

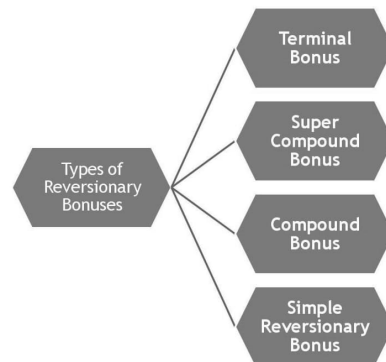
Bonus is paid as an addition to the basic benefit payable under a contract. Typically it may appear as an addition to basic sum assured or basic pension per annum. It is expressed, for example, as Rs. 60 per thousand sum assured (or 60% of SA).

The most common form of bonus is the **reversionary bonus**. The company is expected to declare such bonus additions each year, throughout the lifetime of the contract. Once declared, they get attached and cannot be taken away. They form part of the liabilities of the company. They are called 'Reversionary' bonuses because the policyholder only receives them when the contract becomes a claim by death or maturity.

Bonuses may also be payable on surrender. In such cases it is often stipulated that the contract should have run for a certain term (say 5 years) to become eligible.

Types of reversionary bonuses

Diagram 5: Types of Reversionary Bonuses



i) Simple Reversionary Bonus

This is a bonus expressed as a percentage of the basic cash benefit under the contract. In India for example, it is declared as amount per thousand sum assured.

ii) Compound Bonus