MANAGE YOUR MONEY

Topic: Insurance and it's advantages

What is Insurance?

Insurance can be defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium, and can be thought of as a guaranteed and known small loss to prevent a large, possibly devastating loss.

What is Insurance Policy?

A contract (policy) in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured.

What are the terms used in Insurance?

- An **insurer** is a company selling the insurance
- An **insured or policyholder** is the person or entity buying the insurance
- The insurance rate is a factor used to determine the amount to be charged for a certain amount of insurance coverage, called the **premium**
- **Sum Assured** is the amount the insurer agrees to pay to the insured person on occurrence of stated event
- **Entry Age** is the age of the insured at the time of filling the proposal form
- **Beneficiary or Nominee** is the person who receives the money of the insurance policy in absence of the insured

What is the need of Insurance?

A prudent individual makes some arrangement, so that expected level of comfort or convenience is assured to the person concerned or his family in case of any unfortunate event. Insurance is the mechanism that helps to soften the impact of such adverse consequences by providing some monetary substitution to face such unforeseen circumstances.

What are the benefits of Insurance?

- It helps to provide financial security in case of untimely loss of individual/asset
- Insurance helps to provide for contingent liabilities like hospitalization, critical illness etc. in a cost efficient manner
- It's an ideal tax planning instrument too

What are the various types of Insurance?

Life Insurance

- Insurance that pays out a sum of money either on the death of the insured person or after a set period
- Various Life Insurance products in India are – ULIPs, Term Plan, Endowment Plan, Money Back Plan, Whole Life Plan

General Insurance

- General insurance or non-life **insurance** policies provide payments depending on the loss from a particular financial event. General insurance is typically defined as any insurance that is not determined to be life insurance
- Types of General Insurance – Travel Insurance, Health Insurance, Auto Insurance, Home/ Property Insurance

What are the various types of Health Insurance?

1 INDIVIDUAL POLICIES
2 FAMILY FLOATER
3 CRITICAL ILLNESS COVER
4 TOP UP POLICY

1 Medical coverage only for the policy holder
2 Coverage for entire family
3 Cover major diseases like cancer
4 Extra coverage added on top of an existing policy.