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BUSINESS SERVICES

Types of life insurance policies

The document containing the written contract between the insurer and the insured along with the terms and conditions of insurance is called the Policy. After the proposal form is filled by the insured (or the proposer) and the insurer (insurance company) accepts the form and the premium, a policy is issued to the insurer. People have different requirements and therefore they would like a policy to fulfill all their needs. The needs of people for life insurance can be family needs, children's needs, old age and special needs. To meet the needs of people the insurers have developed different types of products such as Whole Life Assurance, Endowment type plans, combination of Whole Life and Endowment type plans, Children's Assurance plans and Annuity plans. Some of these are explained below:

(i) Whole Life Policy: In this kind of policy, the amount payable to the insured will not be paid before the death of the assured. The sum then becomes payable only to the beneficiaries or heir of the deceased. The premium will be payable for a fixed period (20 or 30 years) or for the whole life of the assured. If the premium is payable for a fixed period, the policy will continue till the death of the assured.

(ii) Endowment Life Assurance Policy: The insurer (Insurance Company) undertakes to pay a specified sum when the insured attains a particular age or on his death which ever is earlier. The sum is payable to his legal heir/s or nominee named therein in case of death of the assured. Otherwise, the sum will be paid to the assured after a fixed period i.e., till he/ she attains a particular age. Thus, the endowment policy matures after a limited number of years.

(iii) Joint Life Policy: This policy is taken up by two or more persons. The premium is paid jointly or by either of them in instalments or lump sum. The assured sum or policy money is payable upon the death of any one person to the other survivor or survivors. Usually this policy is taken up by husband and wife jointly or by two partners in a partnership firm where the amount is payable to the survivor on the death of either of the two.

(iv) Annuity Policy: Under this policy, the assured sum or policy money is payable after the assured attains a certain age in monthly, quarterly, half yearly or annual instalments. The premium is paid in instalments over a certain period or single premium may be paid by the assured. This is useful to those who prefer a regular income after a certain age.

(v) Children's Endowment Policy: This policy is taken by a person for his/ her children to meet the expenses of their education or marriage. The agreement states that a certain sum will be paid by the insurer when the children attain a particular age. The premium is paid by the person entering into the contract. However, no premium wil be paid, if he dies before the maturity of the policy.