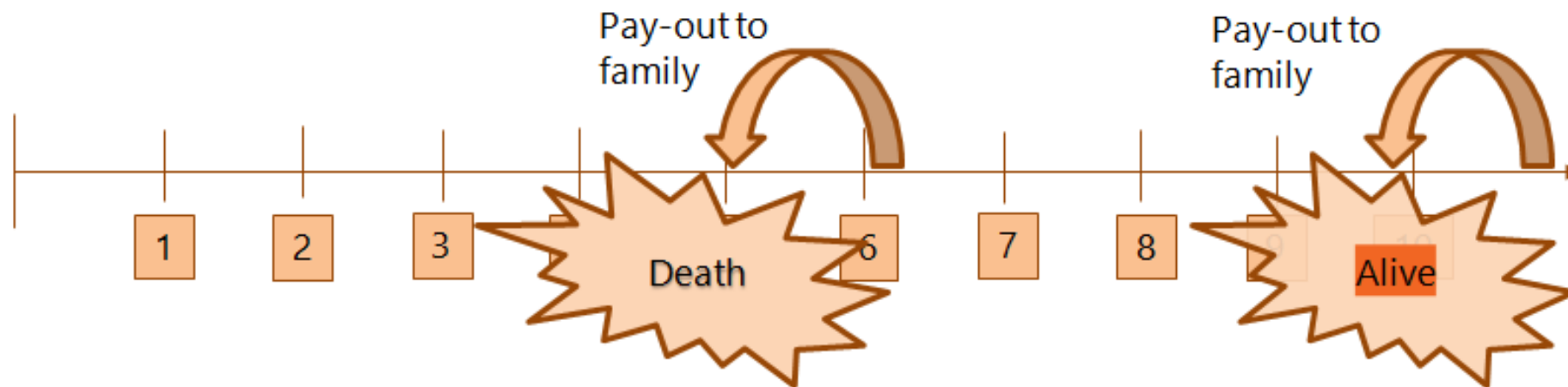
# Today's Agenda

1. Introduction
  1. Features
  2. Who should buy?
  3. Benefits
  4. Types
  5. Factors affecting premiums
  6. Documents required to purchase plans
  7. Exclusions
  8. Riders
  9. Claims process
  10. Documents required for claims process

# 1 Introduction



An endowment plan is a life insurance contract designed to pay a lump sum after a specific term (on its 'maturity') or on death.



## 1.1 Features

### Endowment Insurance

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

## 1.2 Who should buy endowment insurance?

- An endowment policy is suitable for anyone from a young professional to a senior citizen. Most of us have family responsibilities that we need to take care of. Also, most of us have long term non-negotiable goals that need to be achieved no matter what.
- If you are looking for a low-risk plan with the two-in-one benefit of insurance and investment, go for an endowment policy.
- If you are looking for lump sum maturity for long-term goals, an endowment plan is suitable for you.
- If you want to save small amounts of money over the long-term and get tax benefits, an endowment policy is best for you.
- If you want zero risks in an investment, endowment plan is the one you should consider.

## 1.3 Benefits

Life insurance benefit – The life insurance benefit gives a lump sum pay-out, ensuring that even in your unfortunate absence your family members are able to continue the life you so carefully planned for them.

Maturity benefit – This is a guaranteed maturity benefit amount that will enable you to meet your financial goals.

Tax benefit – The premiums you will pay can help you reduce your taxable income under Section 80C of Income Tax Act. There are tax benefits available on maturity of endowment policies as well. This helps you save tax at the time of inception of the policy and accumulation stage, and also the maturity stage.

Loan benefit – Endowment policies can help you use them to get a loan. The loan benefit helps you arrange funds in emergency and when all other routes of collecting funds are blocked

Low risk – An endowment policy is usually a low-risk investment. Your money grows over time with most endowment products and your returns are guaranteed

Dual purpose – You get to enjoy the dual benefit of insurance as well as investment. Your savings continue to build over time and your family stays secure in the case of an unfortunate event

## 1.4 Types of endowment insurance



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Unit-linked endowment plans – In these plans, a part of your premium goes into a life cover and the remaining is invested in equity funds, debt funds or a mix of both.

Full/with profit endowment plans – Under these plans, the basic sum assured is pre-decided at the start of the policy term. However, the final payout is higher than the sum assured since bonuses get added to this amount basis the performance of the insurer.

Non-profit endowment plans – These are similar to full endowment plans. The sum assured is pre-fixed. However, there are no bonuses. Instead, guaranteed policy additions are given at the time of maturity along with the maturity benefits.

Low-cost endowment plans – These plans allow you to save and collect the funds for financial needs that might occur after a specified period of time, such as re-payment of mortgages, loans, and more.



## 1.5

## Factors that affect endowment insurance premiums

- Assured Sum
- Age
- Gender
- Tobacco And Smoking
- Medical Background
- Bonus

## 1.6 Documents Required to Purchase Plans

- Proof of Identity: Passport, PAN Card, Driving License, Aadhaar, Card, MNREGA Job Card, Company ID card, etc.
- Proof of Residence/Address: Rent agreement, Latest utility bills, Property Tax or Municipal Tax receipt, Bank account/Post Office Savings Account statement or passbook.
- Proof of Age: Birth Certificate/Passport/Driving License/Voter's ID Card/High School Certificate
- Income Proof: Latest payslips/ Certificate of employment/ Income Tax Return File

## 1.7 Exclusions

- Suicide Exclusion
- Participating In Riots And Civil Commotions
- Death Due to Drug And Alcohol Consumption
- Cases of Participation In Life-Threatening Activities
- Pre-Existing Disease
- Providing Misinformation

## 1.8 Riders

- Accidental death rider
- Critical illness rider
- Disability
- Hospital cash benefit
- Waiver of premium

## 1.9 Claim Process

### Initiation of a Claim

A claim that might have originated from various reasons needs to be registered with the insurance company. It should be noted that the claim should be sent out in a written format.

### Investigation of the Claim Report

Upon receiving the claim, the Insurance company will initiate a process of warrant to cancel out any possibilities of foul play. The claim appraisal is an important step in determining if the claim will be pursued.

### Claim Settlement

Within 30 days of receipt of all applicable paperwork and clarifications, a claim under an endowment policy is paid or disputed, with applicable reasons. Payment methods differ from one company to the next and are tailored to the needs of the individual.

### Cases of Premature Claim

If the death happens within two years after the policy's inception, or last revival, it is considered a premature claim. In this case, the nominee might also need to present the documents of the policyholder's medical conditions to prove the absence of any pre existing disease.

## 1.10 Documents Required for Claim Process

- Death Certificate should be submitted in its original and attested form
- Original policy papers provided to the insured at the time of buying the policy should be submitted to the insurer
- Also, documents to prove identity of the nominee are required like Aadhar card, PAN card, Passport etc. as well as passport sized photos of the nominee
- Medical papers of the policyholder (in case the person was admitted in a hospital) like test reports, treatment papers, death or discharge summary, etc.
- Statement of death or doctor's certificate from the doctor treating the patient last is also required
- Also, the nominee may required to submit some additional documents in case the insured dies because of an accident or is killed. In that case, a copy of FIR, panchnama and autopsy reports are also needed
- Further, the insurer might seek statements of witnesses present during the funeral or cremation .

# Questions

- 1) Mr. X purchased an endowment assurance policy with a 20-year term and a sum assured of Rs. 10 lakhs. If Mr. X dies after 12 years, what amount will his nominee receive?
- a) Rs. 10 lakhs
  - b) Rs. 12 lakhs
  - c) Rs. 8 lakhs
  - d) None of the above
- 2) Mrs. Y purchased an endowment assurance policy with a 15-year term and a sum assured of Rs. 5 lakhs. If Mrs. Y survives the policy term, what amount will she receive?
- a) Rs. 5 lakhs
  - b) Rs. 7.5 lakhs
  - c) Rs. 10 lakhs
  - d) None of the above

# Questions

3) Mr. Z purchased an endowment assurance policy with a 30-year term and a sum assured of Rs. 20 lakhs. If Mr. Z surrenders his policy after 15 years, what amount will he receive?

- a) The full sum assured of Rs. 20 lakhs
- b) The surrender value of the policy, which will be less than Rs. 20 lakhs
- c) No amount, as he surrendered the policy before the end of the term
- d) None of the above

4) An endowment assurance policy is a good investment option for people who:

- a) Want a guaranteed rate of return on their investment
- b) Want to save for a specific goal, such as their child's education or their retirement
- c) Want to provide financial protection to their family in case of their untimely death
- d) All of the above