



TERM INSURANCE –THE PERFECT LIFE INSURANCE

Hemant A. Joshi

Assistant Professor,

D.E.S.'s M. D. Palesha Commerce College,
Dhule

Abstract

Generally people, who want to invest their earnings, search for good option of investment. Many options are available in market. They are convinced life insurance as option of investment. Actually Life insurance is a contract between an insured and insurer where the insurer promises to pay a designated beneficiary a sum of money in exchange for a premium, upon the death of an insured person. The purpose of taking life insurance is to provide life cover to the policyholder and financial security to his family. There are certain basic forms of life insurance. The different types of life insurance policies include:1. Term life insurance 2. Whole life policy 3. Endowment plans 4. Unit linked insurance plans and 5. Money Back policy. From these, financial planning contends that a term plan is the best form of insurance because it gives a very high cover at a low price. Life insurance is meant to provide the dependents of the policyholder with enough money to replace his income in case he dies. Term insurance, a type of life insurance, provides coverage for a certain period of time or years.

Key Words: Term Insurance, Policy, Premium, Sum Assured, Life Insurance

Introduction

Insurance is a financial tool specially designed to reduce the financial impact of unforeseen events and create financial security. Insurance works on the law of large numbers where contributions by many in the form of premium paid will take care of the losses of a few. By paying a small premium for covering a certain type of loss, you will be protected for a certain sum of money that you will receive if you face that loss. Insurance is available for unpredictable events such as death, accident, sickness, loss or damage to motor vehicle, property etc. These are some of the risks against which you should protect yourself from and



accordingly buy life insurance, personal accident insurance, health insurance, motor insurance, property insurance etc.

While life insurance, critical illness, personal accident and health insurance are offered by life insurance companies; property insurance, motor insurance, householder's insurance, health and personal accident insurance are offered by non-life insurance companies i.e. general insurance companies.

Term Plan

A Term plan is a pure protection life insurance plan: In case of death of the Life Assured during the policy duration, the guaranteed insurance coverage amount (Sum Assured) is paid to the nominee. No benefit is payable in case the Life Assured survives the complete duration of the policy (Policy Maturity) These plans are highly cost effective, and provide a high life insurance cover in return of a comparatively smaller premium amount.

Importance of the study

Term plans are best suited for working individuals who have dependents (children, parents) and are looking for a considerable amount of protection against uncertainties of life (death) at a fairly low price. The basic purpose of a Term plan is to provide financial security for the applicant and his/her family. Buying a term plan online is one of the cheapest modes to buy insurance as it saves your time and money. The online term plans are available at approximately 30 to 40 percent lower premiums compared to offline term plans. Offline term plans are costlier due to distribution costs associated with the same whereas, these costs are absent in an online term plan and as such the benefit of the same is passed on to the policy holders in terms of lower premiums. All other benefits remain the same for both online and offline customers.

Research Methodology

The researcher has collected Primary as well as secondary data. Primary data is collected from Teachers serving in grant in aid schools and colleges in Dhule district. 5 % sample is taken. Data is collected through questionnaire visiting schools and colleges. Discussions and Interactions are done with teachers about awareness of insurance. Secondary data is collected through websites and books.



Data Analysis

As per the Pre-launch Survey Report Of Insurance Awareness Campaign Sponsored by Insurance Regulatory And Development Authority Based On A Survey Of 30,200 Respondents Spread Over 29 States And Union Territories.

Table 4.11: Distribution of Uninsured Households by Reasons for No Member Being Insured (Percentage)

Reasons	Rural	Urban	Total
Not so important	24.1	25.6	25.0
Too expensive	54.9	57.1	56.2
Limited range of products	30.5	28.0	29.0
Poor services	10.7	9.3	9.9
Accessibility problem	17.0	12.6	14.4
Complex policies	10.4	12.1	11.4
Difficult procedure	10.5	12.5	11.7
Inappropriate/inadequate distribution strategies	2.8	2.6	2.7
No confidence and trust in insurance	9.0	7.1	7.9
Inadequate value on maturity	3.4	5.6	4.7
Any other	8.7	8.2	8.4
All	100.0	100.0	100.0
Number of uninsured households	3,237	4,774	8,011

This table shows near about 56% people do not take insurance because it is too expensive.

Best Online Term insurance Plans ReLakhs.com

Company	Scheme name	Policy Term		Min Age at Entry	Covers upto (Max age)	Sum Assured		Premium (in Rs)	Claim Sett % (2013-2014)
		Min	Max			Min (in Rs)	Max (in Rs)		
ICICI Prudential	iProtect	10 Years	30 Years	20 Years	75	3 Lakh	NA	12,247	94.1
HDFC Life	Click 2 Protect	10 Years	30 Years	18 Years	65	10 Lakh	10 Crores	11,910	94.0
LIC	e-Term Plan	10 Years	35 Years	18 Years	75	50 Lakh	NA	16,405	98.1
Max Life	Max Life Online Term Plan	10 Years	35 Years	18 Years	70	25 Lakh	100 Crores	8,314	93.9
Kotak Life	Preferred e-Term	10 Years	40 Years	18 Years	75	25 Lakh	NA	8,287	90.7
SBI Life	eShield	5 Years	30 Years	18 Years	70	20 Lakh	NA	13,135	91.1
Bajaj Allianz	iSecure	10 Years	30 Years	18 Years	70	20 Lakh	NA	13,438	91.3
Aegon Religare	iTerm Plan	5 Years	40 Years	18 Years	75	10 Lakh	NA	8,202	81.0

This table shows that various companies are offering insurance of large amount i.e. sum insured or risk cover at very low cost. The Table shows Best online Term Insurance Plans in India. Following criterions are studied for selecting term insurance,

- Claim Settlement Record of the Life Insurance Companies as per IRDA's (Insurance Regulatory Development Authority of India)
- Affordability (Premium amount).
- Brand name.



- Quality of service provided to its customers during the online buying process and after issuing the policy (policy life).
- Ease of buying the Term Life Insurance plan online.
- Feedback received from my friends/clients who bought online Term Life Insurance plans directly.

Below is the comparison of best online Term Life insurance Plans. All the above premium amounts are for 30 year old male, non-smoker, for Rs 1 Crore Sum Assured. Optional Riders like Accident Death Benefit/Critical Illness are not considered. Premium Amount is for yearly mode.

1) ICICI Prudential iProtect Online Term Insurance Plan

ICICI Prudential is the second best (after LIC) as per the latest Claim Settlement data, with 94.10% of the claims received were paid/settled. ICICI Prudential's online term plan is known as 'iProtect.' The premium amounts of this term insurance plan are very reasonable and are competitively priced. This term insurance plan also provides the optional Accidental Death Benefit (ADB) rider. The maximum Sum Assured that is offered under ADB Rs 50 Lakh. You may like reading my review on ICICI Prudential's latest online Term insurance plan – [iProtect Smart Term Insurance Plan](#).

2) HDFC Life's Click 2 Protect Online Term Insurance Plan

The premiums of HDFC's Click2protect plan are lower than ICICI Prudential's iProtect plan. The claim settlement ratio of HDFC Life is 94%. The maximum Sum Assured that one can buy is Rs 10 crore under this plan. HDFC Life offers advanced version of this basic online term plan, which is known as HDFC Click2protect plus.

3) LIC's e-Term Plan Online Term Insurance Plan

LIC of India had launched its online Term insurance plan on 17th May, 2014. LIC was a late entrant with respect to the launch of online term plans. But, one good point about e-term plan is that it is about 35% cheaper than AnmolJeevan/AmulyaJeevan(LIC's offline term plans). However, when you compare the premiums of LIC's e-term plan with private insurance players' online products, you may find it very costly. But, LIC has the highest claim settlement ratio (98.14%) among the life insurers. You can surely consider buying LIC e-Term plan. The minimum Sum Assured offered under LIC e-Term online insurance plan is Rs 50 Lakh.

4) Max Life Insurance's Online Term Plan



Max life insurance company has a decent claim settlement record (which is 93.86%). The premiums are also comparatively very less. Max's online term plan provides optional Accident Death Benefit rider. Besides basic cover the Max's online term plan offers two options;

- Basic Life Cover plus Monthly Income
- Basic Life Cover Plus Increasing Monthly income

The premium rates are slightly higher if you opt for any these features. (As mentioned in the table, the premium for the basic cover is Rs 8,314, for Monthly income option it is Rs 10,100 and for Increasing monthly income option the premium is Rs 11,100).

5) Kotak Life Insurance's Preferred e-Term plan

Kotak's Preferred e-Term online insurance plan is one of the cheapest online term insurance plans. The company has decent claim settlement ratio (90.69%). Like Max's plan, Kotak's plan also has the option called 'Recurring payout' wherein part of the claim is paid on policy holder's death and a fixed monthly/yearly amount is paid for next 15 years to the nominee.

6) SBI Life Insurance eShield online Term Plan

SBI's e-shield premiums are a bit higher than that of Kotak's, Max's, ICICI's and HDFC's online term plans. SBI Life's e-shield plan can be an alternate to LIC's e-term plan. The premium of e-shield plan is very low when compared to LIC's e-term plan.

SBI Life's e-Shield plan offers four options;

- Level Cover (basic plan)
- Level Cover with Accidental Death Benefit
- Increasing cover (Basic sum assured is increased at the rate of 10% simple interest after every 5th policy year without increasing the premium)
- Increasing Cover with Accidental Death Benefit

7) Bajaj Allianz Life Insurance iSecure online Term insurance Plan

This plan has a special feature wherein you can opt for individual or joint life insurance coverage (for your spouse and yourself).

8) AegonReligareiTerm Plan

Though the claim settlement record of Aegon's is low (at 81%), we need to talk about their online term insurance plan. They are the pioneers in online term insurance plans. They have changed the rules of the game by offering the cheapest online term insurance plans. Aegon's



iTerm plan offers optional riders like Critical Illness and ADB. On diagnosis of any critical illnesses (as mentioned in the policy document) the future premiums are waived off.

Table 4.2: Distribution of Households by Their Major Source of Information on Insurance (Percentage)

Major source of information on insurance	Insured Households			Uninsured Households		
	Rural	Urban	Total	Rural	Urban	Total
Print media	18.8	28.8	23.7	19.0	20.8	20.0
Visual media	34.0	45.1	39.4	27.1	35.1	31.9
Radio/transistor	20.6	16.6	18.6	20.5	17.4	18.6
Corporate publicity	11.1	17.6	14.3	7.1	12.3	10.2
Rural camps	8.1	2.5	5.4	5.9	2.5	3.9
Publicity vans	3.3	5.4	4.3	2.0	3.4	2.8
Panchayat	5.8	0.9	3.4	5.8	1.0	2.9
Friends/relatives	39.4	36.2	37.8	41.3	42.6	42.1
Agents	69.1	70.8	70.0	42.0	47.0	45.0
All	100.0	100.0	100.0	100.0	100.0	100.0
Number of households	11,301	10,866	22,167	3,237	4,774	8,011

This table shows most of the people i.e. 70% people have AGENTS as major source of information.

Then researcher collected primary data from Dhule district – 4 talukas i.e. Dhule, Sakri, Shindkheda and Shirpur. As I have taken teachers as respondents, the data is collected by visiting various schools and colleges. Discussions and Interactions are done with teachers. Questionnaires were filled up from them covering various aspects of insurance. Then collected data is tabulated as follows.

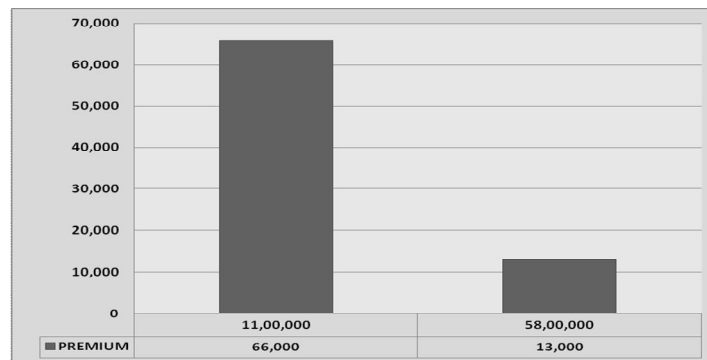
1	AGE GROUP	NUMBERS
	LESS THAN 30	18
	31 TO 40	91
	41 TO 50	152
	51 TO 60	123
	TOTAL	384
2	M/F	NUMBERS
	M	130
	F	254
	TOTAL	384
3	NUMBER OF PEOPLE KNOWN TERM INSURANCE	NUMBERS
	YES	325
	NO	59
	TOTAL	384
4	HOW DO YOU DECIDE TO TAKE POLICY	NUMBERS



	AT THEIR OWN	224
	THROUGH AGENT	151
	BOTH	9
		384
5	HAVE YOU TAKEN YOUR INSURANCE	NUMBERS
	YES	353
	NO	31
	TOTAL	384
6	HAVE YOU TAKEN INSURANCE FOR CHILDREN EDUCATION	NUMBERS
	YES	187
	NO	197
	TOTAL	384
7	HAVE YOU TAKEN INSURANCE FOR CHILDRENS' MARRIAGE	NUMBERS
	YES	76
	NO	308
	TOTAL	384
8	HAVE YOU TAKEN PENSION PLAN IN INSURANCE	NUMBERS
	YES	103
	NO	281
	TOTAL	384
9	HAVE YOU TAKEN TERM INSURANCE	NUMBERS
	YES	120
	NO	264
	TOTAL	384

From the above it can be concluded that, people are taking insurance policies for various purposes. But they are taking pure life insurance. People are confusing the concept of insurance with investment instruments. As per the experts it is said about the insurance cover is that One should have his/her insurance cover 100 times of his monthly income. And this can be possible in Term Insurance only.

Case Study for Comparison of Term Life Insurance Plan and Life Insurance Plan





Various factors influencing the decisions of people to take insurance are given in the following table.

Table 4.10: Distribution of Insured Households by Factors Influencing Their Decision to Take Insurance (Percentage)

Reasons influencing decision to take insurance	Households with Insurance		
	Rural	Urban	Total
Voluntary	42.1	47.3	44.7
Advice of friends/neighbours/relatives	41.3	40.5	40.9
Advice of agent	76.3	73.1	74.7
Through employer	6.3	6.4	6.3
Advertisements	11.5	15.8	13.6
Requirement of the financier	2.7	3.7	3.1
Other sources	1.2	1.3	1.2
All	100.0	100.0	100.0

The following picture show various efforts taken by government to popularize the concept of insurance among common people.

Insurance Related Resources	
1. Insurance Regulatory and Development Authority (IRDA)	www.irda.gov.in
2. IRDA Consumer Education Website	www.policyholder.gov.in
3. Insurance Information Bureau (IIB)	www.iib.gov.in
4. IRDA Agency Licensing Portal	www.irdaonline.org
5. Integrated Grievance Management System (IGMS)	www.igms.irda.gov.in
6. Mobile Application to Compare ULIPs	www.m.irda.gov.in
Insurance Education Institutions	
1. Institute of Insurance and Risk Management (IIRM)	www.iirmworld.org.in
2. Insurance Institute of India (III)	www.insuranceinstituteofindia.com
3. Institute of Actuaries in India (IAI)	www.actuariesindia.org
4. National Insurance Academy (NIA)	www.niapune.com



Conclusion and Recommendations

Many households do not fully understand the concept of insurance.

A high proportion of the household associate insurance mainly with loss of life since they do not have much knowledge about Term life insurance cover.

Insurance agents are a major source of information on insurance in rural as well as urban areas. Agents seem to play an important role not only as a source of information, but also in influencing the households' decision to take an insurance policy.

Since agents seem to have a great deal of influence on the households, they can educate the public about the range of available products and options to suit different income levels.

1. There are various bodies and Authorities at India level such as
2. Insurance Regulatory and Development Authority



3. IRDA consumer education website
4. Institute of Insurance and Risk Management
5. Insurance Information Bureau
6. Insurance Institute of India
7. National Insurance Academy

These Bodies and Authorities should take efforts to popularize the concept of Term Life Insurance so that very common man can buy high life insurance cover at comparatively smaller premium amount.

References

- Investment Management, Bhalla V. K, S. Chand Publication.
- Kothari C. R. and Garg Gaurav Research Methodology, , New Age International Publishers.
- Benjamin Graham, The Intelligent Investor, Harper Business.
- Lakhotiya Shubhash 108 Investment Mantra, , Diamond Books.
- Gala Ankit and Gala Khushboo, Investment Planning, Bajing Stock Publication House.
- <https://en.wikipedia.org>
- www.google.com
- www.irda.gov.in
- www.policyholder.gov.in