



LIFE INSURANCE

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MEANING OF LIFE INSURANCE

- In simple words, it means an agreement in which one party agrees to pay a given sum of money upon the the happening of a particular event contingent upon duration of human life **in exchange of the payment of a consideration.**
- **The person** who guarantees the payment is called insurer.
- **The amount given** is called policy amount.
- **The person on whose life the payment is guaranteed** is called insured or Assured.
- **The particular event on which the payment is guaranteed to be given** may be death or life.
- **The consideration** is called the premium.
- **The document evidencing the contract** is called policy.



DEFINITION OF LIFE INSURANCE

- “life insurance is **a contract in which one party agrees to pay a given sum of money upon the happening of a particular event contingent** upon the duration of human life in consideration if immediate payment of a smaller sum or other equivalent periodical payments by the other.
- “a life insurance policy promises that the insurer will pay to the policy holder a certain sum of money if the person insured dies or any other specified contingency happens.



NATURE OF LIFE INSURANCE CONTRACT.

- I. **Unilateral contract-** only one party to the contract makes legally enforceable promise. The insurer can repudiate the contract of payment of full policy, but he cannot compel the insured to pay the subsequent premium. On the other hand, if the insured has to accept them and continue the contract.
- II. **Conditional contract-**
 - life insurance is subject to the conditions and privilege provided on the back of the policy.
 - The conditions whether precedent or subsequent of the legal rights must be fulfilled in order to complete the contract.
- III. **Aleatory contract-** in such a kind of contract, no mutual exchange of equal monetary value is done. It is the happening of the contingency on which the payment is made. The happening is a matter of chance which may occur or not. If death occurs only after payment of a few premiums, full policy amount is paid.



IV. Contract of adhesion.

- In such a contract, the terms of the contract are not arrived at by mutual negotiations.
- Similarly, in a life insurance contract the contract is decided upon the insurer only.
- The party on the other side has to choose between the two options, i.e. Either to accept or reject the policy.

V. Contract of certain Amount –

- Life insurance contract does not provide an indemnity.
- It is the nature of a contingency contract by providing for the payment of the agreed amount on the happening of the event.

VI. Standard form of contract.

- In the life insurance, all the essentials of a general contract as provided by the Indian Contract Act, 1872. for a valid contract are present.



❖ KINDS OF LIFE INSURANCE

1. Term policy.
 - ✓ It provides a risk cover only for a prescribed period.
 - ✓ Usually these policies are short term plans and the term ranges from one year onwards.
 - ✓ If the policy holder survives till the end of this period, the risk cover lapses and no insurance benefit payment is made to him.
 - ✓ The amount of premium to be paid for these policies is lower than all other life insurance policies.
 - ✓ It has no surrender value.
 - ✓ This plan is most suitable for those who are initially unable to pay high premium.



2 . WHOLE LIFE POLICY .

- ✓ This policy for the whole life of the assured.
- ✓ The sum assured becomes payable to the legal heir only after the death of the assured.
- ✓ The whole life policy can be of three types.
 - a. Ordinary whole life policy- In this case premium is payable periodically throughout the life of the assured.
 - b. Limited payment whole life policy- In this case premium is payable for a specified period (say 20 years or 25 years) only.
 - c. Single premium whole life policy- In this type of policy the entire is payable in one single payment.



3. ENDOWMENT LIFE POLICY.

- In this policy the insurer agrees to pay the assured or his nominees a specified sum of money on his death or on the maturity of the policy whichever ever is earlier.
- The premium for endowment policy is comparatively higher than that of the whole life policy.
- The premium is payable till the maturity of the policy or until the death of the assured whichever ever is earlier.
- It provides protection to the family against the untimely death of the assured.



4. JOINT LIFE POLICY.

- This policy is taken on the lives of two or more persons simultaneously.
- Under this policy the sum assured becomes payable on the death of any one of those who have taken the joint life policy.
- The sum assured will be paid to the survivor(s).
- For example, a joint life policy may be taken on the lives of husband and wife, sum assured will be payable to the survivor on the death of the spouse.



5. WITH PROFIT AND WITHOUT PROFIT POLICY.

- Under with profit policy the assured is paid, in addition to the sum assured, a share in the profits of the insurer in the form of bonus.
- Without profit policy is a policy under which the assured does not get any share in the profits earned by the insurer and gets only the sum assured on the maturity of the policy.



6. DOUBLE ACCIDENT BENEFIT POLICY.

- This policy provides that if the insured person dies of any accident, his beneficiaries will get double the amount of the sum assured.



7. ANNUITY POLICY.

- Under this policy, the sum assured is payable not in one lump sum payment but in monthly, quarterly and half- yearly or yearly instalments after the assured attains a certain age.
- This policy is useful to those who want to have a regular income after the expiry of a certain period e.g. After retirement.
- annuity is paid so long as the assured survives.



8. POLICIES FOR WOMEN.

a. **Jeevan sathi policy.**

- Jeevan sathi is also known as a life partner plan where the husband and wife on maturity, provided both are alive, full sum assured with bonus is paid.
- On the death of one of the assured during the period of the policy, basic sum assured is paid to the surviving partner, who is not required to pay any further premiums.



9. GROUP INSURANCE

- Group life insurance is a plan of insurance under which the lives of many persons are covered under one life insurance policy.
- usually, in group insurance the employer secures a group policy for the benefit of his employees.
- Insurer provides coverage for many people under single contract.



10. POLICIES FOR CHILDREN.

- Marriage endowment and educational annuity plans.

