PROTECTION RELATED PRODUCTS - INSURANCE

Common and specific terms in “LIFE” and “NON-LIFE INSURANCE”

Life assured:

Life assured is the insured person. Life assured is the one for whom the life insurance plan is purchased to cover the risk of untimely death. Primarily, the breadwinner of the family is the life assured.

Life assured may or may not be the policyholder. For instance, a husband buys a life insurance plan for his wife. As the wife is a homemaker, husband pays the premium, thus the husband is the policyholder, and wife is the life assured.

Policyholder:

The policyholder is the one who proposes the purchase of the life insurance policy and pays the premium. The policyholder is the owner of the policy and may or may not be the life assured.

Sum assured (coverage):

Life insurance is meant to provide a life cover to the insured.

The financial loss that may arise due to the passing away of the life assured is generally chosen as a life cover when buying a life insurance plan. In technical terms, ‘Sum Assured’ is the term used for an amount that the insurer agrees to pay on death of the insured person or occurrence of any other insured event.

Policy tenure:

The ‘policy tenure’ is the duration for which the policy provides life insurance coverage. The policy tenure can be any period ranging from 1 year to 100 years or whole life, depending on the types of life insurance plan and its terms and conditions. Many a times, it is also referred to as policy term or policy duration.

The policy tenure decides for how long the company is providing the risk coverage. However, in the case of whole life insurance plans, the life coverage is till the time life assured is alive.

Nominee:

The ‘nominee’ is the person (legal heir) nominated by the policyholder to whom the sum assured and other benefits will be paid by the life insurance company in case of an unfortunate eventuality. The nominee could be the wife, child, parents, etc. of the policyholder. The nominee needs to claim life insurance, if the life assured dies during the policy tenure.

Premium:

The premium is the amount you pay to keep the life insurance plan active and enjoy continued coverage. If you are unable to pay the premium before the payment due date and even during the grace period, the policy terminates.

There are various options on how you can pay the premium; regular payment, limited payment term, single payment.

Policy tenure:

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Maturity age:

Maturity age is the age of the life assured at which the policy ends or terminates. This is similar to policy tenure, but a different way to say how long the plan will be in force. Basically, the life insurance company declares up front the maximum age till which the life insurance coverage will be provided to the life insured. For instance, you are 30 years old, you opt for a term plan with a maturity age of 65 years. That means the policy will have a coverage till you are 65 years old, which also means, the maximum policy tenure for a 30-year-old is 35 years.

Automobile Insurance Terminology

Requirements regarding auto insurance vary state by state, but the following definitions can be helpful for understanding the basics when shopping for auto insurance:

Insured: The person(s) covered by the insurance policy.

Premiums: The monthly or annual amount that you must pay in order to have the exchange for insurance coverage.

Deductible: The amount of money that you must pay out of pocket for damages sustained, such as in a collision, before your insurance kicks in and starts to make payments.

Collision Coverage: The type of coverage that pays for the damages to your vehicle sustained as a result of a collision with another vehicle or object.

Comprehensive Coverage: The type of coverage that pays for damage to your vehicle sustained as a result of fire, theft, vandalism, or various other stated causes.

Medical Payments Coverage: The type of coverage that pays for medical and funeral expenses for anyone covered under your insurance policy in the event of an accident, regardless of fault.

Uninsured Motorist Coverage: The type of coverage that pays for injuries, including death, which you and/or other occupants of your vehicle sustain as a result of a collision with an uninsured driver who is at fault.

Bodily Injury Coverage: The type of coverage that pays for medical expenses and/or funeral costs of other individuals injured, or killed, in an accident for which you are liable.

Health Insurance Terminology

The Patient Protection and Affordable Care Act enables more Americans to have access to quality, affordable health insurance. The federally facilitated marketplaces are just one place where people can compare plans. Here is some of the basic terminology for health insurance:

- Insured: The person(s) covered by the insurance policy.
- Deductible: The annual amount of money that you must pay out of pocket for medical expenses before your insurance kicks in and starts to make payments.
- Premiums: The monthly or annual amount that you must pay in order to have the insurance coverage.
- Co-payment: A flat fee that you must pay toward the cost of medical visits, your insurance provider pays the remaining balance. For example, you could be responsible for a $10 co-pay for each visit to the doctor.
- Coinsurance: The percentage that you must pay to share responsibility for your medical claims after you meet your annual deductible.

Classification of General Insurance Companies

General insurance or non-life insurance policies, including automobile and homeowners policies, provide payments depending on the loss from a particular financial event. General insurance is typically defined as any insurance that is not determined to be life insurance. It is called property and casualty insurance in the United States and Canada and non-life insurance in Continental Europe.

Different types of General Insurances in India:

- **Health Insurance**

The Health Insurance cover from Digit offers protection for the medical expenses incurred due to hospitalization caused because of an accident or illnesses.
Although every policy is different, based on who it’s being purchased for, it mainly covers:

- Accidental Hospitalization (pre & post)
- Accidental illness and hospitalization
- Daycare procedures
- Psychiatric Support
- Annual Health Checkups
- Daily Hospital Cash

- **Travel Insurance**

Travel Insurance covers your financial liability, if any, when you travel within or beyond the Indian boundaries. The financial liability may arise due to medical or non-medical emergencies.
The duration of the travel for one time can be 180 days at the maximum. The policyholder can take more than one trip in a year. Your Travel Insurance will cover:

- Loss of Baggage
- Loss of Passport
- Hijacking
- Medical Emergencies
- Delayed Flights
- Accidental Deaths
- Adventure Sports

- **Motor Insurance**

Motor Insurance can be divided into two groups, two and four wheeled Vehicle insurance.
A Motor Insurance Policy is mandatory to be able to drive legally in India. Broadly there are two types a) Third-Party Liability b) Comprehensive Package Policy.
A Third-Party Policy covers for losses faced in a situation where your vehicle damages any third-party such as a public property, person or third-party vehicle. The same is the minimum requirement to be able to drive legally in India, as stated by the Motor Vehicles Act.

A Comprehensive Package Policy covers both third-party damages and liabilities and damages/losses caused to you and your own vehicle. The losses may arise due to an accident, theft, fire, natural calamities, and others.

Digit Insurance provides some add-ons under its Comprehensive Package Policies for Cars and Bikes that act as additional shields to your vehicle, such as:

- Tyre Protect Cover
- Zero Depreciation Cover
- Return to Invoice
- Engine and Gearbox Protection
- Breakdown Assistance Cover

- **Marine Insurance**

Marine cargo insurance covers goods, freight, cargo, and other interests against loss or damage during transit by rail, road, sea and/or air.

- **Home Insurance**

Everything you buy is a priceless possession for you and hence it needs to be protected.

A Home Insurance Policy protects your valuable and other assets. It is a comprehensive package policy that covers all valuables.
Digit Insurance gives protection for Home against Burglary, Loss/Damage of Jewelry, Fire and Natural Disasters.

- **Commercial Insurance**

The lines of insurance that affects the business operations in the real terms are categorized under the Commercial Lines of Insurance. Type of the insurance covers that one can buy may include:

- Property Insurance
- Engineering Insurance
- Liability Insurance
- Marine Insurance
- Employees Benefit Insurance
- Business Interruption

LIFE INSURANCE

Introduction:

Life Insurance is one of the most popular and important forms of insurance. Life insurance is insurance on human Life. Man's life being uncertain, he is prone to meet immature death, accident, disability, old age etc. In such conditions life insurance provides the best source to the family by providing funds to lessen the economic uncertainty. The life insurance is taken out with double purposes - protection against the risk and investment. Life Insurance being a contract for a long period, it provides protection and acts as a sure investment. Life Insurance is a contract for payment of a sum of money to theperson on the happening of the event insured against. Usually the insurance contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or at the unfortunate death if it occurs earlier. In other words, it is the civilized world's partial solution to the problems caused by death. In short, life insurance helps in two ways: premature death, which leaves dependent families to fend for itself and old age without visible means of support.
The present unit attempts to introduce the concept of Life Insurance, nature of life insurance and various products of the life insurance.

Meaning and Nature Life Insurance

The concept of life insurance is based on two fundamental elements of 1) 'Death Cover' and 2) 'Survival Benefits'. According to the former element, in the event of the death of an insured within the specific period, his family members are liable to get the promised amount by the insurance company and according to the later element, if the insured survives after the specific period the insurance company undertakes to pay him amount of Insurance. Though, life insurance can not avoid one's death, at least it tries to minimize the economic burden, to some extent, of the family members by taking risk of the insured.

DEFINITIONS:

Insurance Act 1938 - *"Life Insurance business means the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death (except death by accident only) or the happening of any contingency dependent upon human life and any contract which is subject to payment of premiums for a term dependent on human life."*

J.H. Magee - *"Life insurance contract embodies an agreement in which broadly stated, the insurer undertakes to pay a stipulated sum of money upon the death of the insured' or at some designated time to a designated beneficiary"*

R.S. Sharma – " *Life insurance contract may be defined whereby the insurer, in consideration of a premium paid either in lump sum or in periodical installments , undertakes to pay an annuity or a certain sum of money either on death of the insured or on the expiry of certain number of years."*

"A contract of life insurance is that in which one party agree to pay a given sum of money upon the happening of a particular event contingent upon duration of human life in consideration of the immediate payment of a smaller sum or certain equivalent periodical payments by another. "

NATURE OF LIFE INSURANCE

The analysis of above definitions explains the nature of insurance as follows.

1. Life Insurance is a Contract

Life Insurance is a contract between two parties i.e. insurer and insured by which the insurer, in consideration of insurance premium, agrees to pay the certain amount to the insured against certain probable unexpected incidence. In life insurance, insurance company pay certain sum of money on the death of the insured person or if insured is alive, paid to them the amount of premium with interest and bonus.

2. Cooperative device

All for one and one for all is the basis for cooperation. A life insurance is a good example of cooperative device to spread the loss caused by a specific event. Insurance is based on the principle of mutual help. Under this arrangement persons exposed to same risks come together and create a common fund and compensate the person who has actually suffered the loss. In other words, life insurance is a cooperative mechanism wherein large number of persons comes together. They have similar risk and share the loss by contributing a small amount in the form of premium. Thus, it is cooperative device which is helpful to society to protect the family, if the policy holder dies before maturity date of the policy.

3. Large number of Person –

Life insurance mechanism works on the principle of large number of insured persons. Insurance is spreading of loss over a large number of persons. The persons involved in life insurance collect the amount in the form of premium and such amount is paid to persons who actually suffer the risk.

4. Sharing of risk :

Life insurance is a social and economic device. It share the financial loss occurred caused by unexpected incidence between the public who are exposed to risk. The death of the insured, illness, disable due to accident etc. may cause a tremendous loss to the insured. Under life insurance mechanism this risk shared amongst all the insured in the form of premium. Life insurance provides financial help to dependents of insured, if he dies before the maturity date.

5. Uncertainty:

The event to be insured must be uncertain and unforeseen. However, In life insurance even though death of insured person is certain its timing is uncertain. Hence life insurance is also a legal contract.

6. Payment of claim:

In case of life insurance, the contingency i.e. death or the maturity of the policy will certainly happen. In such case insurer is liable to pay the policy amount on the death of the insured or on the expiry of the term whichever is earlier. If insured dies before date of maturity of the life policy, sum assured will receive by the legal heir or nominee of the policy holder.

7. Insurable interest –

The interest of the insured in the subject matter of insurance is called as insurable interest. In the life insurance the life of the person is the subject matter. In life insurance contract the insurable interest should exist at the time of taking insurance. Husband and wife, other relatives e.g. father, mother, independent son or daughter etc., partners, Debtors and Creditors, trustee etc. can hold Insurable Interest.

8. Life insurance is not an Indemnity contract-

Though life insurance is a contract, it is not a contract of indemnity. Because the loss caused by the death cannot be calculated in terms of money nor money is a compensation for loss of one's life. Life insurance contracts are an exception to the principle of indemnity. He can also take life policies of any amount as the loss of death can not be measured in monetary terms.

9. Protection to family :

Life insurance protects the families from the economic hardship, if insured dies before the maturity of policy. It is the basic principle of the life insurance to save a person from uncertain future incidents such as premature death, old age, accident etc.

10. Life Insurance is not a charity but business :

Life insurance is a business which provides financial protection to the life of insured from unforeseen event. However, insurance company collect the amount of premium as a consideration form insured for the cost of risk so covered. Charity is a payment without claiming anything in return.

11. Investment of Saving –

It is the differential characteristic of the life insurance. Life insurance combines the element of protection and investment. There is no any other mechanism or device, which involves both the elements of protection and investment. Though the insured is interested in protecting his life against risk of premature death, he also wants to save or invest some amount for fulfillment of future needs . Life insurance provides assurance to meet future financial needs particularly arises due to old age, premature death or accident or any unforeseen events.

Life Insurance Products: OR TYPES OF LIFE INSURANCE POLICIES

The life insurance companies have introduced different policies to meet different needs of different people. The social and economical conditions of different classes of the society are never equal or same. The occupations, risks in occupations, income, economical needs, expectations, priorities and difficulties are relatively different by person to person. Hence, the different schemes need to be introduced.
A person who wants to buy an insurance product has to consider the various factors such as the amount of sum assured, amount of premium, source of income, type of risk, maturity time and circumstances at the time of maturity etc. He can select one of best product from life insurance products available in the market. Therefore, insurance companies offer various types of life insurance products by considering different needs and situation of the insured.
There are five basic types of life insurance products are offered by insurance companies such as Whole Life Policy, Endowment Life Insurance policy, Term Insurance Policies, Pension and Annuities and Unit Linked Insurance Plans. However, in actual practice, some of the kinds are brought together to make more attractive schemes. As well, by charging extra premiums, supplementary benefits are extended. In addition to these basic products, various plans are available suiting the requirement of the society.

The following chart shows the various types of life insurance policies or products offer by the insurance companies

Types of Life Insurance Policies/ Products	
1. Whole Life Policies	The policies by which sum assured is paid to the family members of the insured after his death. The premiums are to paid during the whole life of insured.
2. Endowment Policies	The policies that offer sum assured to the insured if he survives a particular term and if he dies before that term to his legal heirs.
3. Term Policies	The policies that offer sum assured on the death of the insured during the specified period.
4. Pension and Annuities	Policies that promise to pay a given amount periodically to the annuitant, during his life time, starting immediately or from a future date.
5. Unit linked Insurance plans	A combination of insurance plan & investment plan

Whole Life Policies

It is clear from the name of this policy is issued for whole life of insured. In whole life policy the assured is covered for his entire life and the sum assured becomes payable to the beneficiary on the death of the assured. The amount of policy i.e. sum assured is paid to the nominee or legal heir, only after the event of insured's death. Thus, the insured can not get the amount of policy during his life time. However, in exceptional case some insurers pay the sum assured when the insured completes say 100 years. While some other insurers waive further payment of premium after say 35 years or when the assured attains a certain age like 75. This type of life insurance product is most suitable for persons of all age groups who want to protect their families from financial setback, if it occurs due to premature death of the insured.

Whole Life Plan:

Particular	Minimum	Maximum
Entry age	18 Years (18 Last birth day)	60
Sum assured	30000	No Limit
Term	Not applicable	Not applicable
Mode of Payment	Monthly, Quarterly, Half yearly or Yearly (Salary saving scheme also available	
Maximum premium payment	80 years or 40 years from date of commencement whichever is later	

Benefits:

i) **Survival benefits:** Nil
ii) **Death benefits :** Sum assured + Accrued Bonus+ Terminal Bonus (if policy in force minimum 15 years before death of the insured)

Features of Whole Life Policy:

1. The whole life policy covers the whole life of the assured. It means the term of the policy is not fixed.
2. The sum assured is payable only on death of the policy holder and not during his life-time.
3. The premiums are required to be paid until the death of the policy holder.
4. Some insurance companies waive further payment of premium after 35 or 40 years or after the policy holder reaching the age of 75 or 80 years.

5. The premiums, as are to be paid for a long term, the rate of premium is low, hence, this is supposed to be the cheapest kind of policy.

6. When the assured pays premiums at least for three years and discontinues paying further premiums, the policy automatically becomes paid-up and after his death, paid-up value is paid to his legal heirs.
7. Mode of payment of premium is monthly, quarterly, half yearly or yearly (Salary saving scheme also available)
8. Loan facility on policy is not available

Advantages of Whole Life Policy

1. Whole Life policy is convenient and useful for the person who wants to make provisions for his dependent family members after his death.
2. One can take out this policy of large amount at low premium.
3. The beginners of job / occupation can beneficially avail of this kind of policy. The beginning their income being low they can not afford policies of higher premiums.
4. This plan is helpful to make provision of payment of estate duty on the property after death of insured person.

Disadvantages of Whole Life Policy :

1. Premiums are to be paid for life time.
2. Paying premiums in old age becomes difficult.
3. Insured has not paid sum assured in his life time. So, generally, people are not interested to take whole life policies.
4. This kind of policy is not useful, to meet the needs, such as, education or marriage expenditure of children,
5. This plan fails to consider the old age and reduction in earning capacity of insured.

Endowment Policies

This is the most popular kind of life insurance policy. By taking endowment policies, the assured enjoys the benefit of obtaining sum assured after expiry of certain period in his life time or if he dies before the expiry of endowment period. In other words, it is the type of life insurance contract under which the sum assured to be paid either at death or after maturity of the policy whichever is earlier.

The premium under endowment policy is higher than whole life policy. The mode of payment of premium is same as like whole life policy i.e. yearly, half yearly, quarterly and monthly. However, single premium policies also available.
Endowment life insurance product is an ideal combination of both the family protection

and investment for future life. It is suitable for all peoples who want to protect their families from a financial risk as well as to make provision for old age.
Under this policy holder paid the premium throughout the policy term or the death of the insured whichever is earlier. Insured taken out the policy for a specific term and the sum assured is paid insured if he is survival at the date of maturity of policy or paid to the legal heirs if insured dies before date of maturity.
Endowment policy may issued with profits or without profits. The policy may paid up if at least three years premium have been paid.

Benefits:

i) **Survival benefits :** Sum assured + Fixed Assured Bonus + Bonus
ii) **Death benefits :** Sum assured + Accrued Bonus.

ENDOWMENT PLAN

Particular	Minimum	Maximum
Entry age	18 Years (18 Last birth day)	60
Sum assured	500	No Limit
Term	Not applicable	30 to 35 yeras
Mode of Payment	Monthly, Quarterly, Half yearly or Yearly (Salary saving scheme also available	
Maximum premium payment	60 years from date of commencement	
Policy loan available	No	

Features of Endowment Policy

1. The policy holder decides the insurance amount and term of the policy, e.g. insurance policy for Rs.10 lakh for a period of 25 years. This period is called as endowment period.
2. The premium is to be paid upto the endowment period or upto the death of the assured whichever is earlier.
3. The term of paying premiums can be selected lesser than the term of the policy.
4. At the time of expiry of the policy, if the assured survives, he can receive the full amount of sum assured together with assured bonus.
5. If insured dies before the expiry of endowment period the insurance amount is paid to his heirs.
6. After payment of premiums at least for three years and then discontinuing, payment of further premiums, the policy automatically becomes paid up for less amount.
7. Endowment plan is the combination of investment and protection.

Advantages of Endowment Policy

1. It is more beneficial to the persons belongs to middle class and salary earners, as payment of premium can be linked with salary.
2. Regular and compulsory savings is the main advantage of endowment

policy. When the assured pays the premiums for the selected period, he gets this amount after the completion of this period. With the help of this amount he can meet his various needs.

3. With savings, the insured can make provision for his family. If the assured dies before the selected period, the insurance amount is paid to his heirs.

4. In consideration with his present age and age at the time of retirement, the assured can select the period of his policy and thus can make provision for his retirement.

5. By purchasing this kind of policy, one can make provision for education and marriage of his children, construction of house, etc.

6. The assured does not require to pay the premiums for "life time as in case of the whole life policy. Therefore, there is no burden of paying premiums in old age.

Disadvantages of Endowment Policy

1. The premium is to be paid at higher rate than that for Whole Life Policy.

2. The insurance amount received after the completion of endowment period may not be utilized for proper purpose.

3. The insurance amount as is obtained during life time, economical protection for family may not be provided. The assured will have to make different provision for it.

Term Insurance Plans

Term insurance is a short term plan. Under this plan the sum assured is payable only on the death of the life assured. That means if the insured person alive till the completion of date of specific policy term, nothing is payable to insured. Thereafter the contract of term insurance automatically comes to the end. The premium is paid through out the term or till the death of the insured whichever is earlier. It is the cheapest type of insurance product. Generally the persons who want to protect his family for a short duration by paying fewer amounts as a premium is prefer such type of plans. This policy can not entitle surrender value nor will any loan be granted.

In the following cases term insurance plans are useful.

1. The person who needs extra protection for a short period

2. Key men or key persons insurance for a specific period

3. Young businessman or industrialist who wants to sustain from unforeseen events during early period of the business.

4. Parents can take such policy for education or marriage of son and daughter

NOTE:- As a general practice, calculation for Sum Assured in a Term Insurance policy is :–

Minimum Sum Assured = Annual Income x 10 times + Loans/Liabilities.

Also you can buy multiple term insurance plans from same or different insurance companies.

Benefits :

i) **Survival benefit** : Not applicable

ii) **Death Benefit** : Total sum assured.

Term Insurance Plan

Particular	Minimum	Maximum
Entry age	18 Years (18 Last birth day)	60 Years
Sum assured	50,000	No Limit*
Term	6 , 12 , 18 months	NA
Mode of Payment	single premium	
Maximum premium payment	62 years	
Policy loan available	No	

* *Max Value Depends on the Annual Income of a Person(Insured), The Insurer evaluates the paying capacity of the Insured, then he decides the Sum Insured accordingly.*

Features :

1. The sum assured is payable only in the event of death of a insured

2. This plan not covers the principle of investment. It provides only protection to family

3. It is the cheapest type of insurance

4. It is a non medical plan. Any person with in the limit of 62 years age can take policy without any medical examination

5. This policy is always without profit.

Advantages :

1. It is useful to individuals who specially require insurance cover against risk for a specific term

2. Term insurance accomplish aim of protection

3. If death occurs before maturity of term, the sum assured paid to the nominee or legal heirs of the insured

4. Big amount of policy can be taken in low amount of premium.

Disadvantages :

1. This plan not covers the principle of investment. It provides only protection to family

2. There is no any survival benefit. If the insured is alive at the time of maturity of the term plan the sum assured will not give to the insured.

Pension Insurance Policies

Planning for retirement is a crucial aspect of everybody's lives. Considering the rising inflation level and limited social security initiatives for senior citizens, it is vital that you start planning your retirement early.

A pension plan is a retirement plan that requires an employer to make contributions to a pool of funds set aside for a worker's future benefit. The pool of funds is invested on the employee's behalf, and the earnings on the investments generate income to the worker upon retirement.

An employer's required contributions, some pension plans have a voluntary investment component. A pension plan may allow a worker to contribute part of their current income from wages into an investment plan to help fund retirement. The employer may also match a portion of the worker's annual contributions, up to a specific percentage or dollar amount.

Public Provident Fund is one of the most popular retirement planning schemes in India. When you start contributing to your retirement early, the funds build a secure golden year money-wise over the years. A well-chosen retirement plan can help you rise above inflation, thanks to the power of compounding.

Several Key Terms to Consider:

Premium: The amount you invest in a policy

In pension plans, as with all insurance policies, the premium is the amount invested towards a policy purchased from an insurance company. The premium is income for the insurance company, but it also represents a liability, in that the insurer must provide coverage for claims being made against the policy.

Pension Plan: An investment option for an income after retirement

A pension plan is any investment planning scheme that provides you with an income after retirement. At its most basic level, a pension is a tax-efficient savings plan that you cannot receive any benefits from until a minimum age of 50. Depending upon the type of policy you have, you could receive pension payments for a defined period of time, or for the length of your natural life.

Beneficiary (or Nominee): The person/persons who benefit from the policy you take

This refers to the person or persons who receive the Death Benefit in case of the demise of the policyholder. If the nominee is a minor at the time when the policy began, a guardian can be appointed until such time the nominee reaches maturity. You can also have multiple nominees and specify the share (%) each one of the nominees receives.

Vesting Age: The age at which you start receiving a pension

The age at which you start receiving a pension in an insurance-cum-pension plan is known as the ‘Vesting Age’. For most pension plans, the vesting age does not come into force until the annuitant is 55 years of age.

Accumulation Period: The time period of your pension plan

This is the length of time for which one invests in a pension plan of their choice. For example, if you purchase a plan that requires a monthly investment of Rs.10,000 over 30 years, the ‘term’ of 30 years is known as the ‘Investing Period’.

Maturity Benefit: The amount you receive at the end of your investing period

The total amount you are eligible to receive following the end of the investing period is referred to as the ‘Maturity Benefit’. An alternative term for this is ‘Annuity Benefit’. In equity-linked pension plans, the higher value between the Fund Value and Guaranteed Maturity Benefit at the end of the investing period is the Maturity Benefit.

Features & Benefits of Pension Plans

Surrender Value

Surrendering one’s pension plan before maturity is not a smart move even after paying the required minimum premium. This results in the investor losing every benefit of the plan, including the assured sum and life insurance cover.

Accumulation Duration

An investor can either choose to pay the premium in periodic intervals or at once as a lump sum investment. The wealth will simultaneously accumulate over time to build up a sizable corpus (investment+gains). For instance, if you start investing at the age of 30 and continues investing until you turn 60, the accumulation period will be 30 years. Your pension for the chosen period primarily comes from this corpus.

Liquidity

Retirement plans are essentially a product of low liquidity. However, some plans allow withdrawal even during the accumulation stage. This will ensure funds to fall back on during emergencies without having to rely on bank loans or others for financial requirements.

Guaranteed Pension/Income

You can get a fixed and steady income after retiring (deferred plan) or immediately after investing (immediate plan), based on how you invest. This ensures a financially independent life after retiring. You can use a retirement calculator to have a rough estimate of how much you might require after retiring.

Payment Period

Investors often confuse this with the accumulation period. This is the period in which you receive the pension post-retirement. For example, if one receives a pension from the age of 60 years to 75 years, then the payment period will be 15 years. Most plans keep this separate from accumulation period, though some plans allow partial/full withdrawals during accumulation periods too.

Vesting Age

This is the age when you begin to receive the monthly pension. For instance, most pension plans keep their minimum vesting age at 45 years or 50 years. It is flexible up to the age of 70 years, though some companies allow the vesting age to be up to 90 years.

Tax-Efficiency

Some pension plans provide tax exemption specified under Section 80C. If you wish to invest in a pension plan, then the Income Tax Act, 1961, offers significant tax respite under Chapter VI-A. Section 80C, 80CCC and 80CCD specify them in detail. For instance, Atal Pension Yojana (APY) and National Pension Scheme (NPS) are subject to tax deductions under Section 80CCD.

Unit linked Insurance Plans (ULIPs)

Under Unit linked Insurance Plan the investment is made subject to risk associated with capital market. Such investment risk is borne by the policy holder hence; insured should make investment choice by considering his risk attitude and need. In order to make life insurance products more attractive and popular among the public the insurance companies have launched unit-linked policies.
In India the Unit Trust of India, was the first to introduce a unit-linked Insurance Plan in 1971. Birla Sun Life was the first private company to launch a unit linked insurance products. Then it was followed by a number of other private companies like Om Kotak Mahindra, ICICI Prudential, SBI Life Insurance etc. Under public sector LIC launched its first unit linked offer 'Bima Plus.'
Unit linked insurance policies are not a pure insurance product but they are a hybrid product combining the insurance cover and capital market instrument. It is a life policy which provides risk cover as well as investment option to policy holder such as stocks, bonds or mutual funds. Under ULIP plan the premium paid by insured is invested in equity, debt or money market.
The policy holder will receive the assured benefits or the value of unit linked

investment whichever is higher at the time of maturity of the UIP plan. The amount received under ULIP plan is exempt from Income Tax. ULIP have a minimum lock-in-period of five years. Within lock-in-period policy holder can not withdrawal any amount from this plan, however, after completion of five years he make partial withdrawal.

Definition of ULIPs :

"A Unit Linked Insurance plan (ULIP) is a product offered by insurance companies that unlike a pure insurance policy gives investors the benefits of both insurance and investment under a single integrated plan."

Features of ULIPs

1. Hybrid product : An ULIP is a combination of Insurance Product and Mutual Fund Product. Hence, it is called as hybrid product.
2. Flexibility : ULIPs provide flexibility to choose the sum assured amount of premium, mode of payment, type of fund, switch over the fund, etc.
3. Deductions: As like other insurance plans, premium invested in ULIP plan is considered for deduction u/s 80 C of the Income Tax Act.
4. Transparency : ULIPs are transfurent plans because the customer knows the type of fund in which his money shall be invested and the charges to be deducted.
5. Liquidity : ULIPs provide an option of withdrawing from plan after a few years and liquidate the investment. Alternatively they also allow partial withdraw after completion of lock-in-period. .
6. Lock-in-period : As compared to the tradition insurance plan the term of ULIPs is short. However, minimum lock-in-period is five years.
7. Fund allocation : A part of the premium is invested in capital market installments like equities and debts according to the fund selected by the policy holder; and remaining part is used for providing insurance cover.

Merits of ULIPs

1. Multiple benefits: ULIPs provide multiple benefits to investors like risk cover; long term investment, investment growth etc. integrated in one product.
2. Saving habit: ULIPscreate disciplined and regular saving habit among people through investing small amount.
3. Spread the investment risk: ULIPs spread the investment risk over a large group of investors. They are liable to investor who wishes to avail of the benefit of market linked growth without actually participating in the stock market.
4. Flexibility: ULIPs offer a high degree of flexibility to the plan holders e.g. option to change the plan, top-up the amount of premium/sum assured etc. This flexibility is not available in traditional insurance plans.

5. Partially withdraw facility : In case of emergency the ULIP holder can partially withdraw the amount from his ULIP or quite the plan. Thus investment in ULIPs has liquidity.
6. Income tax deduction: Payment of premium on ULIPs enjoys income tax benefits. The amount received at the time of maturity of ULIP is also tax free.
7. Market linked returns: ULIP gives investors an opportunity to earn market linked returns. The part of the premiums is invested in market linked funds.
8. Mortality cover: as like life insurance plans ULIP also provides mortality cover to the ULIP holder. If policy holder dies before maturity the nominee can claim the amount.
9. Best for long term investment: ULIP is beneficial to the investors who want to invest their amount in long term.

Demerits of ULIPs

1. Less Insurance Cover: ULIP combines insurance plan with investment plan. It gives a small insurance and only average rate of returns. ULIPs are not preferred by those who wish more insurance covers because it gives very less insurance cover.
2. Expensive : The high rate of commission paid to the agents , advisors and due to other heavy charges such as mortality charges, administration charges ULIPs is quite expensive as compared to other insurance policies and investment plans.
3. Less Return: Mutual funds and investment plans give more returns as compared to ULIPs during a period of 15 years.
4. Not beneficial for short term: ULIPs are not beneficial for short term period. Their lock in period is 3-15 years. However, in some cases the lock in period is 3 to 5 years.
5. Risky Investment: The amount invested in ULIP is basically related with capital market. Therefore the return on ULIP is depend upon the performance of capital market.Hence the investor should know the risk absorption capacity before deciding to invest in ULIPs.
6. Loan facility: Loan facility is not available on ULIPs.
7. Complicated plan: ULIPs are complicated plan and the common people are not able to understand the nature and terms of these plans.

Guidelines of IRDA

Insurance Regulatory and Development Authority (IRDA) have issued certain guidelines to control the insurance companies in respect of issue of ULIPs. Some of the guidelines and mentioned below.
1. ULIP plans are designed according to life insurance instruments
2. The term of ULIP should not be less than five years.
3. In case of single premium unit linked plan, the sum assured payable on death of the policy holder should be 125 per cent of the single premium.
4. In case of non-single premium plans the sum assured on death should be five

times the annualized premium or half the annualized premium multiplied by the term of the policy. However, ULIP holder free to choose whichever is beneficial.

5. The insurance companies should invest 75 per cent of the funds collected under unit-linked plans in approved securities and not more than 25 per cent in other securities.

Summary :

Life Insurance is one of the most popular and important forms of insurance. Life insurance is insurance on human Life. Life Insurance is a contract for payment of a sum of money to the person on the happening of the event insured against. Usually the insurance contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or at the unfortunate death if it occurs earlier. Though, life insurance can not avoid one's death, at least it tries to minimize the economic burden, to some extent, of the family members by taking risk of the insured.

According to Insurance Act 1938 - "Life Insurance business means the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death (except death by accident only) or the happening of any contingency dependent upon human life and any contract which is subject to payment of premiums for a term dependent on human life."

Life insurance is contract. It is a cooperative devise. It stands on the principle of large number of person i.e. law of large number. Life Insurance is not a charity but business.

There are five basic types of life insurance products are offered by insurance companies such as Whole Life Policy, Endowment Life Insurance policy, Term Insurance Policies, Pension and Annuities and Unit Linked Insurance Plans. However, in actual practice, some of the kinds are brought together to make more attractive schemes. As well, by charging extra premiums, supplementary benefits are extended. In addition to these basic products, various plans are available suiting the requirement of the society.

Key words :

Life Insurance : An insurance that promises to pay a specific amount on the occurrence of certain event contingent on the life of a policy holder.

Whole Life Policy : A life insurance policy that promises to pay sum assured to the legal heirs / dependents of the assured after his death.

Endowment Policy : A life insurance policy that promises to pay at the end of the specific term OR if the assured dies before the term, to his dependents.

Bonus : A specific share distributed out of the surplus made by the life insurance company to the policyholders.

Insurable interest – The interest of the insured in the subject matter of insurance is called as insurable interest.

Charity- Charity is a payment without claiming anything in return
Annuity -An annuity and pension is a long term investment contract that is issued by an insurance company.
ULIP -Unit linked Insurance Plan under which the investment is made subject to risk associated with capital market.

HEALTH INSURANCE

Health insurance is an insurance that covers the whole or a part of the risk of a person incurring medical expenses, spreading the risk over numerous persons. By estimating the overall risk of [health risk] and health system expenses over the risk pool, an insurer can develop a routine finance structure, such as a monthly premium or payroll tax, to provide the money to pay for the health care benefits specified in the insurance agreement. The benefit is administered by a central organization such as a government agency, private business, or not-for-profit entity.

According to the Health Insurance Association of America, health insurance is defined as “coverage that provides for the payments of benefits as a result of sickness or injury. It includes insurance for losses from accident, medical expense, disability, or accidental death and dismemberment”

In India, provision of health care services varies state-wise. Public health services are prominent in most of the states, but due to inadequate resources and management, major population opts for private health services.

To improve the awareness and better health care facilities, Insurance Regulatory and Development Authority of India and The General Corporation of India runs health care campaigns for the whole population. IN 2018, for under privileged citizens, Prime Minister Narendra Modi announced the launch of a new health insurance called Modicare and the government claims that the new system will try to reach more than 500 million people.

In India, Health insurance is offered mainly in two Types:

- **Indemnity Plan** basically covers the hospitalization expenses and has subtypes like Individual Insurance, Family Floater Insurance, Senior Citizen Insurance, Maternity Insurance, Group Medical Insurance.
- **Fixed Benefit Plan** pays a fixed amount for pre-decided diseases like critical illness, cancer, heart disease, etc. It has also its sub types like Preventive Insurance, Critical illness, Personal Accident.

Depending on the type of insurance and the company providing health insurance, coverage includes pre-and post-hospitalization charges, ambulance charges, day care charges, Health Checkups, etc.

It is pivotal to know about the exclusions which are not covered under insurance schemes:

- Treatment related to dental disease or surgeries
- All kind of STD’s and AIDS
- Non-Allopathic Treatment

Few of the companies do provide insurance against such diseases or conditions, but that depends on the type and the insured amount.

Some important aspects to be considered before choosing the health insurance in India are Claim Settlement ratio, Insurance limits and Caps, Coverage and network hospitals.

Benefits of having a Health insurance Policy

1. **Cashless Treatment:** If you are insured, you can get cashless treatments as your insurance company would work in collaboration with various hospital networks.
2. **Pre and post hospitalization cost coverage:** Insurance policy also covers pre and post hospitalization charges up to the period of 60 days, depending on the insurance plans purchased.
3. **Transportation Charges:** Insurance policy also covers the amount paid to ambulance towards the transportation of insured.
4. **No Claim Bonus (NCB):** This is the bonus element which is paid to the insured if the insured does not file a claim for any treatment in the previous year.
5. **Medical Checkup:** Insurance policy also provide options for health checkups. Free health checkup is also provided by some insurers based on your previous NCBs.
6. **Room Rent:** Insurance policy also covers room expenses depending on the premium being paid by the insured.
7. **Tax Benefit:** Premium paid on Health insurance is tax deductible under section 80D of the Income Tax Act.

Selection the Right Insurance Policy

It's difficult to select the best insurance policies as all insurance company provides a similar type of insurance plan.

Hence some of the important points that any Person should look before purchasing any plans are:-

1. Sum Assured
2. Minimum Entry Age and renewability clause
3. Room Rent Capping
4. Inclusion and Exclusion
5. No Claim Bonus
6. Other Benefits

Ponzi Scheme

A fraudulent investment program that involves using payment collected from new investors to pay off the earlier investors

What is a Ponzi Scheme?

A Ponzi scheme is considered a fraudulent investment program. It involves using payments collected from new investors to pay off the earlier investors. The organizers of Ponzi schemes usually promise to invest the money they collect to generate supernormal profits with little to no risk.

However, in the real sense, the fraudsters don't really plan to invest the money. Their intention is to pay off the earliest investors to make the scheme look believable. As such, a Ponzi scheme requires a constant flow of funds to sustain itself. When the organizers can no longer recruit more members or when a vast proportion of the existing investors decide to cash out, the scheme tumbles.

Breaking Down Ponzi Schemes

A Ponzi scheme is simply a type of investment scam where investors are promised substantial returns. Companies that participate in Ponzi schemes focus all of their attention on luring new clients. Once the new entrants invest, the money is collected and used to pay the original investors as "returns."

However, a Ponzi scheme is not the same as a pyramid scheme. With a Ponzi scheme, investors are made to believe that they are earning returns from their investments. In contrast, participants in a pyramid scheme are aware that the only way they can make profits is by recruiting more people to the scheme. To a great extent, Ponzi schemes are investment tricks.

Red Flags of Ponzi Schemes

Most Ponzi schemes come with some common attributes such as:

1. Promise of high returns with minimal risk

In the real world, every investment one makes carries with it some degree of risk. In fact, investments that offer high returns typically carry more risk. So, if someone offers an investment with high returns and few risks, it is likely to be a too-good-to-be-true deal. Chances are the investor won't see any returns.

2. Overly consistent returns

Investments experience fluctuations all the time. For example, if one invests in the shares of a given company, there are times when the share price will increase, and other times it will decrease. That said, investors should always be skeptical of investments that generate high returns consistently regardless of the fluctuating market conditions.

3. Unregistered investments

Before rushing to invest in a scheme, it's important to confirm whether the investment company is registered with **Registrars of Companies (ROC),** under the **Ministry of Corporate Affairs (MCA).** If it's registered, then an investor can access information regarding the company to determine whether it's legitimate.

4. Unlicensed sellers

According to federal and state law, one should possess a specific license or be registered with a regulating body. Most Ponzi schemes deal with unlicensed individuals and companies.

5. Secretive, sophisticated strategies

One should avoid investments that consist of procedures that are too complex to understand.

History of the Ponzi Scheme

The scheme got its name from one Charles Ponzi, a fraudster who duped thousands of investors in 1919.

Ponzi promised a 50% return within three months on profits earned from international reply coupons. Back in the day, the postal service offered international reply coupons, which enabled a sender to pre-purchase postage and incorporate it in their correspondence. The recipient would then exchange the coupon for a priority airmail postage stamp at their home post office.

Due to the fluctuations in postage prices, it wasn't unusual to find that stamps were pricier in one country than another. Ponzi saw an opportunity in the practice and decided to hire agents to buy cheap international reply coupons on his behalf then send them to him. He exchanged the coupons for stamps, which were more expensive than what the coupon was originally bought for. The stamps were then sold at a higher price to make a profit. This type of trade is known as arbitrage, and it's not illegal.

However, at some point, Ponzi became greedy. Under the Securities Exchange Company, he invited people to invest in the company, promising 50% returns within 45 days and 100% within 90 days. Given his success in the postage stamp scheme, no one doubted his intentions. Unfortunately, Ponzi never really invested the money, he just plowed it back into the scheme by paying off some of the investors. The scheme went on until 1920 when the Securities Exchange Company was investigated.

How to Protect Yourself from Ponzi Schemes

In the same way that an investor researches a company whose stock he's about to purchase, an individual should investigate anyone who helps him manage his finances. The easiest way to go about it is to contact the SEC and ask if their accountants are currently conducting open investigations (or investigated prior cases of fraud).

Also, before investing in any scheme, one should ask for the company's financial records to verify whether they are legit.

Key Takeaways

A Ponzi scheme is simply an illegal investment. Named after Charles Ponzi, who was a fraudster in the 1920s, the scheme promises consistent and high returns, yet supposedly with very little risk. Although such a scheme can work in the short term, it runs out of money eventually. Therefore, investors should always be skeptical of investments that sound too good to be true.