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Life Insurance

MODULE 5

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Basics of Life Insurance

- Life insurance is a contract wherein death of t
insured is compensated by the insurer.
- In exchange for a premium, insurance compa
compensates a fixed amount called the sum o
- Term insurance covers risk for a fixed term whil
whole life, universal insurance provides life tim
coverage.
- Insurer collects premia from a very large numb
insureds and pools them into a life fund which
to pay claims and for investments.
- Insurer must do sound calculations of premia a
death claims in order to sustain itself.

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Acturial science

- Discipline that applies mathematical and statistical methods to assess risk in insurance, finance and oth industries and professions is called Acturial science.
- It includes several disciplines like maths, stat, financ economics, computer programming.
- Historically actuarial science used models to constr tables and premiums.
- Now-a-days with modern computers it is possible to rates of disability, morbidity, mortality, retirement, survivorship etc.
- Using statistical models it is possible to estimate life s likelihood of catastrophe, weather-related event, e
- They forecast risk and uncertainty and helps a firm future probabilities and possibilities.

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Features of life insurance

- Unilateral contract: only one party, the insurer make enforceable promise. The company cannot force t insured to pay all the premiums but company has t the SA as per contract
- Contract of utmost good faith: both the parties are under special duty to disclose all material facts with knowledge as well as to refrain from active misrepresentation.
- Conditional contract: this contract has many condi which need to be fulfilled in order for the contract t valid
- Aleatory contract(By chance): Payment is made up happening of contingency. An **aleatory contract** is the performance of one or both parties is continge the occurrence of a particular event by chance or neither party has any control.

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- Contract of adhesion: terms are not arrived by mutual negotiations; they are decided by the insurer. The insured can only accept or reject the policy along with the conditions (contract **of adhesion** between two parties where the terms and conditions of the **contract** are set by one of the parties, and other party has little or no ability to negotia
- Contract of guarantee: Life insurance does offer an indemnity; it is a contingency cont by providing for payment of agreed amou upon happening of an event.
- Standard form of contract: it follows all the essentials of Indian contract act, 1872 for it a standard valid contract

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Life insurance document

- Life insurer issues a policy bond upon completion of all f
of scrutinizing proposal application. A typical bond has
following features:
- 1. Preamble: it is a narrative where the insurer and the ir
themselves to a contract of insurance. Insurer declares
received all the necessary information and documents
extend risk coverage upon terms and conditions as give
subsequently.
- 2. Policy schedule: it contains particulars such as policy
date of commencement of policy, scheme opted, date
which the cover is extended, amount of assurance pay
insurer, amount of premium payable by the policy hold
of payment (monthly, Qtly, Hly, Yrly), name of the perso
the benefit is payable, type of contingency upon which
mode by which payable and so on. The bond is dated
by a responsible officer of the insuring firm

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- 3. Conditions and privileges: insurer usually extends certain conditions/privileges like extended time to pay premiums, rule lapsing and re-activation, non-settlement conditions in case o change in habits and risk during course of the policy etc. some conditions and privileges are as follows:

- Nature and proof of age
- Revival of discontinued policy
- Forfeiture in certain events
- Guaranteed surrender value
- Assignment and nominations
- Normal requirements for a claim
- Payment of premiums and grace period
- Non-forfeiture regulations
- Suicide
- Loan
- Accident benefit and other riders
- Grievance redressal officer.

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- 4. Endorsement and clauses: Many time insurance coverage is issued limiting the insurer's liability for a ce period of time which gets cancelle automatically at the end of the tim periods. They are called endorsem and clauses.

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Premium calculation

Regular consideration paid by the insured
getting insurance cover is called the prem
Premium depends upon

- 1. Age of the life to be assured
- 2. type of plan/scheme chosen
- 3. period/term of insurance
- 4. mode of payment
- 5. Riders chosen
- 6. benefits offered by the insurer
- 7. physical and health condition of the li assured

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Presentations (10 marks)

(Each one evaluated separately)

- **Life Insurance Classification**-Classificatio the Basis –Duration-Premium Payment-Participation in Profit-Number of Persons Assured-Payment of Policy Amount-Mon Back Policies-Unit Linked Plans.

  (4/5 members team)

- **Annuities**-Need of Annuity Contracts, Ar V/s Life Insurance, Classification of Annu

  (3/4 members team)

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Life insurance policies - Types

- On the basis of
- Duration
- Participation in profit – whole endowment
- Payment of SA – money bac policy
- Unit linked policies
- Annuites

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Rules for presentation

- Contents of the slide is very important. It must effectively re the syllabus
- Slides must be brief and to the point. Cut-pasting long pas is, is prohibited.
- Presenter must have deep understanding of the subject be presented.
- Use adequate explanations in your own words. Mere readi the slide tentamounts to bad presentation
- Use right intonation, pause and gesticulation to make your Speak in simple English with confidence
- Handle questions professionally
- Submit hard and soft copies of slides for evaluation
- Imitating anchores and putting up TV shows is prohibited. R that it is a business presentation and not variety entertainm program or Sentia 2017

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