

a) **Surrender values**

Life insurers normally have a chart that lists the surrender values at various times and also the method that will be used for calculating the surrender values. The formula takes into account the type and plan of insurance, age of the policy and the length of the policy premium-paying period. The actual amount of cash one gets in hand on surrender may be different from the surrender value amount prescribed in the policy.

This is because paid up additions, bonuses or dividend accumulations, advance premium payments or gaps in premiums, policy loans etc. may result in additions or subtractions from the cash surrender value accrued. What the policyholder ultimately receives is a net surrender value. Surrender Value is a percentage of paid-up value.

Surrender Value arrived as a percentage of premiums paid is called Guaranteed Surrender Value.

b) **Policy loans**

Life insurance policies that accumulate a cash value also have a provision to grant the policyholder the right to borrow money from the insurer by using the cash value of the policy as a security for the loan. The policy loan is usually limited to a percentage of the policy's surrender value (say 90%). Note that the policyholder borrows from his own account. He or she would have been eligible to get the amount if the policy had been surrendered.

In that case however the insurance would also have been terminated. By instead taking a loan on the policy, a policyholder is able to keep the cake and eat it too. A loan provides access to liquid funds while keeping the insurance alive. A loan is what you would recommend to a client in need of urgent funds but you would like to keep him or her as your client.

4. **Special policy provisions and endorsements**

a) **Nomination**

- I. **Nomination** is where the life assured proposes the name of the person(s) to whom the sum assured should be paid by the insurance company after their death.
- II. The life assured can **nominate one or more than one person** as nominees.
- III. Nominees are entitled for **valid discharge** and have to **hold the money as a trustee** on behalf of those entitled to it.
- IV. Nomination can be done either **at the time the policy is bought or later**.
- V. Under Section 39 of the Insurance Act 1938, the holder of a policy on their own life may nominate the person or persons to whom the money secured by the policy shall be paid in the event of their death.

Nomination can be changed by making another endorsement in the policy.

Where the nominee is a minor, the policy holder needs to appoint an appointee. The appointee needs to sign the policy document to show his or her consent to acting as an appointee. The appointees lose their status when the nominee reaches majority age. The