



Class: MSc

Subject :

Subject Code:

Chapter: Unit 2 Chpt 1

Chapter Name: Whole life insurance

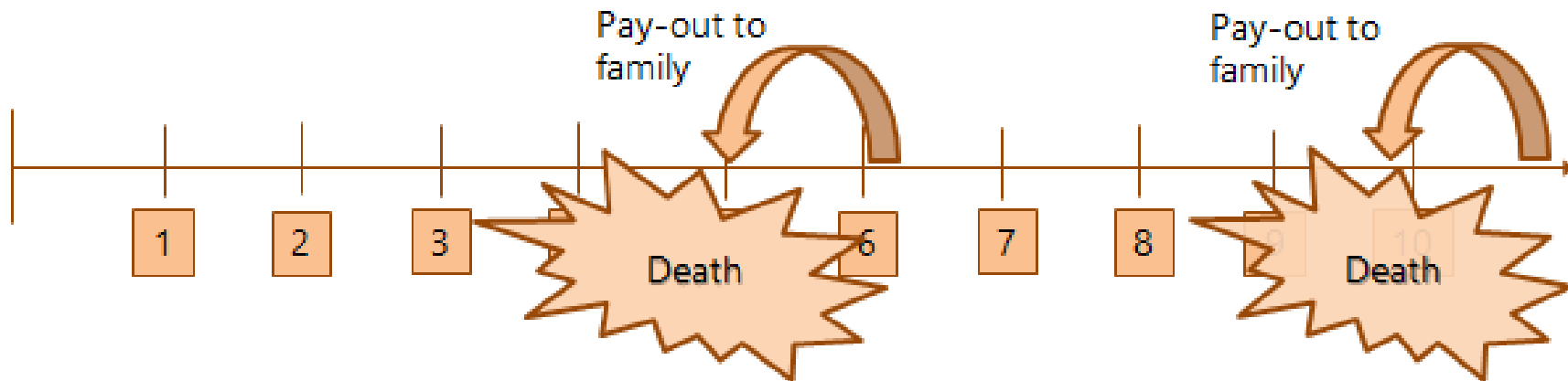
Today's Agenda

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

1 Introduction



Whole life insurance is a type of permanent life insurance, which means the insured person is covered for the duration of their life as long as premiums are paid on time.



1.1 Features

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

1.2 Who should consider whole life insurance?

- Individuals who want to fulfil long-term life goals like children's weddings should opt for a whole life insurance option.
- If you are the sole earning member of the family, you should consider the whole life insurance plan as many people have to support their family even after retirement.
- Additionally, people who want to live a financially free life after retirement can also opt for the option as it comes with a partial withdrawal option, which depends upon the product terms and conditions

1.3 Benefits

- Your premiums are fixed and will never go up, regardless of market conditions.
- Your death benefit is guaranteed as long as you make the required premium payments.
- The insurance premiums paid are eligible for deductions of up to ₹ 1.5 lakh under Section 80C
- You may be able to withdraw funds or take out a loan.

1.4 Types of whole life insurance

India is a large country with diversified insurance needs of different people. Various types of life insurance policies are available to cater to everyone's needs.

Non-Participating Whole Life Insurance: It is a low-cost insurance plan which demands low and levelled premium throughout the policy tenure. No dividend or bonus is shared with the policyholder

Participating Whole Life Insurance: Here the policyholder gets bonus and dividends from the insurance company

Level Premium Whole Life Insurance: Premium is paid till the very end of the policy, with the premium remaining the same throughout the tenure

Limited Payment Whole Life Insurance: Premium is paid for a limited period of time while the coverage is provided for the entire plan period (till the policyholder is alive or 100 years). Since the premium payment time is limited, the amount of premium is higher compared to that for level premium whole life insurance

Single Premium Whole Life Insurance: Premium is paid only once and the plan is funded for life. It is an expensive plan in terms of premium paid

1.5 Comparing policies



Do you think premium rates will differ for different age groups and gender? Discuss

1.5 Comparing policies



Look at the table and notice any trend in the table ?

Why is there a difference in the interest rates for men and women?

Why are the interest rates increasing with age?

| Age | Gender | \$250,000 | \$500,000 |
|-----|--------|-----------|-----------|
| 25 | Male | \$12.53 | \$18.99 |
| | Female | \$11.04 | \$15.84 |
| 30 | Male | \$12.70 | \$19.31 |
| | Female | \$11.26 | \$16.53 |
| 35 | Male | \$13.45 | \$21.07 |
| | Female | \$11.73 | \$17.63 |
| 40 | Male | \$17.03 | \$27.76 |
| | Female | \$15.27 | \$24.48 |
| 45 | Male | \$26.86 | \$44.46 |
| | Female | \$21.70 | \$36.91 |

1.5 Factors that affect whole life insurance premiums

The coverage amount you choose will help determine your rate, along with:

- Age and gender
- Height and weight
- Past and current health conditions
- The health history of your parents and siblings
- Nicotine and marijuana use, including nicotine patches and gum
- Substance abuse
- Credit
- Criminal history
- Driving record (especially DUI convictions and moving violations, such as speeding tickets)
- Dangerous hobbies and activities (such as piloting planes or rock climbing)

1.5 Factors that affect whole life insurance premiums

With whole life insurance, there are a variety of other features and provisions that can affect costs as well, such as:

Payment period: You can choose to pay for the entire policy in a short time frame, such as 10 or 20 years. The premium would rise substantially given the front loading of payments.

Guaranteed return rate: Some companies offer a higher guaranteed return, which can result in higher annual premiums.

Dividend crediting: Many whole life policies pay out a dividend, and policyholders can choose how to receive it. Receiving your dividend payments as a credit toward premiums reduces your annual out-of-pocket cost.

1.6 Documents Required to Purchase Plans

Always keep the required documents in place for a smooth purchasing process. Some of the common ones are:

- Identity proof (PAN Card, Aadhaar Card, etc.)
- Address proof (Voter ID card, Ration Card, Passport, etc.)
- Age proof (Birth certificate, Class 10 certificate, Passport, etc.)
- Bank account details (of beneficiary)
- Passport-size photographs (policyholder's & beneficiary's)

1.7 Exclusions

A whole life insurance policy offers comprehensive coverage, but it does not cover all cases and situations. These are called exclusions. Death occurring under certain situations do not qualify for claims. Some of them are:

- Suicidal deaths, whether the person was sane or not
- Lifestyle-related deaths
- Death due to alcohol and drug abuse
- Death due to involvement in life threatening sports like cliff jumping, motor racing, paragliding, etc.
- Death due to involvement in any kind of illegal activity or terrorism

1.8 Riders

Riders are additional benefits provided with the insurance plans. These help extend the coverage of the plans and can be availed on payment of some extra amount. Some of the riders available with whole life insurance policy are:

- Accidental Death Benefit Rider:
- Accidental Total & Permanent Disability Rider:
- Critical Illness Rider:
- Waiver of Premium Rider:
- Accelerated Death Benefit Rider:

1.9 Claim Process

Follow the steps given below to file claims in case of any eventuality covered under the plan:

- Immediately contact the insurance company in case of any eventuality fit for filing a claim
- Register the same through modes, such as online, call, email or by physically visiting the branch office
- Fill in the claim form
- Submit all the required documents along with the claim form
- Company shall verify the authenticity of the claim and documents
- Once verified and found positive, claim amount is released

1.10 Documents Required for Claim Process

- Claim Form
- Death Certificate (in case of Death Claim)
- ID proof of beneficiary
- Original policy document
- Any other document asked by your insurance provider



Questions

Sarah is a 30-year-old working professional who wants to plan for her retirement. Which of the following is a key benefit of whole life insurance for Sarah's retirement planning?

- a) Flexible premiums
- b) Low premiums
- c) Cash value accumulation
- d) No medical underwriting



Questions

Samantha is a 35-year-old woman who has recently purchased a whole life insurance policy. She has added a critical illness rider to her policy, which provides a lump sum payout if she is diagnosed with a critical illness. Samantha's policy has a death benefit of \$500,000, and she pays \$500 per month in premiums.

Questions:

What is a rider in a whole life insurance policy?

- a) An optional benefit that can be added to the policy for an additional cost
- b) The cash value component of the policy
- c) The guaranteed death benefit of the policy
- d) The premium payment schedule for the policy

How does the critical illness rider work in Samantha's policy?

- a) It provides a lump sum payout if Samantha dies from a critical illness
- b) It provides a monthly income if Samantha is unable to work due to a critical illness
- c) It provides a lump sum payout if Samantha is diagnosed with a critical illness
- d) It provides additional life insurance coverage for Samantha's spouse in case of a critical illness