



# Policy Types



## Life Insurance Objectives

### What are the objectives of Life Insurance policy ?

- Protection: For those who die Too Soon !
- Long term savings: For those who live too long !



# Life Insurance Basic Policy Types

## Term Insurance

- Pure Life Insurance.
- Has no Savings element.
- It pays the sum insured only on death of the policy holder if death occurs during the term of the contract.
- It has 2 Types:
  1. **Level Term, where the premium does not change.**
  2. **Yearly Renewable Term, where the initial premium is small and increases as the policy holder gets older.**

## A Whole Of Life Insurance

- A combination of Whole of Life Protection and Long Term Savings.
- It pays the sum insured or the cash value (**which ever is Greater**) on death, whenever it occurs.
- It pays the cash value whenever the policy ends.

## Endowment Insurance

- A combination of Life Insurance Protection and Long term Savings, and the emphasis is on Savings.
- Endowment policies pay out either :
    - ✓ **The sum insured on Death during the policy term**
    - ✓ **Maturity Value on a Pre-determined date + the sum insured**

# Life Insurance Basic Policy Types

## Common Insurance Definitions

### **Insurance:**

Is a promise of compensation for specific potential future losses in exchange for a periodic payment (known as insurance premiums).

### **Insurance Concept:**

A transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate the insured in the case of a financial loss.

### **Insured:**

Is the insured person or entity whose life or property is covered under insurance policy.

### **Policy Owner:**

The person or entity buying the insurance policy (who owns a policy). This person may or may not be the Insured.

### **Beneficiary:**

Is the person or group who receive insurance coverage once the covered risk happens.

### **Risk:**

The likelihood that an insured event will occur.

# Life Insurance Basic Policy Types

## Common Insurance Definitions

### **Risk Management:**

The practice of appraising and controlling risk has evolved as a discrete field of study and practice.

### **Premium:**

The amount of money to be charged for a certain amount of insurance coverage.

### **Re-Insurer:**

Reinsurers handle risks that are too large for insurance companies to handle on their own and make it possible for insurers to obtain more business.

### **Policy term:**

Is the duration of the insurance policy.

### **Account Value:**

The accumulated value in policy

### **Face Amount:**

Is the sum paid on the policy's maturity date, on the death of the insured, or (if the policy terms permit) on his or her total disability.



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