

Definition of Life Insurance

Life insurance is a contract between an individual (policyholder) and an insurance company, under which the insurer agrees to pay a specified sum of money to the nominee or beneficiary in the event of the insured person's death or after a certain period (maturity), in exchange for regular premium payments.

Life insurance provides **financial protection and security** to the family of the insured against uncertainties such as death, disability, or old age. It also serves as a tool for savings, investment, and tax planning. In India, life insurance is regulated by the Insurance Regulatory and Development Authority of India (IRDAI).

Types of Life Insurance Policies (Any Four)

1. Whole Life Policy

A **Whole Life Policy** provides insurance coverage for the entire lifetime of the insured person, usually up to 100 years. The sum assured is paid only after the death of the insured to the nominee.

Features:

- Coverage for whole life
- Fixed premium
- Death benefit paid to nominee
- May accumulate bonus

Suitability: Ideal for individuals who want to provide long-term financial security to their family.

2. Endowment Policy

An **Endowment Policy** provides both insurance protection and savings. The sum assured is paid either on the death of the insured during the policy term or on maturity if the insured survives the term.

Features:

- Dual benefit (insurance + savings)
- Fixed policy term (e.g., 10, 20, 25 years)
- Bonus may be added
- Suitable for long-term financial planning

Suitability: Good for people who want life cover along with a lump sum amount after a fixed period.

3. Term Insurance Policy

A **Term Insurance Policy** provides life coverage for a specific period (term). If the insured dies during the term, the nominee receives the sum assured. If the insured survives the term, no payment is made (unless it is a return of premium plan).

Features:

- Low premium
- High coverage
- No maturity benefit (in pure term plan)
- Simple and affordable

Suitability: Suitable for individuals seeking maximum risk coverage at minimum cost.

4. Money-Back Policy

A **Money-Back Policy** provides periodic payments (survival benefits) during the policy term. The remaining sum assured along with bonus is paid at maturity. In case of death during the term, the full sum assured is paid irrespective of survival benefits already received.

Features:

- Periodic returns
- Death benefit protection
- Bonus facility
- Combination of liquidity and security

Suitability: Suitable for individuals who require regular financial support at specific intervals.

Life insurance is an important financial instrument that provides protection against life's uncertainties and helps in long-term financial planning. Policies such as Whole Life Policy, Endowment Policy, Term Insurance Policy, and Money-Back Policy offer different benefits based on the needs of individuals. Selecting the right policy depends on income level, financial goals, risk appetite, and family responsibilities.