

## Insurance & Unit Linked Policies

#### What is Insurance?



What is Insurance?

- <u>A contract between two parties:</u>
  - > One party is called Insurer which is TPL Life Insurance
  - > Other party is called Insured which is the Customer
- Insurer accepts to take the financial risk of the Insured in case of the following 3Ds:
  - 1. Disease
  - 2. Disability
  - 3. Death



#### **Types of Insurance**



# General Insurance

- Tangible
- Short Term Contract

Life Insurance

- Intangible
- Long Term Contract

Health

Insurance

- Intangible
- Short Term Contract

#### Why Insurance?







#### **Basic Forms of Insurance**



#### **Term Assurance**

 Least costly of the three.
Plan does not have an investment or savings feature.
Only offers protection and expenses (if any).

#### **Endowment Assurance**

- •Investment makes up most of the premium.
- In case of death of the life assured with in the chosen term or on maturity of the plan, a lump sum amount is paid.
- •Unit Linked & Bonus based.

#### Whole of Life Assurance

 It is a policy that lasts for an entire life span of the insured.
Premiums are paid till end of plan.
Unit Linked/Bonus based

#### **Basic Insurance Terms?**



• Applicant

- The person applying for an **insurance** policy is an **applicant**.
- Life Insured
  - The **insured**, who is often the owner of the policy, is the person whose death causes the **insurer** to pay the death claim to the beneficiary.
- Policy Owner
  - Policyholder or **policy owner**. Is the person who owns an insurance contract or **policy**, also known as the **policy owner**.
- Insurer
  - a person or company that underwrites an insurance risk; the party in an insurance contract undertaking to pay compensation.

#### **Basic Insurance Terms?**



- Premium
  - An insurance **premium** is the amount of money that an individual or business must pay for an insurance policy.
- Policy Term
  - **Policy term** is the duration for which the **policy** provides you cover.
- Maturity
  - The date or time when the Insurance Contract finishes and a lump sum amount is paid to the Policy Holder.
- Sum Assured
  - The sum assured is the amount of money an insurance policy guarantees to pay up in case of the death of the Policy holder to the family/beneficiary.

#### **Basic Insurance Terms?**



Cash Value

- The **cash value** of an insurance contract, is the **cash** amount offered to the policy Owner by the insurer upon cancellation of the contract.
- Nominee
  - Is the person who gets the proceeds of an Insurance Policy incase of an untimely death of the Policy Holder/owner.
- Grace Period
  - A grace period is the provision in insurance contracts that allows payment to be received for a certain period of time after the actual due date. During this period, no late fees are charged, and the late payment does not result in default or cancellation of the policy.





### Unit Linked Insurance Plan ...

is a product offered by Insurance companies

that unlike a conventional policy gives Policyholder benefits of both

**Insurance & Investment** 

under a single integrated plan.

#### **Unit Linked Insurance Policy**





... a type of life insurance where the cash value is dependent upon the performance of a fund which comprises of Equities, Fixed Income Instruments and Government Securities.



- A Unit Linked Fund is a pooled fund of investments divided into shares of equal value called "Units".
- It allows investors to obtain a diversified portfolio by buying the units
- The units and hence the underlying investments are beneficially owned by the client
- Value of units is available on website on daily basis.



#### What is Bid/Offer Price?



**Offer Price** 

The price at which company sell its units to the client

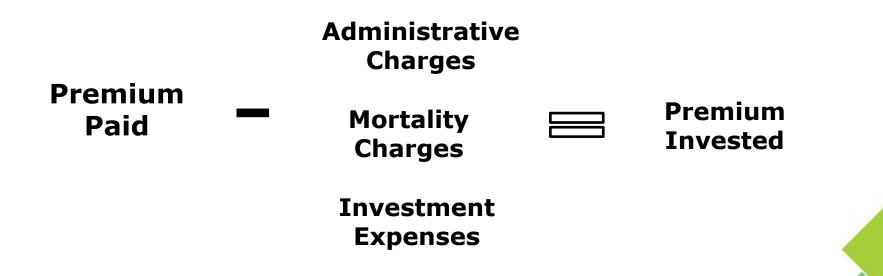
**Bid Price** 

The price at which company buy units from the client

Bid & Offer Spread

Difference between Offer Price & Bid Price is called Bid & Offer Spread normally 5% What Happens to the Premium Paid?





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## Unit Linked v/s Conventional Insurance

## ULIP

- 5 % Bid/ Offer Spread
- Transparent & Open
- Investment in highly lucrative financial avenues like - stock market and other instruments
- Sum Assured or Cash Value to be paid in case of death of the life assured

# Conventional

- No Bid/ Offer Spread
- Closed Ended and at company's will
- Investment in fixed instruments
- Sum Assured + All accrued bonuses to be paid in case of death



# **THANK YOU**

