Note: The above form of cover must not be confused with **Mortgage Indemnity Insurance**. This is quite different, being an insurance for banks and similar lenders. It covers the possibility of non-repayment of mortgage loans, where the mortgaged property has to be sold in adverse market situations, thereby resulting in a loss to the bank, etc.

(c) **Increasing term insurance:** this plan, as the name suggests, involves a death benefit which *increases* annually or at other intervals. The increases may be at a *fixed percentage*, or in line with an agreed *index* (e.g. Consumer Price Index). The basic idea is to keep the benefit in line with the value of money, especially in case of **inflation**. The premium generally increases in line with the increases in the level of benefit.

2.1.1b Renewable/Convertible Term Insurance

(a) **Renewable term insurance:** at first sight, this seems to be a contradiction, because a **term insurance** is for a fixed period, and this extends the period. The key point, however, is that the right to *renew* the policy is *without submitting evidence* of **insurability** (health) and the **premium** for the further period is *increased* to reflect the increased age of the life insured. (The new premium is said to be based on the **attained age**.)

Because such a plan can involve **anti-selection** (see **1.3.2a**(c)(ii)), there may be some limitations applied, such as:

(i) renewals may only be for equal or *smaller* **face amounts**;

(ii) the *number* of renewals permitted may be restricted (e.g. three times);

(iii) premium rates may be *higher* than those for non-renewable policies.

Frequently, one-year term policies are made renewable, either by a basic policy provision or a **rider**. These have the obvious name *Yearly Renewable Term* (**YRT**) or *Annually Renewable Term* (**ART**) insurance.

(b) **Convertible term insurance:** such a plan includes a *conversion privilege*, which gives the policyowner the right to convert (change) the policy to a *permanent* plan without evidence of **insurability** (health). If this privilege is exercised, the premium for the wider plan must be calculated on the basis of the standard rate for such a plan based on the **attained age** of the life insured.