



Class: MSc

Subject :

Subject Code:

Chapter: Unit 2 Chapter 1

Chapter Name: Term life insurance

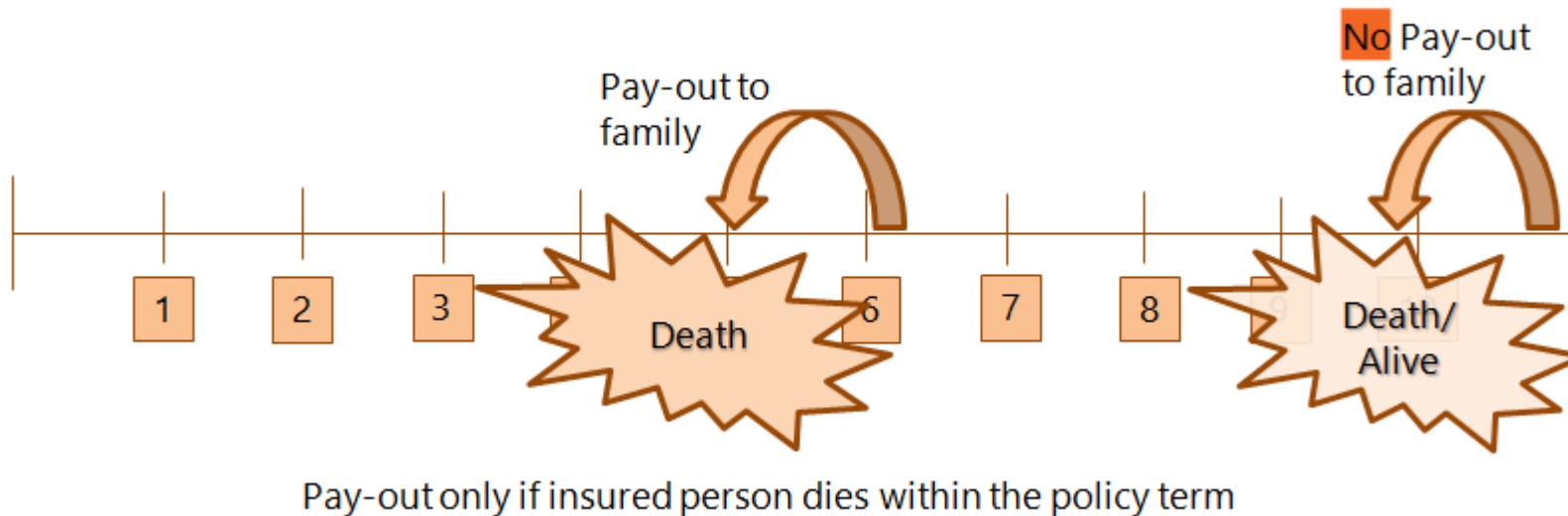
Today's Agenda

1. Introduction
 1. Features
 2. Who should buy?
 3. Benefits
 4. Types
 5. Exclusions
 6. Riders
 7. Factors affecting premiums
 8. Claims process
 9. Documents required in the claims process
 10. Companies offering term life insurance

1 Introduction



A type of life insurance that guarantees payment of a stated death benefit if the covered person dies during a specified term.



1.1 Features

Term Insurance

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

1.2 Who should buy term insurance?

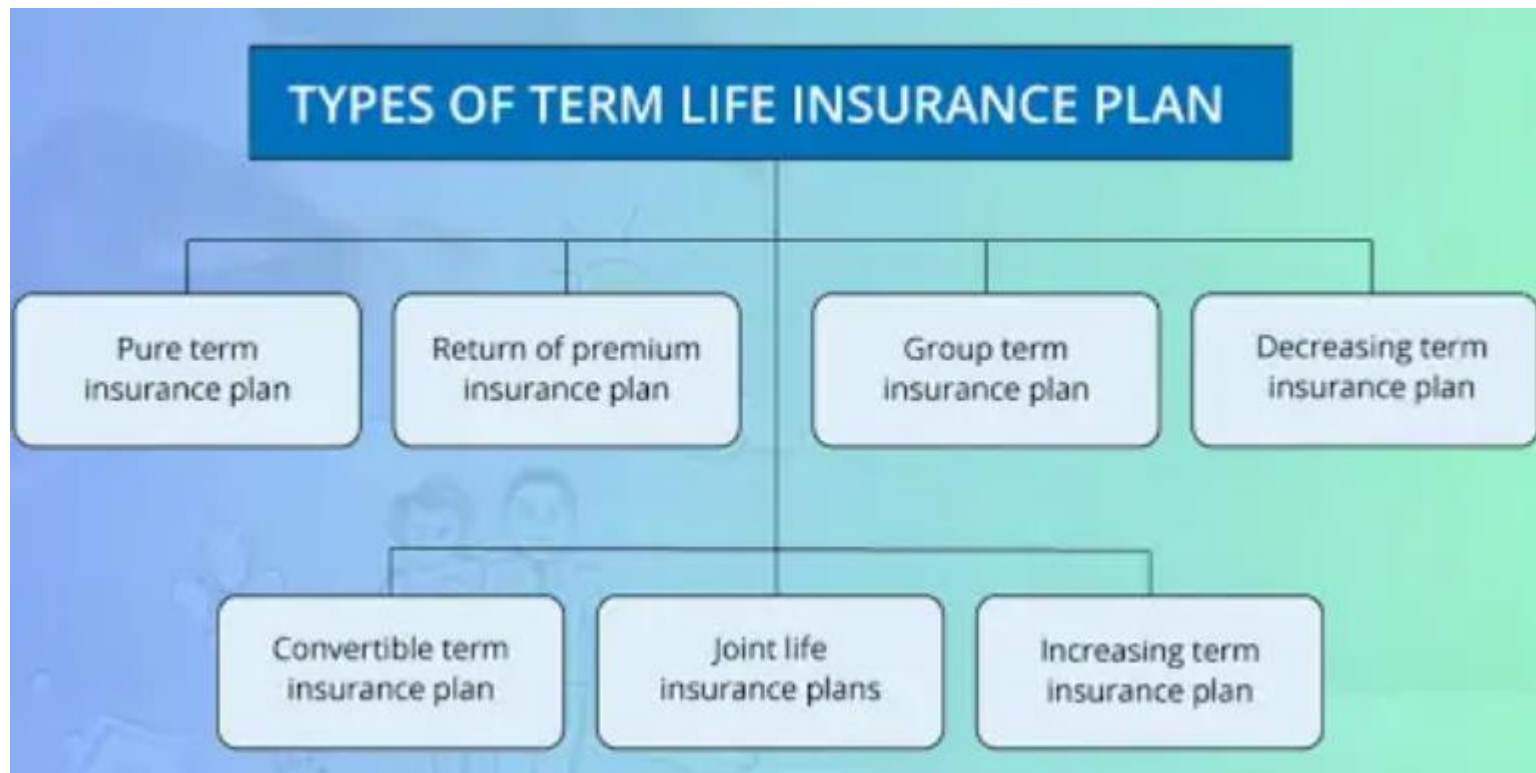
Everyone with financial dependency should buy . Other than that there is a list of 7 types of individuals who should buy term insurance policy in India:

- Young professionals
- Newly married
- Working women
- Taxpayers
- Parents
- Retirees
- Self employed people

1.3 Benefits

- Financial protection of family against unfortunate events
- Financial life cover for critical illness
- Stay covered till 99 years
- Tax benefits
- Financial coverage for disabilities
- Affordable premium rates

1.4 Types



1.4 Types

Pure term insurance plan: Also called a vanilla plan, this type is a very simple plan. Here the beneficiary or the nominee gets the basic sum assured on the death of the insured during the term of the plan. However, the insured does not get any money, if he/she survives the term period.

Return of premium insurance plan: The terms and conditions of the plan are same as that for a pure term insurance plan. However, if the insured survives the term of the insurance plan, he/she gets back the total premium paid to the insurance company. Thus, it is called return of premium plan.

Group term insurance plan: It is usually taken by companies for its employees. Here, one common plan covers all the members of the group. A group term insurance plan is cheaper, as all the members of the group are secured, barring the members who have reached the maturity level.

Decreasing term insurance plan: Here, the sum assured decreases over time, depending on the personal requirement of the insured. For instance, if a person feels that his savings and investment will increase with time, he/she can choose the decreasing term insurance plan.

1.4 Types

Increasing term insurance plan: If a person feels that with time, his/her family would need more money to meet the inflation cost and other expenses, he/she can choose increasing term insurance plan. Here, with each passing year, the sum assured increases.

Convertible term insurance plan: After buying a term insurance plan, if the insured feels the need to switch to a new type, this type of term insurance gives the liberty to do so. Thus, after choosing a term plan, if the insured wants to change to a whole life plan or an endowment plan, he/she can do so.

Joint life insurance plan: Many term insurance plans can be taken jointly, for instance by partners in a business or by couples. In this case, if one partner passes away, the other partner gets the sum assured and the plan continues as before. And if the surviving partner dies during the term, the nominee gets the sum assured after which the plans ends

1.5 Exclusions

A term plan does not cover all situations. These are called exclusions. In case the death occurs under certain circumstances, the nominee does not get the claim amount. This varies from company to company. Some of these cases are:

- If the death occurs due to suicide within 12 months of the policy, no claim will be entertained by the beneficiary. The premium amount paid by the insured is returned after deducting the taxes.
- Accidental death due to influence of drugs or alcohol
- Participation in adventurous sports
- Accident due to car or bike racing

1.6 Riders

Term plans also offer riders or additional benefits which can be availed by the insured by paying some extra amount. Some available riders are:

- Critical illness rider
- Accidental death benefit rider
- Permanent and total disability rider
- Hospital cash rider
- Waiver of premium rider

1.7 Factors affecting premiums

The premium calculation of a term plan depends on various factors. These are:

- Age of insured
- Sum assured
- Term of policy
- Smoking habit
- Gender
- Health condition

1.8 Claim Process

In case of any eventuality, you need to make claims the correct way so that you do not miss out the benefits. Let us look at the process.

- On the sudden demise of the policyholder, immediately inform the insurance company
- On the registration of the claim, submit the required documents
- After this, a surveyor from the company will conduct a survey and then approve the claim, if considered fit
- In case there is any problem in the case, the claim might be rejected

1.9 Documents Required for Claim Process

Once you have approached the insurance company, you should keep the documents in place to avoid any claim rejection. The documents required vary with case to case. Let us look at some common documents required for claim.

- Duly filled in claim form
- Policy document
- Death certificate
- Medical certificate
- Postmortem report, in case of unnatural death

1.10 Top 5 companies offering term life insurance

Insurance Company	Term Life Insurance policy	Claim Settlement Ratio	Entry Age	Max Maturity Age	Premium (for a cover of 1 crore)
ICICI Prudential Life Insurance	iProtect Smart	97.82%	18-65 years	85 years	Rs. 856/month
HDFC Life Life Insurance	Click 2 Protect Super	98.66%	18-65 years	85 years	Rs. 771/month
Max Life Life Insurance	Smart Secure Plus	99.34%	18-65 years	75 years	Rs. 695/month
Tata AIA Life Insurance	Tata AIA Sampoorna Raksha Supreme	98.53%	18-45 years	100 years	Rs. 683/month
Bajaj Allianz Life Insurance	Bajaj Allianz eTouch	99.02%	18-60 years	85 years	Rs. 567/month

Questions

1) In the case study of Ms. B, a 50-year-old woman with no dependents, which term life insurance policy is most appropriate for her?

- a) 5-year term life insurance policy
- b) 10-year term life insurance policy
- c) 20-year term life insurance policy

2) In the case study of Mr. X, a 45-year-old man with a wife and two children, which type of term life insurance policy is most appropriate for him, given that he expects his financial responsibilities to decrease over time?

- a) Level term life insurance
- b) Increasing term life insurance
- c) Decreasing term life insurance
- d) Renewable term life insurance

Questions

- 3) In the case study of Mr. X, a 35-year-old man who is the sole breadwinner for his family, which rider would be most appropriate to add to his term life insurance policy?
- a) Waiver of premium rider
 - b) Accidental death rider
 - c) Long-term care rider
 - d) Critical illness rider
- 4) In the case study of Ms. Y, a 40-year-old woman who recently lost her husband and needs to file a claim on his term life insurance policy, what is the first step she should take in the claims process?
- a) Contact the insurance company and request a claims form
 - b) Submit a death certificate and other required documents
 - c) Wait for the insurance company to contact her
 - d) Consult with a lawyer