

Life Insurance Company

Frequently Asked Questions on Life Insurance

Q. What should I look for before I decide to buy a policy ?

A. You must check and see whether or not there is availability of guarantee of return, what the lock in period is, details of premium to be paid, what would be implications of premium default, what the revival conditions are what the policy terms are, what are the charges that would be deducted, would loan be available etc

Q. What is the importance of a proposal and the disclosures made therein ?

A. The disclosures made in a proposal are the basis for underwriting a policy and therefore any wrong statements or disclosures can lead to denial of a claim.

Q. What are special medical reports required to be submitted in Life insurance?

A. In case of certain proposals, depending upon the age of entry, age at maturity, sum assured, family history and personal history, special medical reports may be necessary for consideration of a risk. E.g. if the proposer is overweight, special reports like Electro Cardiogram, Glucose Tolerance test etc could be required, while for underweight proposers, X-ray of the chest and lungs with reports could be required.

Q. What is meant by Paid-up Value in Conventional Life Insurance Policy?

A. After premiums are paid for a certain defined

period or beyond and if subsequent premiums are not paid, the sum assured is reduced to a proportionate sum, which bears the same ratio to the full sum assured as the number of premiums actually paid bears to the total number originally stipulated in the policy. For example, if sum assured is 1 lakh and the total number of premiums is payable is 20 (20 years policy, mode of premium is assumed yearly) and default occurs after 10 yearly premiums are paid, the policy acquires the paid up value of 50,000/-. Paid up Value = No. of Premiums Paid / No. of Premiums Payable X S.A.=10/20 X 100000 = 50000/-. This means that the policy is effective as before except that from the date the 11th premium was due, the sum assured is 50,000/- instead of original 1,00,000/-. To this sum assured the bonus already vested (accrued) before the policy lapsed, is also added. Example if the bonus accrued up to the date of lapse is 35,000/-, the total paid up value is 50000 + 35000 = 85000.

Q. How is Surrender Value calculated in Conventional Life Insurance Policy?

A. Surrender Value is allowed as a percentage of this paid up value. Surrender value is calculated as per the surrender value factor, which depends on the premiums paid and elapsed duration.

Q. How is the Loan on Policy calculated under Conventional Life Insurance Policies?

A. If the policy conditions permit grant of loan, loan is sanctioned as a percentage of the Surrender Value.

Q. What should one verify before signing the proposal?

A. One has to verify the approved sales brochure for

- all the charges deductible under the policy
- payment on premature surrender
- features and benefits
- limitations and exclusions
- lapsation and its consequences
- other disclosures
- Illustration projecting benefits payable in two scenarios of 6% and 10% returns as prescribed by the life insurance council.

Q. How much of the premium is used to purchase units?

A. The full amount of premium paid is not allocated to purchase units. Insurers allot units on the portion of the premium remaining after providing for various charges, fees and deductions. However the quantum of premium used to purchase units varies from product to product.

The total monetary value of the units allocated is invariably less than the amount of premium paid because the charges are first deducted from the "premium collected and the remaining amount is used for allocating units.

Q. Can one seek refund of premiums if not satisfied with the policy, after purchasing it?

A. The policyholder can seek refund of premiums if he disagrees with the terms and conditions of the policy, within 15 days of receipt of the policy document (Free Look period). The policyholder shall be refunded the fund value including charges levied through cancellation of units subject to deduction of expenses towards medical examination, stamp duty and proportionate risk premium for the period of cover.

Q. What is Net Asset Value (NAV)?

A. NAV is the value of each unit of the fund on a given day. The NAV of each fund is displayed on the website of the respective insurers.

Q. What is the benefit payable in the event of risk occurring during the term of the policy?

A. The Sum Assured and/or value of the fund units is normally payable to the beneficiaries in the event of risk to the life assured during the term as per the policy conditions.

Q. What is the benefit payable on the maturity of the policy?

A. The value of the fund units with bonuses, if any is payable on maturity of the policy.

Q. Is it possible to invest additional contribution above the regular premium?

A. Yes, one can invest additional contribution over and above the regular premiums as per their choice"