



Insurance & Unit Linked Policies

What is Insurance?



What is Insurance?

- A contract between two parties:
 - 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 within 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 in case 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.



How does a Unit Linked Policy Works



- 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?

- Premium Paid is Premium Invested:

$$\begin{array}{ccccc} & & \text{Administrative} & & \\ & & \text{Charges} & & \\ \text{Premium} & & & & \\ \text{Paid} & - & \text{Mortality} & = & \text{Premium} \\ & & \text{Charges} & & \text{Invested} \\ & & \text{Investment} & & \\ & & \text{Expenses} & & \end{array}$$

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