

## Life Insurance Exclusions

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An insurance contract promises to pay the sum assured in return for a premium paid if an insured event takes place during the term of the contract. But to limit losses and to discourage anti-selection, insurance companies also make it clear that there will be some 'exclusions' to the cover offered. Exclusions are thus conditions that are not covered by the insurance company.

While buying a policy, a buyer should read the exclusions in detail. The same is available in the policy brochure. If you need further clarification, you may check the policy wordings and contact the insurance company. If you are moving from one insurer to another for health insurance, double-check the exclusions in the new policy. Under the portability benefits, you are entitled to some exclusion waivers.

All **life insurance policies** have what are known as provisions and **exclusions**, and they are normally found at the end of the policy in what we generally refer to as the 'fine print.' Many people don't bother to read the small print before signing but if you fail to do so, you could leave yourself uninsured despite you paying the premium regularly and religiously.

### **The Exclusions in a Life Insurance Policy tell you Under What Conditions the Policy Agreement Won't be Paid out**

If you make yourself aware of these exemptions, you will know whether to accept the policy or not, as most **life insurance companies** have provisions and exemptions that differ from that of another company, although many are identical across the industry. Some exemptions will be re-included in your cover if you are willing to pay an increased premium, but if you haven't agreed to do this by not bringing it to the attention of the company when taking out your policy, it is too late to make amends when a claim is made.

Some of the more obvious exemptions can include the following:

- **Illegal Activity**

If the death of the policy holder occurred while in the process of carrying out an illegal activity of some description.

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## **Consumption of prohibited substances**

When you die as a result of alcohol or drug abuse. Once again this exemption can have wide implications but its main message is that if you partake in either of these activities and you should die, the life insurance company would be within its rights to not pay out on a claim.

- **Act of War**

Although fire and general insurances do carry an act of war exemption, most life insurance policies these days do not. In fact the 'Act of War' exclusion has been dropped for many decades. Although, if you are planning on travelling into a war zone, it may pay you to check with your insurance company to find out what stance they would take should you be killed while there.

- **Dangerous activity**

This is quite a broad definition and most insurance policies will actually list what they consider a dangerous activity is such as; car racing, hang gliding, and rock climbing. Although these particular activities might be exempted from your cover, it is usual for you to be able to pay an increased premium to cover that particular risk to obtain cover.

- **Aviation exclusion**

While you will remain covered when a passenger in a commercial aircraft, you are normally exempted from cover when a passenger in a private aircraft.

- **Suicide**

Suicide is not an unlawful act in most countries anymore, although when you take out a life insurance policy, it is usual for the claim not to be paid on the policyholder's life if the death resulted from suicide within a certain period, usually from 12 months to two years. Some life insurance companies still have suicide as a full exclusion at any time.