DegreeLive

B.Com Honours | Semester II | Calicut University

Life Insurance Fundamentals and Applications

Course Code: COM2MN106 • Module 2 Notes

1. Types of Life Insurance Policies: Products and Pricing

Life insurance providers offer a wide range of policies to meet different customer needs, from pure protection to long-term retirement savings. This module covers the features, benefits, and limitations of term insurance, whole life insurance, endowment policies, annuities, and factors influencing premium calculations.

Core Life Insurance Products

Term Life Insurance

- **Concept:** Pure risk cover. Pays the sum assured to beneficiaries only if the insured dies during the policy term.
- **Pros & Cons:** Cheapest premiums for high sum assured. No maturity value or cash accumulation if the insured survives.

Whole Life & Endowment Policies

- **Whole Life:** Covers the insured for their entire lifetime (typically up to age 99 or 100), accumulating a cash value.
- **Endowment:** Combines protection and savings. Pays the sum assured + bonuses either at death or at policy maturity.

Annuities & Retirement Solutions

An **Annuity** is a contract where an investor pays a lump sum in exchange for regular periodic payouts (monthly/quarterly) for the rest of their life:

- **Immediate Annuity:** Income payments begin immediately after the lump sum is deposited.
- **Deferred Annuity:** Capital accumulates during working years and starts paying out at retirement.

Premium Calculations & Underwriting

Underwriters calculate life insurance premiums using mathematical and statistical data:

Underwriting Variable	Impact on Premium Rates	Rationale & Statistical Basis
Age	Premiums increase as age increases.	Mortality rates rise with age, increasing the probability of claims.
Health & Habits	Higher premiums for smokers or those with high blood pressure.	Higher health risks lead to shorter life expectancy.
Occupation	Hazardous jobs (mining, aviation) face higher premiums.	Increased risk of accidental death on the job.
Policy Duration & SA	Longer terms and higher sum assured increase premiums.	Higher liability for the insurance company.