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Chapter- Circumstances affecting the risk.

Amounts recoverable under life policy.

Persons entitled to payment.

1. Circumstances affecting the Risk-
circumstances affecting the risk in life insurance policies refer to changes or events that impact the insured person's level of risk, which may necessitate a review or adjustment of the insurance coverage. Here are some detailed notes along with examples:

1. Change in Health Status:

- If the insured's health deteriorates after taking out the policy, the risk of a claim increases.

- Example: A person develops a chronic medical condition that significantly reduces their life expectancy. This could lead to a higher risk of the insurance company having to pay out a claim.

2. Occupation Change:

- Certain occupations pose higher risks, so changes in occupation might affect the policy's terms.

- Example: A policyholder switches from an office job to a high-risk job involving heavy machinery operation, which increases the likelihood of accidents. The insurance company might need to adjust the premium.

3. Lifestyle Changes:

- Activities like extreme sports, risky hobbies, or substance abuse can increase the risk of accidents or health issues.

- Example: A policyholder takes up skydiving as a hobby after purchasing the policy. The insurance company might need to reevaluate the risk and possibly adjust the coverage or premium.

4. Travel Habits:

- Traveling to regions with higher health or safety risks can impact the policy's terms.

- Example: A policyholder plans to travel to a country with a high incidence of a particular disease. The insurer might modify coverage based on the health risks associated with that destination.

5. Financial Changes:

- Changes in income, debt, or financial responsibilities might impact the amount of coverage needed.

- Example: If a policyholder's income significantly increases, they might need to adjust their life insurance coverage to ensure their beneficiaries are adequately provided for.

6. Marital Status and Dependents:

- Marriage, divorce, or the birth of children can impact the financial needs of the insured's dependents.

- Example: A policyholder gets married and has a child. They may need to increase their coverage to provide for their new family members.

7. Risky Habits:

- Engaging in behaviors like smoking or excessive drinking can increase health risks.

- Example: A policyholder starts smoking after obtaining the policy. This might lead to higher premiums or changes in coverage terms.

8. Participation in Dangerous Activities:

- Involvement in activities with a higher likelihood of accidents, such as professional racing, can affect the policy.

- Example: A policyholder becomes a professional race car driver, which significantly increases the risk of fatal accidents. The insurance company might need to adjust the policy terms or premium.

It's important for policyholders to notify their insurance company of any relevant changes in circumstances. Failure to disclose such changes could result in coverage issues or claim denials. Insurance companies may perform periodic reviews to assess ongoing risk factors and adjust policies accordingly.

2.Amounts Recoverable under life policy-

Under a life insurance policy, there are several amounts that can be recoverable by the beneficiaries or the insured's estate in the event of the insured person's death. Here are the main amounts that can typically be recovered:

1. Death Benefit:

- The primary amount recoverable under a life insurance policy is the death benefit. This is the amount that the beneficiaries named in the policy receive upon the death of the insured. The death benefit is usually a lump sum payment and is often tax-free.

2. Accidental Death Benefit:

- Some life insurance policies include an accidental death benefit rider. If the insured dies as a result of an accident, an additional amount may be payable in addition to the regular death benefit.

3. Cash Value:

- Permanent life insurance policies, such as whole life or universal life insurance, often have a cash value component. This is a savings component that accumulates over time. If the policy is surrendered before the insured's death, the policyholder may receive the cash value.

4. Return of Premium:

- Some term life insurance policies come with a return of premium feature. If the insured outlives the policy term, the premiums paid throughout the

term are returned to the policyholder. This feature typically results in higher premiums.

5. Policy Loans:

- With some permanent life insurance policies, the policyholder can take out loans against the cash value of the policy. These loans are recoverable by the insurance company from the death benefit if they're not repaid during the insured's lifetime.

6. Surrender Value:

- If a permanent life insurance policy is surrendered before the insured's death, the policyholder may receive the surrender value, which is the current cash value minus any surrender charges or fees.

7. Dividends:

- Some participating life insurance policies pay dividends to policyholders. These dividends can be received in cash, used to reduce premiums, or reinvested to increase the policy's value.

8. Additional Riders or Benefits:

- Depending on the specific policy and any additional riders or benefits, there might be other recoverable amounts. For example, certain policies may provide for payment of medical expenses in case of terminal illness.

It's important to note that the recoverable amounts vary based on the type of life insurance policy and any additional features or riders. Policyholders should carefully review their policy documents to understand what amounts are recoverable and under what circumstances. Additionally, tax implications may vary based on the country and the nature of the policy, so it's advisable to consult a financial or tax professional for guidance.

3. Person Entitled To Payment In Life policy-

In a life insurance policy, the payment is typically made to individuals or entities known as beneficiaries. Beneficiaries are designated by the policyholder and are entitled to receive the proceeds of the policy upon the death of the insured individual. Here are the common types of beneficiaries who can be entitled to payment under a life insurance policy:

1. Primary Beneficiaries:

- Primary beneficiaries are the first in line to receive the death benefit. They are usually specified by the policyholder when the policy is purchased or during its term. If the insured person passes away, the death benefit is paid out to these primary beneficiaries.

2. Contingent Beneficiaries:

- Contingent beneficiaries are designated to receive the death benefit if the primary beneficiaries are unable to do so. This could be due to their death or other circumstances. If the primary beneficiaries are not alive or cannot be located, the contingent beneficiaries receive the payment.

3. Revocable and Irrevocable Beneficiaries:

- A revocable beneficiary can be changed or removed by the policyholder at any time without their consent. An irrevocable beneficiary, however, requires the policyholder's written permission to make changes. Irrevocable beneficiaries usually have stronger legal protection.

4. Estate of the Insured:

- In the absence of any designated beneficiaries, the death benefit may be payable to the insured's estate. This means the money becomes part of the deceased's estate and is distributed according to their will or applicable laws of inheritance.

5. Trusts:

- Some policyholders choose to name a trust as the beneficiary. This can be useful for managing the distribution of funds to multiple beneficiaries or for specific purposes outlined in the trust document.

6. Charitable Organizations:

- Some individuals name charitable organizations as beneficiaries to donate a portion or the entirety of the death benefit to a cause they support.

7. Minors or Incapacitated Beneficiaries:

- If the designated beneficiary is a minor or lacks the legal capacity to handle the funds, a guardian or trustee may be appointed to manage the funds on their behalf.

8. Family Members or Dependents:

- Beneficiaries are often family members such as spouses, children, parents, or siblings, especially when the primary goal of the policy is to provide financial support to loved ones after the insured's death.

It's crucial for policyholders to regularly review and update beneficiary designations to ensure they reflect their current wishes. If circumstances change, such as marriage, divorce, birth of children, or the passing of beneficiaries, updating the beneficiary information is essential to avoid complications and ensure that the death benefit is distributed according to the policyholder's intentions.