



Critical Study of Life Insurance Policy Western Branch of Premium Amount During Covid

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ABSTRACT: The world is currently grappling with the most extraordinary public health challenge of the century- Coronavirus. The infectious viral disease, declared as a pandemic by the World Health Organisation (WHO), has claimed 40lakh+ lives so far all over the world. As countries impose lockdown and other measures to ensure the safety of their citizens, clinical trials of newer drugs to treat the conditions are underway. India has also witnessed a sharp rise in the number of infections especially in the 2nd wave with several cities/state periodically going in complete lockdown with suspension of public transport to contain the spread of Coronavirus. Healthcare officials believe the country is at a critical stage in the progression of the disease at the community level. Indians are practicing self-isolation, working from their homes and avoiding large gatherings outside. Are you one of those wondering if a life insurance policy can take care of your family in the event of a fatality after contracting the disease

KEYWORDS: coronavirus, life insurance policy, premium, amount, western branch, COVID, healthcare

I. INTRODUCTION

The importance of life insurance cannot be underlined enough in tough times such as today when COVID-19 has engulfed the globe. After all, it is meant to cover the risks that you envisage in the future and offer sufficient protection to your loved ones in your absence. The nominee or dependants enlisted by the policyholder at the time of purchasing life insurance get a death benefit in the event of the death of the insured²⁵. This means that the death of the person in whose name the policy is bought is insured as an event even if it is caused by a health-related issue such as a COVID-19 outbreak.¹

So, if you already have an existing life insurance policy including term insurance, your family can easily file a claim upon one's death and benefit from the sum assured given out to them. This could help them carry on their life without any financial worries and stay with the important milestones you had envisioned for them.²

However, if you haven't bought a life insurance policy till date and want to protect your loved ones from the risk to your life due to this deadly disease by purchasing one now, you need to keep a few things in mind. Policy premiums²⁶ are determined by carefully examining your current health condition as well as analysing your past medical history. If you are not infected with coronavirus at the time of policy purchase, your family stands a chance to receive the death benefit should you contract the disease later.³

However, if you have underlying medical conditions or if you have already contracted the infection, the insurance company may issue you the policy after due medical check-ups. Given the global scale of COVID-19, policy premiums might be a bit on the expensive side. There might also be uncertainty on whether or not the policy is accepted instantly. It is advisable to read documents of your policy diligently²⁴ to understand the various situations which are excluded from the life cover as each company might have different terms and conditions. The coronavirus outbreak is a wake-up call for those Indians who haven't yet bought life insurance and have been procrastinating this decision⁴. One can clearly see that those who purchased either a pure protection plan such as a term plan or any other life insurance plan earlier have an edge over their non-insured counterparts. The family of the former will be



financially protected even after their death as compared to the latter who might need to rely on some other means to tide through such uncertain times⁵. To conclude, life insurance should be an integral part of your financial planning. The earlier you purchase,²³ the longer you are covered and the lesser premiums you end up paying. Take for instance the iSelect Smart360 Term Plan from Canara HSBC Life Insurance which offers cover for your whole life or till the time you need it along with the option to choose death benefits, premium payment and coverage as per your needs. Inbuilt coverage for accidental death and permanent disability among other benefits is also available.⁶

II. DISCUSSION

Irrespective of whether you already have an insurance policy or are enrolling for a policy for the 1st time – the one question which every person has is how much should be the insurance cover? Although there is no exact answer to this, experts suggest that it should at least be 10 times of your annual income. And if you are in the early years of employment, then the insurance cover should be at least 15 times of your annual income. This is because in your early years, your annual income is comparatively lower as compared to later years of employment. Moreover,²² considering the speed at which the household expenses are increasing, every person should have at least this much insurance cover. In case a person does not have this much insurance cover, he/she should ideally contemplate taking an additional insurance policy which offers additional cover over and above the cover which the existing policy offers. There are mainly 2 types of life insurance policies²⁷ i.e. the Term Insurance and ULIP. Both these types of insurance policies are eligible for deduction under Section 80C of the Income Tax Act.⁷

1. Term Insurance Policy: These types of policies are stand-alone insurance policies wherein the insurance cover is given only to the nominee on the death of the person. Term plans are for a stipulated time period and in case a person does not die during the period for which the insurance policy has been taken – then no money would be given to the insured person or to his nominee.
2. ULIP Policy: ULIP stands for Unit Linked Insurance Plan and these types of policies offer the twin benefits of insurance as well as investment. Under this type of policy if the insured person dies during the insurance period²⁸ – then amount is amount to his nominee. If the insured person does not die during the period for which the insurance has been taken – then in such a case, the sum assured is paid to the insured person himself at the end of the insurance period.⁸

Although ULIP's offer a unique advantage that the sum assured is repaid to you at the end of the insurance period,²¹ the insurance premium to be paid under a ULIP Policy is more than the insurance premium to be paid under a Term Insurance Policy. Apart from checking the insurance coverage, there are various things which a person should check. Some of the important things to be checked are:-

1. Claim Coverage Ratio: Claim Coverage Ratio means the percentage of death settlement claims settled by the insurance company in the past. This is important to be checked as no insurer has 100% Claim settlement ratio and some cases always do get rejected. It is important to check this number as this shows the past record of the insurer as to whether they are strict or lenient in approving the claims.
2. Add ons: You can make your basic insurance policy by adding it up with some riders like Accidental Death Rider, Permanent and Partial Disability, Critical Illness, Waiver of Premium, Income Benefit Rider etc.⁹
3. Ideal Tenure of the Policy: The ideal tenure of your policy should be your retirement age minus your current age. That means if today you are 35 and intend to retire by 60, the term of the insurance should be $60 - 35 = 25$ years. This is because by the time of your retirement, your dependents are most likely to become independent and take care of themselves.
4. Surrender Policy: Before signing up for the policy, you should also check that in case in future you wish to cancel this policy, would the amount paid by you be reimbursed or would that get forfeited.¹⁰



Apart from checking the above important points, a person should read all the insurance documents before signing the document and should also read the insurance policy after it has been issued. If after issue of insurance documents, a person is not satisfied with the terms and conditions – he can still cancel the same as a free look-up period of 15 days is there in all life insurance policies.¹¹

III.RESULTS

In the middle of a crisis, financial difficulties are proving the importance of a life insurance plan for covid. Many people around the country have seen how this financial product can be highly beneficial to policyholders during these hardships. The various benefits of life insurance during covid can help people deal with uncertainty in a variety of ways. There are many reasons why covid insurance and life insurance plan for covid proved to be extremely valuable during the pandemic, such as providing fixed compensation as part of the life coverage and generating returns. Here are a few tools that you would need to safeguard your family from the covid-19 impact! If you are confused about choosing from a pool of life insurance plan for covid, we have you covered! Here are some things you should know to understand how life insurance helps in covid and make a well-informed decision.¹²

Term Insurance

Term plans offer coverage for the insured individual for a set period of time. If the life insurer is met with an unfortunate incident during the policy term, the nominee receives a death benefit. Additionally, term insurance is a cost-effective life insurance plan for covid, as it gives a larger sum assured in return for a low premium.²¹

Term plans assist the insured person in dealing with the outbreak's effects by providing a dependable financial support system for the remaining family members. This enables them to fulfil their financial commitments, such as loan repayments, childcare costs, basic rent & expenses costs.²⁰

Guaranteed Return Products

These are (restraint) non-participating investment plans that allow you to build an amount in a structured manner over time to achieve your long-term goals. The life insurance policy protects your loved ones in the event of your death. Savings plans also have the added advantage of assured returns at the end of the maturity period. This type of life insurance plan for covid may also be useful during a crisis such as a coronavirus pandemic since the life protection it provides can provide financial coverage in the event of any unexpected incidents.¹³

Unit Linked Insurance Plans

ULIPs are market-linked products that combine investment and insurance coverage into one package. They have life insurance coverage while also allowing the policyholder to invest in either equity or debt funds (or both). ULIPs can also help policyholders during a crisis like the pandemic by allowing them to profit from price movements. Policyholders with ULIPs may be able to benefit from market fluctuations like this. However, it is crucial to remember that you, as an investor should have the suitable risk-tolerance to make the best use of ULIPs. They also have a life insurance plan for covid that includes coverage for COVID-19 cases.¹⁹

The Way Forward

Regardless of the type of life insurance you choose, you can benefit in a variety of ways. You can use a life insurance calculator when selecting a policy to ensure that you and your family have enough life insurance coverage. It is clear that a life insurance policy for covid can help your family through this rough patch; however, you should consider evaluating all the crucial factors before you buy an Insurance Policy.¹⁴



IV. CONCLUSIONS

Current Life Insurance Policies Are Not Affected

As long as a life insurance policy is in good standing and the premiums are current, it doesn't really matter how the policyholder dies.¹⁸ So if a person dies as a result of COVID-19, their beneficiaries will almost certainly receive the policy's death benefit. That is unlike some other types of insurance, such as travel insurance, which may have COVID-19 or pandemic exclusions. In fact, life insurance claims are rarely denied, according to Steven Weisbart, former chief economist at the Insurance Information Institute, an industry-sponsored group. "When they are," he recently explained on his organization's blog, "it's typically because the policies had lapsed due to non-payment of premium or the policyholders had provided inaccurate or misleading information at the time of application or renewal."¹⁵

Dread Disease Riders May Not Apply

If a life insurance policy has a dread disease rider, the rider may or may not pay off if the policyholder contracts COVID-19. These riders provide a portion of the death benefit while the policyholder is still living if they are diagnosed with certain diseases or conditions, such as cancer, kidney failure, stroke, or heart attack. So unless the policy specifically includes viral illnesses such as COVID-19, the rider may be of little use. One exception, however: If COVID-19 causes a medical problem that is covered by the rider, such as organ failure, it's possible that the rider would pay benefits, according to the Society for Human Resource Management.²

New Life Insurance Policies Are Still Available

Though some insurance carriers temporarily stopped taking new life insurance applications during the initial stages of the COVID-19 pandemic, most are now accepting them. To comply with local social distancing rules, any medical exam the insurer might have otherwise required may be waived. In addition to the usual kinds of information you'll need to supply, you can expect to be asked specific pandemic-related questions about your health and travel, such as whether you've had, been treated for, or been vaccinated for COVID-19 and whether you've been to any high-risk countries or areas. If you currently have the coronavirus, most insurers will not issue a new life insurance policy until you can prove that you have recovered.¹⁶

What If Your Insurance Company Goes Broke?

The surge of deaths from COVID-19 will, of course, have an impact on insurance companies' finances. Fortunately, insurers in the U.S. are required by law to keep a certain amount of money in reserve to cover their claims. As the National Organization of Life and Health Insurance Guaranty Associations explains, "Even if the company is placed under the control of the insurance department, claims will continue to be honored as long as premiums are paid or cash value exists. The claims will be covered by state guaranty associations, which will either pay them directly or transfer the policies to a financially stable insurance company."¹⁷

The Bottom Line

Deaths from COVID-19 will be covered by life insurance policies, just like those from other causes. If you need to buy life insurance, it is still possible to obtain it from most insurers.²⁸

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