Life Insurance and its Types

Life insurance

Life insurance is a protection against financial loss from the premature death of an insured. The named beneficiary receives the proceeds, and is thus protected from the financial impact of the death of the insured. The death benefit is paid by a life insurer in consideration for premium payments made by the insured.

Life insurance can offer a combination of protection and saving components, and the proportion of these components in an insurance product may vary depending on the product type and consumer needs and preferences. For example, if a product has 5% protection component and 95% savings component, then 95% of the premium will be allocated to the savings account of the policyholder, and the remaining 5% will be considered risk/ protection premium. An insurance product may have variable proportions of protection and savings.

Broad categories of life insurance products

Conventional bundled policies with profit and without profit

The insurance products which have traditionally been offered generally combine financial protection and savings components. Insurance benefits, such as maturity value or surrender value, are largely determined at the time of policy issuance. These products are offered on participating (with-profits) and non-participating (without-profit) basis. The with-profits insurance products offer certain bonuses which are based upon the actual investment and operational performance of the company. Under these products, the policyholder does not have a right to direct investment allocation of premium.

Universal life insurance policies

Universal life insurance falls under the permanent life insurance category and includes both the protection and savings component. The protection component is the minimum amount of premium that is required to keep the policy in-force, while the interest on the saving component or the accumulated cash value of saving component can be used to pay the premium related to protection component, instead of paying it from external funds. The saving component earns a profit to which the policyholder is entitled. The cash value of the policy may be obtained anytime during the term of policy in the form of a loan against the policy or at maturity or death. Universal life insurance offers flexibility to the policyholders in respect of premium payments, death benefits and saving component of their policy.

Unit-linked insurance policies

The unit linked insurance plan is offered as a further refinement of the universal life insurance such that the investment component is unitized i.e. units of fund are purchased from the premium attributable to investment. These policies also offer the policyholder the protection and investment option through one product. The premium comprises of protection and investment components and the units of a suitable investment fund are purchased at the Net Asset Value (price per unit) with the premium amount attributable to the investment component. The return earned on the units of the fund is accumulated as the cash value of the policy. In unit-linked policies, the policyholder has the liberty to choose the fund to be purchased from the premium amount attributable to investment. Visit our term life products on the website and view our range of products. You may call our sales agent on 021-111-11-5433(LIFE) and they will help you match the best products according to your requirements.

Types of life insurance products

The common types of life insurance may include the following:

Term life insurance

Term life insurance is a simple life insurance product that offers to pay benefits in case of death during the tenure of the policy. If death or the contingent event does not happen during the tenure of the policy, the policy expires and the policyholder is not entitled to receive anything. Term life is best suited for persons who do not want a saving or investment component and want a basic life insurance product. Visit our term life products on the website and view our range of products. You may call our sales agent on 021-111-11-5433(LIFE) and they will help you match the best products according to your requirements.

Whole life insurance

Whole life insurance is the simplest form of cash value insurance that comprises a protection and investment component. The investment component builds accumulated cash value that the insured individual can borrow against or withdraw. Under whole life the policyholder's entire life is covered, and all death benefits are paid, and premiums recovered by the family upon the death of the policyholder, whenever that may be. Whole life insurance differs from universal life insurance with respect to premium payments. Under whole life insurance premiums are not flexible, and fixed payments are required to be made, whereas universal life insurance allows flexible premium payments.

Endowment

Endowment life insurance is a popular product designed to pay a lump sum on maturity or on death of the insured. Under these policies, the sum insured plus bonuses are payable at the end of the specified number of years or at death of the life insured, if earlier. The policyholder has the choice with respect to how much he wants to save, and when he wants the policy to mature.

Child Education and Marriage Plan

The child education and marriage plans are offered to meet the financial needs at the time of occurrence of such events along with the protection of life. The policy has preset tenure, and if death of the policyholder occurs during the policy tenure, the insurance company pays periodic payments (or annuity) in the form of premiums on behalf of the policyholder (i.e. plan continuation benefit), and often periodic family income (i.e. pension) to the family of the deceased (policy beneficiary). Additionally, the insurance policy also pays a lump sum at policy maturity for meeting the expenses of marriage or education. For this particular need, you can view our Secure Mustaqbil Plan and the riders it offers.

Single premium plan

Under Single premium plan insurance one lump sum payment is made at the beginning of the policy term that entitles the policy beneficiary to a death benefit i.e. payment of predetermined amount on the death of the insured. The death benefit is the amount paid as premiums plus the returns earned, as a result of investing in the instruments of policyholder's choice. For a single premium investment, you can visit our Super Sarmaya Plan and get insured by paying a one-time premium.