Life Insurance Corporation of India (LIC) is an Indian state-owned insurance group and investment company headquartered in Mumbai. It is the largest insurance company in India with an estimated asset value of â‚¹1560482 crore (US$250Â billion). As of 2013 it had total life fund of Rs.1433103.14 crore with total value of policies sold of 367.82 lakh that year.

Term insurance

Term assurance provides life insurance coverage for a specified term. The policy does not accumulate cash value. Term is generally considered "pure" insurance, where the premium buys protection in the event of death and nothing else.

There are three key factors to be considered in term insurance:
1. Face amount (protection or death benefit),
2. Premium to be paid (cost to the insured), and
3. Length of coverage (term).

Annual renewable term is a one-year policy, but the insurance company guarantees it will issue a policy of an equal or lesser amount regardless of the insurability of the applicant, and with a premium set for the applicant's age at that time.

Level premium term can be purchased in 5, 10, 15, 20, 25, 30 or 35 year terms. The premium and death benefit stays level during these terms.

Mortgage life insurance insures a loan secured by real property and usually features a level premium amount for a declining policy face value because what is insured is the principal and interest outstanding on a mortgage that is constantly being reduced by mortgage payments. The face amount of the policy is always the amount of the principal and interest outstanding that are paid should the applicant die before the final installment is paid.

Permanent life insurance

Permanent life insurance is life insurance that cannot be cancelled for any reason except fraud, so long as the owner regularly pays his premiums. Any such cancellation must occur within a period of time (usually two years) defined by law. A permanent insurance policy accumulates a cash value up to its date of maturation, reducing the risk to which the insurance company is exposed as well as the policy's expense to the company. Such policies will be more expensive to older people than to younger ones. The owner can access the money in the cash value by withdrawing money, borrowing the cash value, or surrendering the policy and receiving the surrender value.
The four basic types of permanent insurance are whole life, universal life, limited pay, and endowment.

Whole life coverage

Whole life insurance provides lifetime death benefit coverage for a level premium. For younger people, whole life premiums are much higher than term insurance premiums, but because term insurance premiums rise with increasing age of the insured, the cumulative value of all premiums paid under whole and term policies are roughly equal if policies are maintained to average life expectancy. Part of the insurance contract stipulates that the policyholder is entitled to a cash value reserve that is part of the policy and guaranteed by the company. This cash value can be accessed at any time through policy loans that are received income tax-free and paid back according to mutually agreed-upon schedules. These policy loans are available until the insured's death. If any loans amounts are outstandingâ€"i.e., not yet paid backâ€"upon the insured's death, the insurer subtracts those amounts from the policy's face value/death benefit and pays the remainder to the policy's beneficiary.

While some life insurance companies market whole life as a "death benefit with a savings account", the distinction is artificial, according to life insurance actuaries Albert E. Easton and Timothy F. Harris. The net amount at risk is the amount the insurer must pay to the beneficiary should the insured die before the policy has accumulated premiums equal to the death benefit. It is the difference between the policy's current cash value (i.e., total paid in by owner plus that amount's interest earnings) and its face value/death benefit. Although the actual cash value may be different from the death benefit, in practice the policy is identified by its original face value/death benefit.

The advantages of whole life insurance are its guaranteed death benefits; guaranteed cash values; fixed, predictable premiums; and mortality and expense charges that do not reduce the policy's cash value. The disadvantages of whole life are the inflexibility of its premiums and the fact that the internal rate of return of the policy may not be competitive with other savings and investment alternatives.

Death benefit amounts of whole life policies can also be increased through accumulation and/or reinvestment of policy dividends, though these dividends are not guaranteed and may be higher or lower than earnings at existing interest rates over time. According to internal documents from some life insurance companies, the internal rate of return and dividend payment realized by the policyholder is often a function of when the policyholder buys the policy and how long that policy remains in force. Dividends paid on a whole life policy can be utilized in many ways.
The life insurance manual defines policy dividends as refunds of premium over-payments. They are therefore not exactly like corporate stock dividends, which are payouts of net income from total revenues.

Universal life coverage

Universal life insurance (UL) is a relatively new insurance product, intended to combine permanent insurance coverage with greater flexibility in premium payments, along with the potential for greater growth of cash values. There are several types of universal life insurance policies, including interest- sensitive (also known as "traditional fixed universal life insurance"), variable universal life (VUL), guaranteed death benefit, and equity-indexed universal life insurance.

Universal life insurance policies have cash values. Paid-in premiums increase their cash values; administrative and other costs reduce their cash values.

Universal life insurance addresses the perceived disadvantages of whole life â€" namely that premiums and death benefits are fixed. With universal life, both the premiums and death benefit are flexible. With the exception of guaranteed-death-benefit universal life policies, universal life policies trade their greater flexibility off for fewer guarantees.

"Flexible death benefit" means the policy owner can choose to decrease the death benefit. The death benefit can also be increased by the policy owner, usually requiring new underwriting. Another feature of flexible death benefit is the ability to choose option A or option B death benefits and to change those options over the course of the life of the insured. Option A is often referred to as a "level death benefit"; death benefits remain level for the life of the insured, and premiums are lower than policies with Option B death benefits, which pay the policy's cash valueâ€"i.e., a face amount plus earnings/interest. If the cash value grows over time, the death benefits do too. If the cash value declines, the death benefit also declines. Option B policies normally feature higher premiums than option A policies.

Limited-pay
Another type of permanent insurance is limited-pay life insurance, whose premiums are paid over a specified period, commonly ten or twenty years, after which no additional premiums are due. Benefits are sometimes paid out at the age of 65; other ages can include 75, 85, and 100.
Other limited pay policies do not pay out at a set age, but become "paid up", leaving the policyholder with a guaranteed death benefit and no further premiums to pay.

Endowements
Endowments are policies whose face values equal a benefit amount at a given age, called the endowment age, rather than a death benefit amount. Endowments require higher premiums than whole life and universal life policies because premiums are paid over shorter periods and maturation dates are earlier.

The US Technical Corrections Act of 1988 tightened the rules on tax shelters such as modified endowments. These follow the same tax rules as annuities and IRAs.
Endowments mature and are paid out after a prespecified period (e.g. 15 years) or at a prespecified age (e.g., 65), whether the insured is alive or has already died.

Accidental death
Accidental death insurance is a type of limited life insurance that is designed to cover the insured should they die as the result of an accident. "Accidents" run the gamut from abrasions to catastrophes but normally do not include deaths resulting from non-accident-related health problems or suicide. Because they only cover accidents, these policies are much less expensive than other life insurance policies.

Such insurance can also be accidental death and dismemberment insurance or AD&D. In an AD&D policy, benefits are available not only for accidental death but also for the loss of limbs or body functions such as sight and hearing.

Accidental death and AD&D policies very rarely pay a benefit, either because the cause of death is not covered by the policy or because death occurs well after the accident, by which time the premiums have gone unpaid. To know what coverage they have, insureds should always review their policies. Risky activities such as parachuting, flying, professional sports, or military service are often omitted from coverage.

Accidental death insurance can also supplement standard life insurance as a rider. If a rider is purchased, the policy generally pays double the face amount if the insured dies from an accident. This was once called double indemnity insurance. In some cases, triple indemnity coverage may be available.

Group life insurance

Group life insurance (also known as wholesale life insurance or institutional life insurance) is term insurance covering a group of people, usually employees of a company, members of a union or association, or members of a pension or superannuation fund. Individual proof of insurability is not normally a consideration in its underwriting. Rather, the underwriter considers the size, turnover, and financial strength of the group. Contract provisions will attempt to exclude the possibility of adverse selection. Group life insurance often allows members exiting the group to maintain their coverage by buying individual coverage.