



Introduction to Life Insurance



Financial Education Program on Insurance

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Introduction to Life Insurance





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RISK: WHAT IS IT?

Risk = *the possibility of financial loss*



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Why is risk important for insurance?

Risk is what makes you decide whether or not you need insurance.

Risk is what insurance companies measure when determining whether to offer you insurance and how much it will cost.



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What is Insurance?

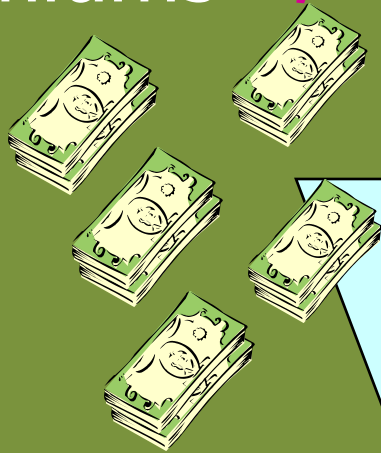
Insurance is a legal contract that transfers risk from a policyholder to an insurance company.



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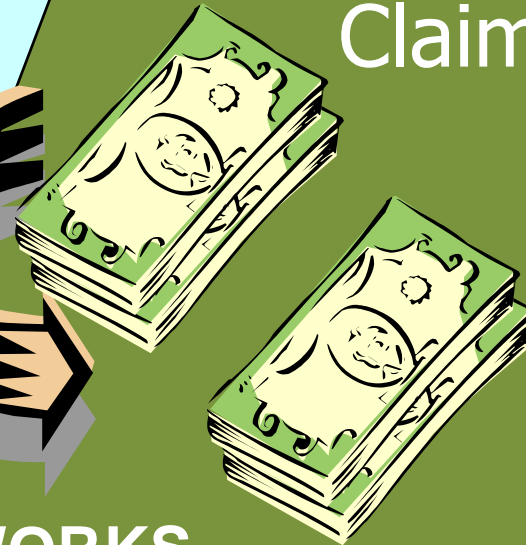


Premiums



Insurance Company

Claims



HOW INSURANCE WORKS



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Risk factors determine whether you will be able to buy a policy and how much it will cost.

**Generally speaking:
> Risk = > Cost**



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Risk Factors: Life Insurance

Age

Gender

Height & Weight

Medical record

Personal habits (smoker, drinker, drug use)

Occupation

****Amount of coverage required****



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HOW DO WE HANDLE RISK?

1. **Avoidance**: Choosing not to participate in an activity because of the risk involved, e.g. not getting a driver's license;
2. **Retention**: Saving money in case of future losses, e.g. putting \$1000 in a savings account in case of a car accident;
3. **Transfer**: Passing the risk on to an insurance company, e.g. paying a monthly fee for an insurance policy and expecting the insurance company to protect your assets.



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In the event of your death, a life insurance policy could help:

- Distribute money to your beneficiaries.
- Pay off your mortgage so that the house is free and clear of debt.
- Provide for your children's college education.
- Pay for the final expenses of a funeral or estate settlement costs.
- Provide an emergency fund to handle an unexpected financial crisis.
- Provide for settlement of your personal debts.



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**CHOOSING THE BEST LIFE INSURANCE POLICY
FOR YOU:**

YOUR OPTIONS



TERM INSURANCE

- **Less \$ buys you a larger amount (very affordable for young policyholders)**
- **Set period of coverage called “term”**
- **Most policies can be cancelled or renewed at end of term**
- **Usually more expensive each time you renew**
- **Does not earn cash value**
- **Usually can be converted into permanent policy**



PERMANENT INSURANCE

- **More costly**
- **Offers lifetime coverage**
- **Earns cash value (which can be borrowed against)**
- **Usually cannot be converted into different policy**



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**UNDER PERMANENT INSURANCE THERE ARE
TWO OPTIONS:**



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WHOLE LIFE

- **Less complicated option for permanent insurance**
- **Premiums do not change**
- **Benefits do not change while policy in effect**
- **Accumulates cash value more slowly**



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UNIVERSAL LIFE

- **Flexible payment options for premium**
- **You can make changes to your benefits based on your needs and lifestyle, or keep the death benefit level**
- **Accumulates cash value at a guaranteed rate**
- **Policy features many options to tailor it to your needs**



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LIFE EVENT CHALLENGES

Become a driver

Get married

Graduate from high school

Get engaged

Buy a home

Move to own apartment

Have a baby

Graduate from college

Turn 25

Get a new job

Buy a car

Move to a new city