Types of Life Insurance Policies

- **I) WHOLE LIFE POLICY**
    - **A) Ordinary Whole Life Policy**
    - **B) Limited Payment Whole Life Policy**
    - **C) Single Payment Whole Life Policy**
    - **D) Special Whole Life Policy**
    - **E) Convertible Whole Life Policy**
- **II) ENDOWMENT POLICY**
    - **A) Ordinary Endowment Policy**
    - **B) Double Endowment Policy**
    - **C) Money Back Policy**
- **III) GROUP INSURANCE POLICY**

I) WHOLE LIFE POLICY

Features of this policy are as under:

1. It is a policy meant for whole life of assured. It means the sum assured is payable to the legal heir or dependants of assured on the death of assured.
2. The assured has to pay premiums throughout his life.
3. This policy is useful for making the provisions dependents after death.

Ordinary Whole Life Policy : Features of this policy are as under:

1. It is a policy meant for whole life of assured. It means the sum assured is payable to the legal heir or dependants of assured on the death of assured.
2. The assured has to pay premiums throughout his life. But the premiums are low.
3. Payments of premium are waived after a period of 35 years from the date of policy or on attaining the age of 80 years by the assured.
4. Such policy may be with or without profits.
5. Minimum amount of policy is Rs. 1,000.
6. This policy is useful for making the provisions dependents after death.

Limited Payment Whole Life Policy : : Features of this policy are as under:

1. It is a policy meant for whole life of assured. It means the sum assured is payable to the legal heir or dependants of assured on the death of assured.
2. The assured has to pay premiums for a limited period as per his choice after taking out the policy.
3. Such policy may be with or without profits.
4. Minimum amount of policy is Rs. 500.

5. This policy is useful for making the provisions dependents after death.

Single Payment Whole Life Policy: Features of this policy are as under:

1. It is a policy meant for whole life of assured. It means the sum assured is payable to the legal heir or dependants of assured on the death of assured.
2. The assured has to pay premiums in one installment. The amount of premium is high.
3. Such policy may be with or without profits.
4. Minimum amount of policy is Rs. 1,000.
5. This policy is useful rich people like industrialists, businessmen, film actors etc. for making the provisions dependents after death.

Special Whole Life Policy : Features of this policy are as under:

1. It is a policy meant for whole life of assured. It means the sum assured is payable to the legal heir or dependants of assured on the death of assured.
2. The assured has to pay premiums for a limited period as per his choice usually upto getting 60 to 65 years old.
3. Such policy may be with or without profits.

Convertible Whole Life Policy : Features of this policy are as under:

1. It is a policy meant for whole life of assured. It means the sum assured is payable to the legal heir or dependants of assured on the death of assured.
2. The assured has to pay premiums till the age of 70 . The premiums are low.
3. After completion of five years the assured can convert the policy into Endowment Policy.
4. After conversion the period of policy can be selected as 10 years or 20 years or 30 years etc.
5. If the policy is converted into endowment policy the rate of premium increases.
6. Such policy may be with or without profits.
7. Minimum amount of policy is Rs. 5,000.
8. Such policy can be taken by a person before he is 35 years old.
9. This policy is useful for young persons having low incomes because the premium is low. If their income increases after some years they can convert the policy into endowment policy and pay higher premiums.

II) ENDOWMENT POLICY: Features of this policy are as under:

1. It is a policy under which a sum assured is payable either to the legal heir on the death of assured or to the assured on the expiry of the period of policy.
2. The premium at a higher rate is charged as compared to whole life policy.

3. It is a policy that covers the risk and at the same time serves as a savings and investment plan for the assured.
4. Such policy may be with or without profits.
5. The minimum amount of the policy is fixed at Rs. 500.
6. Normally the assured can select the period of the policy below 25 years so as to get the benefit of policy amount.

Types of Endowment Policy :

Ordinary Endowment Policy : Features of this policy are as under:

1. It is a policy under which a sum assured is payable either to the legal heir on the death of assured or to the assured on the expiry of the period of policy.
2. The premium at a higher rate is charged as compared to whole life policy.
3. It is a policy that covers the risk and at the same time serves as a savings and investment plan for the assured.
4. Such policy may be with or without profits.
5. The minimum amount of the policy is fixed at Rs. 500.
6. Normally the assured can select the period of the policy below 25 years so as to get the benefit of policy amount.
7. It is useful for making provision for old age, and provision for personal responsibilities such as children's education and marriage etc.

Double Endowment Policy: Features of this policy are as under:

1. On completion of the term of the policy if the assured is alive, double amount of assured sum is paid.
2. If assured dies before completion of the term of the policy, then the assured sum is payable to dependents.
3. The period of the policy is in between 10 to 40 years depending on entry age.
4. This plan is meant for those persons who are not eligible for other plans due to some physical disability.

Money Back Policy : Features of this policy are as under:

1. Money back policy assures regular return of policy amount in some percentage so as to cover the needs of policy holder.
2. This policy is taken for a period of 20 to 25 years.
3. At the time of taking out policy the minimum age should be from 13 years to 50 years.
4. This policy can be taken for a minimum of Rs. 40,000 to a maximum of Rs. 5 lakh.

5. A periodic payment of 20% of policy amount is made at 5 years interval during the period of policy and balance 40 % is paid on maturity of policy along with the bonus.

Group Insurance: Features of this policy are as under:

1. Group insurance is an insurance given to a group of people working in some organizations like factories, business firms, educational institutions, government concerns etc.
2. It offers life protections at low premiums.
3. Premiums payable are based on age group of people in group, working conditions, occupation etc.
4. Such policies are useful for labor welfare.

Life Insurance Policy – Conditions

Life insurance agreement is based on some terms and conditions. These conditions are printed in Policy agreement. These conditions are helpful in solving the disputes among the insured and insurance company. These conditions are as follows:

1) **Commencement of Risk:** The risk under the LIC contract is covered by the insurance company from the date of payment of the first premium or the date of acceptance of the insurance contract by the company whichever is later.

2) **Days of Grace:** Insured has to pay the premium regularly before the due date to cover the risk by continuing the policy. But if he fails to pay the premium on or before due date due to some reasons he is given some extra period to pay the premium and continue his policy. ***Such extra period allowed by the insurance company for payment of premium after due date is called days grace.*** LIC premiums are paid monthly, quarterly, half yearly or yearly. In case of monthly payment of insurance premium, 15 days of grace are given. In case of quarterly, half yearly and yearly premium payments 30 days grace are given to facilitate the payment. During the days of grace even though the premium payment is not made, the policy remains in force. Hence if the policy holder dies during the days of grace the policy amount is paid to his legal heir after deducting the unpaid premiums. If the premium is not paid by the insured during the days of grace the policy may be lapsed.

3) **Revival of lapsed policy:** If policy holder fails to pay premium within the days of grace his policy is treated as lapsed and benefits of insurance are stopped. Such *lapsed and discontinued policies may be revived by the policy holder during his life time as per the options given by insurance company.* For reviving the policy he has to pay the defaulted premiums along with the compound interest. While reviving the policy the insurance company may apply some new conditions such as fresh medical examination, revision of premiums etc.

4) **Surrender Value:** If the policy holder is unable to pay the premiums due to some reasons and likes to discontinue the policy voluntarily before its maturity he may surrender the policy. When a policy is surrendered the policy holder surrenders his rights and benefits under the policy and gets back some cash value of the policy from the insurance company. Such ***cash value received***

by the policy holder on surrender of the policy is called surrender value. Surrender value of a policy goes on increasing year after year as the premiums paid on policy increase.

5) **Paid up value:** When the insured discontinues the payment of premium on his policy but does not claim the surrender value then his policy continues for less amount which is paid by the insurance company on maturity or death of insured. Such a value is called paid up value. Paid up value is paid along with the bonus accrued on the policy. Following is the formula for calculating the paid up value:

$$\textbf{Paid up Value} = \frac{\textbf{No of Premiums Paid}}{\textbf{Total No of Premiums payable}} \times \textbf{Sum Assured}$$

For example, if the Sum Assured is Rs. 1,00,000, Total premiums are 50 and Premiums paid are 30, then the Paid up value will be = (30 / 50) X 1,00,000 = Rs. 60,000.

6) **Nomination :** While taking a life insurance policy the insured has to nominate a person to receive the sum assured in case of accidental death of a insured before the completion of the period of the policy. Such a person is called nominee. If nomination is not made at the time of taking the policy it can be made at any time after the issue of policy. Even the insured can change the nomination at any time during the period of the policy. Such nominee is entitled to obtain the policy amount on death of policyholder. If nominee dies before the policy holder then the nomination comes to end. In such a case fresh nomination can be made. If nomination is not made then the policy amount is paid to legal heir of insured on his death.

7) **Assignment:** An Insurance Policy is the property of insured. Hence he can transfer the ownership rights of his policy some other person through assignment. Assignment means transferring the ownership rights and interest in the policy to some other person. Assignment can be made by endorsement on the policy itself or through a separate document. Insured must inform the insurance company about the assignment in writing along with endorsement or transfer instrument. After assignment the benefits of the policy are transferred to the assignee.

8) **Suicide Clause:** Life insurance policy contains a suicide clause. According to this clause, if a policy holder commits suicide after taking life insurance policy the sum assured is not paid to his legal heir because suicide is a crime. Even if the assured commits a suicide few minutes before the completion of term of policy, insurance company can refuse to pay the policy amount. But if the assured has committed suicide when he was of unsound mind his legal heir can recover the amount of policy. Indian laws do not treat suicide as an offence hence insurance companies cannot avoid the payment of policy if the assured commits suicide after one year after taking out the life insurance policy. Insurance company has to make payment of policy amount to the legal heir of assured.

Settlement of Life Insurance Claim – Procedure

Procedure of settlement of claim cn be studied into two parts as under:

I) **Settlement of Claim on Maturity :** In case of endowment policies on maturity of policy the policy holder is entitled to get the sum assured with bonus . Following procedure is followed to settle maturity claim.

   a) **Pr-intimation to Policy holder**: On maturity of the policy the insurance company informs the policyholder about the completion of the term of the policy well in advance. He is requested to complete the formalities so that his claim can be settled in time.
   b) **Proof of Age**: The assured has to submit the proof of age if it is not submitted earlier.
   c) **Policy Document:** The assured has to furnish the policy document to the insurance company. If the original policy document is lost, he has to give and indemnity bond.
   d) **Discharge form**: A person claiming insurance amount has to fill discharge form. It contains the gross amount of insurance and the deductions, if any, and the net amount. He has to affix a revenue stamp and sign it in presence of witnesses.
   e) **Payment of claim**: On completion of all above formalities, the insurance company gives cheque of policy amount to the assured.

II) **Procedure of Settling Death Claim:** On death of assured, policy claim is paid to nominee whose name is given in the policy or to the legal heir of assured. On death of assured, the nominee or survivor (Legal heir) has to inform the insurance company accordingly and request to settle the claim. For settling the death claim the nominee or survivor has to follow the following procedure.

   a) **Intimation of death:** Nominee or any of the relatives of the assured has to give an intimation about the death of the assured to the insurance company in writing. He should inform the policy number, name of policy holder, date of his death, cause of death and his relation with the policy holder.
   b) **Completion of Documents:** The insurance company of receipt of such an intimation confirms the death of policy holder and calls for the following documents :
      1. Insurance Policy
      2. Proof of age
      3. Claimant’s statement about the cause of death, nature of last illness, treatment given, burial or cremation etc.
      4. Extract of death from local authority
      5. Proof of the title of claimant
      6. Discharge form duly completed
      7. Assignment deed
   c) **Payment of Claim amount:** After verifying all the documents and confirming that that the policy holder is dead and the claimant is nominee or legal heir the insurance company makes the payment of claim