MetLife Bangladesh
Insurance Glossary

1. **Account Value (AV):** is the balance of the Account under Universal Life Insurance policy. Upon maturity of such type of Life insurance policy, Account Value is provided to the policy owner as maturity value. In case of Death, Face Amount or Account Value, whichever is higher is paid to the beneficiary.

2. **Automatic Non-Forfeiture Option:** is the automatic option, becomes effective after the grace period once premium is unpaid to the policy. Automatic Premium Loan (APL) could be Automatic Non-Forfeiture Option of the policy. APL becomes effective to the premium unpaid policy once policy acquires Cash Value. To repay APL, a policy owner needs to repay unpaid premium along with interest on unpaid premium.

3. **Age Limits:** required minimum and maximum ages below and above which the insurance company will not accept applications or may not renew policies.

4. **Agent /Financial Associate:** an individual who sells, services, or negotiates insurance policies either on behalf of a company or independently.

5. **Assignment**: It means legal transference. It is a method of authorizing another person (a lender) as the principal beneficiary of a death benefit to use as collateral for a loan. If the borrower (policy holder) is incapable to pay, the lender can cash in the life insurance policy of the borrower and recover what is owed.

6. **Basic Cash Value:** It is end of policy year wise cash value table provided by the company at the time of policy issuance. Company may provide guarantee on the Basic Cash Value in such a way that policy owner will be entitled to get Basic Cash Value at the time policy matures or at any time surrendering the policy before policy matures. Before policy matures while surrendering, the policy owner is eligible to get year wise basic cash value and cash value of Reversionary Bonus. For ordinary life policy, Basic Cash value grows after first two years of the policy.

7. **Basic Policy:** This is the main insurance policy purchased by the customer. Generally, basic policy provides death coverage during the term of the policy and provides Maturity Value at the end of the term of the policy.

8. **Beneficiary:** The person of party designed by the policy owner as being the recipient of benefits in the event of death of the Insured.

9. **Cash Surrender:** It is the voluntary option of the policy owner to discontinue the policy before policy matures. Upon surrendering the policy, policy owner will be eligible to get Net Cash surrender Value, if any, of the policy. Cash surrender is one of the non-forfeiture options of the policy.

10. **Critical Illnesses:** These are the conditions when one or more vital organ(s) *(brain, heart, Kidney, liver, and multi organ failure)* of the body are affected and the patient needs urgent medical support for recovery. Major critical illnesses are: Stroke, Cancer, First Heart Attack, Coronary Artery By-pass Surgery, Benign Brain Tumor, Kidney failure etc.

11. **Coverage**: The range of protection provided under a contract of insurance; any of numerous risks covered by a policy.

12. **Date of Issue**: Date when an insurance company issues a policy.

13. **Days of Grace /Grace Period:** It is a provision in most loans and insurance policies. It provides the policy holder with extra days, after the due date, to make the payment of the premiums without any late fee, these extra days period is known as Days of Grace.

14. **Death Benefit**: It is the amount of benefit on a life insurance policy or pension that will be paid to the beneficiary in the event of the death of the insured person.

15. **Effective Date/Policy Date**: Date at which an insurance policy goes into force.

16. **Elective Non-Forfeiture Option:** It is the option chosen by the policy owner at the time of policy application. Elective Non-forfeiture options could be a) Cash Surrender b) Reduced Paid up Insurance c) Extended Term Insurance.

17. **Endowment product:** An ordinary individual life insurance product that provides the insured party with various guaranteed benefits if it survives specific maturity dates or periods stated in the policy. Upon the death of the insured party within the coverage period, a designated beneficiary receives the face value of the policy.

18. **Extended Terms Insurance (ETI):** Converting any Par-Insurance policy to Non-Par insurance policy using Cash value of the par-policy. After conversion, a policy owner only enjoys Life coverage without any maturity value up to the end of the term of the policy.
19. **Face Amount/Coverage Amount:** It is the amount of insurance that policy provides as death benefit or from which Death benefit is determined.

20. **Free Look Up Period:** It is the period during which time the insured can cancel the policy by sending written notice to the company.

21. **Grace Period:** is the period starts from premium due date, granted by the company, during which policy owner is eligible to pay due premium without any interest. Generally, grace period is 31 days from premium due date.

22. **Health and protection/Accident and Health:** These comprise health and personal accident insurance products, which provide morbidity or sickness benefits and include health, disability, critical illness and accident coverage. Health and protection products are sold both as standalone policies and as riders that can be attached to life insurance products. Health and Protection riders are presented together with ordinary individual life insurance products for purposes of disclosure of financial information.

23. **In-force:** An insurance policy or contract reflected on records that has not expired, matured or otherwise been surrendered or terminated.

24. **Insurability:** All conditions concerning individuals that affect their health, susceptibility to injury and life expectancy; it is basically an individual's risk profile.

25. **Insurable Interest:** It is a basic prerequisite for any insurance body to issue a policy. Entities which are not subject to financial loss from an event do not have an insurable interest and they cannot receive an insurance policy to cover that event.

26. **Investment Earning/Crediting Interest Rate:** It is the earning rate credited to the Account Value of the policy owner's Universal Life insurance Investment Account.

27. **Lapse:** It is the discontinuation of the insurance coverage, after grace period of the policy while premium remains unpaid and the policy does not acquire any basic cash value. Lapses policy does not have any value; however that can be re-instated within five years *(in some policies within three years)* by providing outstanding premium and interest on outstanding premium.

28. **Maturity Value:** This is the amount which is received after successfully completing the term of insurance policy, if there is no claim. Generally, Maturity Value consists of Basic Face Amount of the basic policy along with Insurance Company declared Policy Bonus (es), if any.

29. **Modal Premium:** This is the premium payment mode of annual, semi-annual, quarterly and monthly of policy. Semi-annual premium is 52% of annual premium while quarterly and monthly modal premiums are 27% and 9% respectively, of annual premium.

30. **Net Cash Surrender Value/Surrender Value:** This is the surrender value less any indebtedness with the company. Policy owner gets Net Cash Surrender Value at the time of surrendering the policy. For Ordinary Life Policy, surrender value is the basic cash value and cash value of Reversionary Bonus, if any.

31. **Non-Participating (Non-PAR) Policy:** This is the life insurance policy which does not participate in the profit or surplus of the company. Generally, Term insurance policy and supplementary contract are non-par policy.

32. **Participating (PAR) Policy:** is the life insurance policy which participate in the profit or surplus of the company. Profit or surplus is distributed annually as Reversionary Bonus or Terminal Bonus. Generally, Ordinary Life policies are PAR policy. It is not certain that company will declare Reversionary Bonus and Terminal Bonus in each year of the policy. Declaration of Bonus depends upon market interest rates and other external factors such as regulatory capital requirements etc.

33. **Policy Bonus:** is the amount declared by the Company on yearly basis. This is the additional amount of Policy Basic Face Amount, and can be received at the end of the Policy Term, if insured is alive or can be provided to beneficiary, if insured person dies. Depending on the term of the policy there can be two types of the Bonus (es), Reversionary Bonus (RB) and Terminal Bonus (TB) *(Capital Growth Bonus)*. RB can be declared with any term while TB is generally declared with the policies having higher policy term such as 16 years and above. It is important to keep in mind that policy bonus (es) are not guaranteed and depend upon company's investment return

and other external factors, including market interest rates and other regulatory capital requirements.

34. **Policy Exclusions:** are the conditions which are not covered in the insurance policy or for which no insurance benefit will be provided.

35. **Policy Term/Premium Payment Phase of the Insurance Policy:** is the duration for which insurance is purchased and during which insured person enjoys coverage through paying premium. For example 5 years term, 12 years term, 18 years term insurance etc. Life insurance policies having Cash Value, provides Maturity Value after the end of the Policy Term/Premium Payment Phase.

36. **Pre-existing condition:** is a condition that was diagnosed, treated or for which a physician was consulted at any time prior to the insurance takes effect, whether or not declared in the insurance application.

37. **Premium:** is the amount payable by the owner to the company in respect of the basic policy and the Supplementary Contract.

38. **Reduced Paid Up (RPU) Insurance:** is converting any Par-Insurance policy to Non-Par insurance policy using Cash value of the par-policy. After conversion, RPU amount is paid on the survival to the end of the premium payment term or upon earlier death of the policy owner/insured.

39. **Regular premium product:** A life insurance product with regular periodic premium payments.

40. **Reinstatement:** is the reinforcement of the coverage of the policy once policy is lapsed. Once reinstated, policy owner needs to pay default premium and to produce evidence of insurability like good health declaration or medical health profile.

41. **Rider:** This is a supplemental plan that can be attached to a basic insurance policy, with payment of additional premium.

42. **Single premiums:** single premium policies of insurance are those that require only a single lump sum payment from the policyholder.

43. **Supplementary Contract:** is the additional insurance policy with is packaged or sold with basic policy. Supplementary Contract is also called Rider. Supplementary Contract/Rider provides pure insurance protection during the term of the policy and does not provide any maturity value or return at the end of the term.

44. **Surrender charge or surrender fee** the fee charged to a policyholder when a life insurance policy or annuity contract is surrendered for its cash surrender value prior to the end of the surrender charge period.

45. **Takaful:** This is a type of Islamic insurance, where participants/policyholders contribute money into a pool system in order to guarantee each other against loss or damage. Takaful insurance is based on Sharia, Islamic religious law, and explains

how it is the responsibility of individuals to cooperate and protect each other.

46. **Universal Life Insurance:** is an investment type insurance policy where an investment account is created and where Net premiums and Investment Earnings are credited and from where monthly deductions is made. Monthly deductions could be: premium charge, monthly account administration charge, and cost of insurance for the life insurance coverage.

47. **Waiting Period:** is the waiting time starts from policy effective date or last reinstatement date, whichever is later, to coverage commencement date during which time policy owner is not eligible to get any insurance coverage. Insurance company imposes waiting period condition to reduce anti-selection or to identify pre-existing condition before effective any insurance coverage. Insurance company may impose 90 days or 180 days waiting period depending on the features of the insurance benefits. Generally, critical illness insurance policy has waiting period.