Lecture

INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

Class: MSc

Subject :

Subject Code:

Chapter: Unit 2 Chapter 1

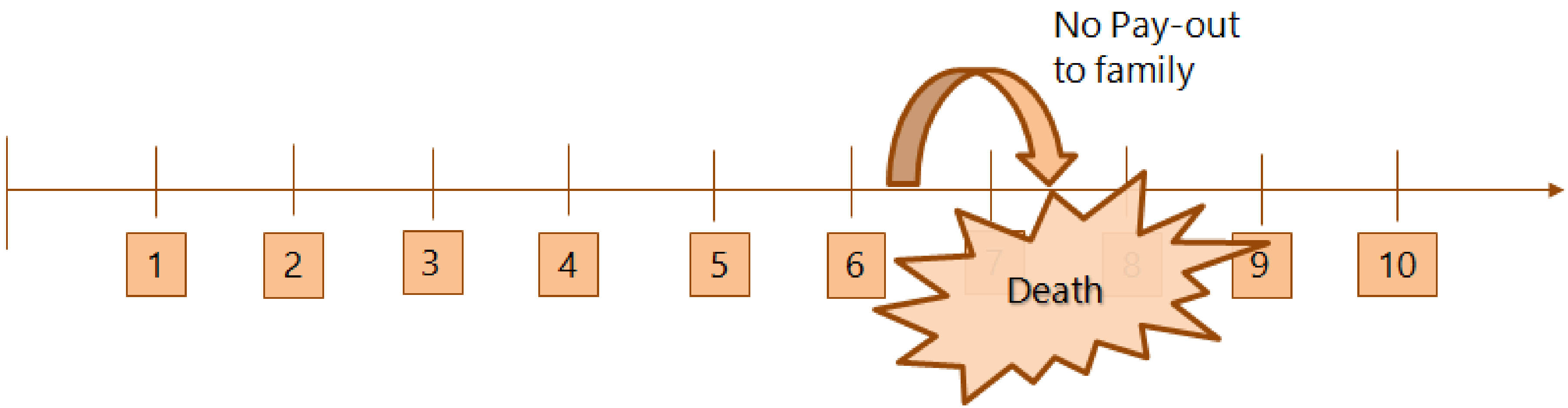
Chapter Name: Pure Endowment

Today's Agenda

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

1 Introduction

A pure endowment is a type of life insurance policy in which an insurance company agrees to pay the insured a certain amount of money if the insured is still alive at the end of a specific time period.



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.

1.1 Features

Pure Endowment

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

1.2 Who should buy Pure endowment policy?

Here are some individuals who might consider purchasing a pure endowment policy:

1. Individuals who want to save for a specific financial goal, such as a child's education, down payment for a home, or retirement.
2. Individuals who have a specific timeframe in mind for their savings goal and want to ensure they have a guaranteed payout at the end of that period.
3. Individuals who are risk-averse and want to avoid investment risks associated with other savings vehicles, such as stocks, mutual funds, or real estate.
4. Individuals who want to ensure their savings are protected in case of an untimely death.

It's important to note that pure endowment policies may not be the most suitable option for everyone, and it's recommended that individuals consult with a financial advisor to determine the best savings strategy for their specific needs and circumstances.

1.3 Benefits

Here are some potential benefits of purchasing a pure endowment policy:

- Guaranteed payout:
- Savings discipline:
- Tax benefits:
- Protection against untimely death:
- No investment risk:

1.4 Types of Pure Endowment Policy

1. **Ordinary pure endowment plan**: This is the most common type of pure endowment plan. In this plan, the policyholder pays a fixed premium for a fixed period, and if they survive until the end of the policy term, they receive the maturity benefit.

1. **Increasing pure endowment plan:** In this plan, the premium amount increases every year. This plan is designed to keep up with the inflation rate and provide a higher payout at maturity.

1. **Joint life pure endowment plan**: This plan covers two individuals, usually a married couple, and pays out the maturity benefit only if both of them survive until the end of the policy term.

1. **With-profit pure endowment plan**: This plan provides a guaranteed payout at maturity, along with the potential for bonuses or profits that are added to the maturity benefit. The bonuses are determined by the performance of the insurance company's investments.

1. **Unit-linked pure endowment plan**: In this plan, the premium amount is invested in units of a chosen fund, and the maturity benefit is determined by the performance of the chosen fund. This plan is subject to market risks, and the policyholder may receive a lower payout than the premium paid if the fund underperforms.

1.5 Factors that affect premiums

- Age
- Term
- Gender
- Health
- Premium payment frequency
- Interest rates
- Insurers underwriting policy

1.6 Documents Required to Purchase Plans

To buy a pure endowment policy, you will typically need to provide the following documents:

- Application form:
- Identity proof:
- Address proof:
- Age proof:
- Medical reports:
- Income proof:

1.7 Exclusions

- Suicide
- War
- Terrorism
- Fraud
- Illegal activities
- Intentional self injury

1.8 Riders

- Accidental death benefit rider:
- Disability income rider:
- Waiver of premium rider:
- Critical illness rider:
- Long-term care rider:
- Term rider:
- Guaranteed insurability rider:

1.9 Claim Process

The claim process for a pure endowment policy will typically depend on the specific policy and insurer. However, here are some general steps that may be involved in the claim process:

Notification of the claim: The policyholder's beneficiaries or legal representatives should notify the insurer of the policyholder's death within a specified period of time after the death occurs. This notification is usually done by submitting a claim form to the insurer.

Submission of required documents: The insurer will typically require certain documents to process the claim, such as the original policy document, a certified copy of the death certificate, and proof of identity of the claimant(s).

Verification of the claim: The insurer will verify the claim and may require additional information or documentation to process the claim.

Payment of the claim: Once the claim has been verified, the insurer will pay out the benefit specified in the policy to the policyholder's beneficiaries or legal representatives.

1.10 Documents Required for Claim Process

In the event of a claim for a pure endowment policy, the following documents may be required by the insurance company:

1. Original policy document
2. Death certificate of the policyholder (if applicable)
3. Claim form filled and signed by the beneficiary
4. Proof of identity of the beneficiary (such as Aadhaar card, passport, PAN card, etc.)
5. Bank account details of the beneficiary for the claim payout
6. Any other documents required by the insurance company, such as medical certificates, proof of income, etc.

It is important to note that the requirements may differ depending on the insurance company and the specific terms of the policy. It is best to contact the insurance company to get a comprehensive list of the required documents for making a claim under a pure endowment policy.

Questions

1) Which of the following statements is true regarding a pure endowment policy?

a) It provides both life insurance and savings benefits
b) It only provides a death benefit
c) It only provides a savings benefit
d) It provides a combination of death and savings benefits

2) Mrs. Brown purchased a pure endowment policy for a term of 10 years. She paid an annual premium of $5,000 for 10 years. Unfortunately, she passed away after paying premiums for 5 years. What amount will be paid to her beneficiary?

a) $50,000
b) $25,000
c) Nothing
d) $5,000

Questions

3) Mr. Raj purchased a pure endowment policy for 20 years with a sum assured of Rs. 10 lakhs. If he survives the term, what will be the amount payable to him?

a) Rs. 10 lakhs
b) Rs. 12 lakhs
c) Rs. 15 lakhs
d) Rs. 20 lakhs