

CHAPTER 12

DOCUMENTATION - PROPOSAL STAGE

Chapter Introduction

In the life insurance industry we deal with a large number of forms and documents. These are required for the purpose of bringing clarity in the relationship between the insured and the insurer. In this chapter, we shall deal with the various documents that are involved at the proposal stage and their significance. The documents we shall consider include

- i. Prospectus
- ii. Proposal form
- iii. Agent's report
- iv. Medical examiner's report
- v. Moral hazard report
- vi. Age proof
- vii. Know Your Customer (KYC) documents

Learning Outcomes

- A. Life insurance - Proposal stage documentation

A. Life insurance - Proposal stage documentation

1. Prospectus

Definition

A prospectus is a formal legal document used by insurance companies that provides details about the product.

A prospectus should contain all facts that are necessary for a prospective policyholder to make an informed decision regarding purchase of a policy.

The prospectus used by a life insurance company should state the following, under each of its plans of insurance:

- i. The terms and conditions
- ii. Scope of benefits - guaranteed and non-guaranteed
- iii. The entitlements
- iv. The exceptions
- v. Whether the plan is participative or non-participative

The prospectus is like an introductory document which helps the prospective policyholder to get familiar with the company's products.

2. Proposal form

The insurance policy is a legal contract between insurer and the policyholder. As is required for any contract, it has a proposal and its acceptance. The application document used for making the proposal is commonly known as the 'proposal form'. All the facts stated in the proposal form become binding on both the parties and failure to appreciate its contents can lead to adverse consequences in the event of claim settlement.

Definition

The proposal form has been defined under IRDAI (Protection of Policyholders' Interests) Regulations, 2002 as:

"It means a form to be filled in by the proposer for insurance for furnishing all material information required by the insurer in respect of a risk, in order to enable the insurer to decide whether to accept or decline, to undertake the risk, and in the event of acceptance of the risk, to determine the rates, terms and conditions of a cover to be granted."

“**Material**” for the purpose of these regulations shall mean and include all important, essential and relevant information in the context of underwriting the risk to be covered by the insurer.

Insurance Regulatory and Development Authority (I.R.D.A.) (Standard Proposal-Form for Life-Assurance) Regulations, 2013, Notified on 16th February, 2013, provides for a Standard Proposal-Form, for Individual Policies in Life-Assurance, that has an In-Built Flexibility for Seeking an Additional or Specialized Information, that is Product-Specific or Specific to a Particular Risk-Category, with a View to ensuring that, it takes into Consideration, All Relevant Questions, that are Required to Understand the Need for a Particular Product, and Make a Recommendation to the Prospect, bringing in the Transparency, and thereby, Protecting the Prospect’s Interests.

While the IRDAI defined the proposal form, the design and content of the form was left open to the discretion of the insurance company.

Annexure-A.

Standard Proposal-Form for Life-Assurance.

Affix, Latest, Pass-Port-Size Photo-Graph

Name of Insurance-Company: ---

Servicing-Branch-Name: ---

Complete Address of Servicing-Branch: ---

Agency or Broker, Name and Contact-Details: ---

License-Number and Validity-Details: ---

Name of the Product: ---

Sum-Assured: ---

Term of the Product: ---

Premium-Paying-Term: ---

Premium-Payment-Mode (One-Time or Annual or Half-Yearly or Quarterly, etc.):

(Signature of Proposer.)

(Signature of Agent or Broker or Bancassurance)

(Signature of Insurer {*At the Time of Acceptance of Proposal*})

Instructions for Proposer {*Please Follow These, Carefully.*}:

1. It is Necessary for the Proposer to fill-up this Proposal-Form, Him-Self or Her-Self, and not allow an Intermediary or Any Third-Party to do it. How-Ever, in Case, the Proposer is Not in a Position to do so, or the Details are filled-in by the Proposer, in Vernacular, He or She must ensure that, the Details filled-in are Read-Out to Him or Her and that they are Understood by Him or Her. He or She must make a Declaration to this Effect, as indicated in Section-D of this Form.

2. Please Read All the Questions, Carefully, and Fill-Up the Details, Truthfully.

3. Please ensure that, You affix Your Signatures in All the Places, as required. In Certain Places, More Than One Signature is required. This is in Your Own Interest.

4. Wherever the Intermediary (Agent or Broker or Bancassurance) is required to sign, please ensure that, the same has been done by Him or Her.

5. This Form contains **4** Sections, namely:

Section-A contains the Details of Proposer, which is, Mandatory.

Section-B contains Specialized or Additional Information, which may vary, based on the Product.

Section-C contains Suitability-Analysis, which is Highly Recommended; and

Section-D contains the Product-Proposed, which is, Mandatory.

6. For Proposer and Each Life-Assured, Separate Forms are to be Submitted.

7. Signature or Thumb-Impression of Life-Assured and / or Proposer, sought Twice, in His or Her Interest.

Instructions to the Intermediary (Agent or Bancassurance or Broker) {Please Follow These, Carefully.}:

1. It is highly recommended that, the Proposer is advised by You, to give Information, required for Suitability Analysis as per Section-C of the Form, in His or Her Own Interest.
2. Please ensure that, the Product Recommended suits the Needs of the Proposer.
3. Do Not Fill-Up the Proposal-Form or Any Column of the Form, on Behalf of the Proposer, even if requested to do so.
4. Please ensure that, You affix Your Signature(s), wherever required in the Form.
5. Please ensure that, the Proposer and Each Life-Assured, Separate Forms are collected.

Section-A: Details of Proposer and / or Life-Assured.

(Mandatory)

1. Personal Details:

- a. Name: ---
- b. Spouse's Name: ---
- c. Father's Name: ---
- d. Mother's Name: ---
- e. Gender: ---
- f. Date-of-Birth: ----/----/-----
- g. Age-Proof: ---
- h. Identification-Marks: ---
- i. Address-for-Communication: ---
- j. Permanent-Address: ---
- k. Address-Proof (Electricity-Bill or Telephone-Bill or Ration-Card) {*Any One is to be submitted.*}: ---
- l. Telephone (Land-Line or Mobile): ---
- m. E-Mail Id: ---
- n. Marital-Status: ---
- o. Nationality: ---
- p. Educational-Qualifications: ---
- q. Habits, impacting the Health, Adversely:

- i. Smoking or Other Tobacco-Related Habits: Yes / No.

	a) If Yes, Whether Occasionally or Frequently: ---
ii.	Consuming the Alcohol: Yes / No.
	a) If Yes, Whether Occasionally or Frequently: ---
iii.	Drug-Abuse: Yes / No.
	a) If Yes, Whether Occasionally or Frequently: ---
r.	Habits, having a Positive Impact on the Health: Yes / No.

If Yes, Specify the Details: ---

2. Identification-Proof {Any One is to be submitted.}:

- a. Permanent-Account-Number (P.A.N.): ---
- b. AADHAAR (आधार)-Card-Number: ---
- c. Ration-Card or Driving-License or Pass-Port Number: ---

3. Family-Details:

- a. Number of Dependents: --- 1 2 3 4 5
- b. Details of Dependents: ---
- c. Name: ---
- d. Male or Female: ---
- e. Relationship: ---
- f. Age: ---
- g. Date-of-Birth: ----/----/-----
- h. Occupation: ---

i. Whether Financially-Dependent: ---

4. If Employed, Employment-Details:

- a. Occupation: ---
- b. Nature-of-Work: ---
- c. Length-of-Service: ---
- d. Annual Income (Rupees): ---
- e. Details of Income-Proof Submitted: ---
- f. Whether Covered Under Pension-Scheme: ---
- g. Normal Retirement-Age: ---

5. If Self-Employed, Details:

- a. Occupation:
- b. Nature-of-Work: ---
- c. Projected Active Working-Life: ---
- d. Annual Income (Rupees): ---
- e. If Labour, Number of Working-Days: ---

6. Pension-Details, If Any, If Not Employed or Self-Employed:

- a. Employer's Scheme or Insurance: ---
- b. Personal Contribution or Premium:
- c. Retirement-Age:
- d. Anticipated-Value:

7. Bank-Details:

- a. Do You Have a Bank-Account? Yes / No.

b. If Yes, Account-Number: ---

c. Account-Type: ---

d. Bank-Name and Branch:

8. Details of Nominee and Appointee {Where, Nominee is a Minor, Appointee-Details also have to be furnished.}:

Nominee
Appointee

- | | | |
|-------------------------------|-----------------|-----------|
| a. Name: | --- | --- |
| b. Date-of-Birth: | ----/----/----- | ----/---- |
| | /----- | |
| c. Relationship: | --- | --- |
| d. Address: | --- | --- |
| e. Percentage-of-Entitlement: | --- | --- |

9. Existing Insurance:

Name of Member (Whether Proposer or Covered-Person)

Details of Premium-Being-Paid (Rupees)

Name of Member (Whether Proposer or Covered-Person)

Details of Premium-Being-Paid (Rupees)

- a. Life: --- --- --- ---
- b. Health: --- --- --- ---
- c. Unit-Linked Insurance-Product: --- --- --- ---
- d. Pension-Product: --- --- --- ---
- e. Other (Specify): --- --- --- ---

10. What is the Purpose of Your Opting for this Policy?

Section-41 and Section-45, to be Re-Produced by the Insurer.

Section-B: Specialized or Additional Information.

1. Physical or Medical Information (Questionnaire), For Each Covered-Person:

Height: ---

Weight: ---

- a. Do You Have Any Physical Deformity or Handicap or Congenital Defect or Abnormality? Yes / No.
- b. Are You Currently, Undergoing or Have Undergone: Any Tests, Investigations; Awaiting the Results of Any Tests, Investigations; or Have You Ever Been Advised to Undergo Any Tests, Investigations, or Surgery;

- or Been Hospitalized for General Check-Up, Observations, Treatment, or Surgery? Yes / No.
- c. Have You Ever Been Treated or Hospitalized for Cancer, Tumour, Cyst, or Any Other Growth? Yes / No.
 - d. Have You Ever Been Referred to an Oncologist or Cancer-Hospital for Any Investigation or Treatment? Yes / No.
 - e. Did You Have Any Ailment or Injury or Accident, requiring the Treatment or Medication, for More Than a Week? Yes / No.
 - f. Have You Ever Been Absent From Work, For More Than a Week, in Last 2 Years, Due to Any Illness? Yes / No.
 - g. Were You or Your Spouse, Ever Tested for: Hepatitis-B or Hepatitis-C, Human-Immuno-Deficiency-Virus (H.I.V.) or Acquired-Immune-Deficiency-Syndrome (A.I.D.S.), or Any Other Sexually-Transmitted-Disease (S.T.D.)? Yes / No.
 - h. Have You Ever Suffered: Chest-Pain, Palpitation, Rheumatic-Fever, Heart-Murmur, Heart-Attack, Shortness-of-Breath, or Any Other Heart-Related Disorder? Yes / No.
 - i. Have You Ever Suffered: Symptoms or Ailment, Relating to: Kidney, Prostate, Hydrocele, and Urinary System? Yes / No.
 - j. Have You Ever Suffered: Gastritis, Stomach or Duodenal Ulcer, Hernia, Jaundice, Fistula, Piles, or Any Other Disease or Disorder of the Gastro-Intestinal System? Yes / No.

- k. Have You Ever Suffered: Thyroid Disorder or Any Other Disease or Disorder of the Endocrine System? Yes / No.
- l. Have You Undergone or Have Been Recommended to Undergo: Angioplasty, By-Pass Surgery, Brain-Surgery, Heart-Valve Surgery, Aorta Surgery, or Organ-Transplant? Yes / No.
- m. Have You Ever Suffered: Diabetes or High Blood-Sugar? Yes / No.
- n. Have You Ever Suffered: High Blood-Pressure or Low Blood-Pressure? Yes / No.
- o. Have You Ever Suffered: Disorders of Eye, Ear, Nose, Throat, including, Defective Sight, Speech, or Hearing, and Discharge from Ears? Yes / No.
- p. Have You Ever Suffered: Ailments, Relating to Liver or Re-Productive System? Yes / No.
- q. Have You Ever Suffered: Symptoms or Ailments, Relating to Brain, Depression, Mental or Psychiatric Ailment, Multiple-Sclerosis, Nervous System, Stroke, Paralysis, Parkinsonism, or Epilepsy? Yes / No.
- r. Have You Ever Suffered: Asthma, Bronchitis, Blood-Spitting, Tuberculosis, or Other Respiratory Disorders? Yes / No.
- s. Have You Ever Suffered: Anemia, Blood, or Blood-Related Disorders? Yes / No.
- t. Have You Ever Suffered: Musculoskeletal Disorders, such as, Arthritis, Recurrent Back-Pain, Slipped-Disc, or Any Other Disorder of Spine, Joints, Limbs, or Leprosy? Yes / No.

u. Have You Ever Suffered: Any Other Illness or Impairment, Not Mentioned Above? Yes / No.

2.Details of Female: Proposer or Covered-Person:

- a. Are You Pregnant, Currently? Yes / No.
- b. If Yes, Current Months of Pregnancy: ---
- c. State, the Age of First-Pregnancy: ---
- d. Have You Ever Had Any Abortion, Mis-Carriage, or Ectopic Pregnancy? Yes / No.
- e. Have You Undergone Any Gynecological Investigations, Internal Check-Ups, Breast-Checks, such as, Mammogram or Biopsy? Yes / No.
- f. Have You Ever Consulted a Doctor, Because of an Irregularity at the Breast, Vagina, Uterus, Ovary, Fallopian Tubes, Menstruation, Birth-Delivery, Complications During Pregnancy or Child-Delivery, or a Sexually-Transmitted-Disease (S.T.D.)? Yes / No.

Note: Insurers may ask Appropriate Questions, based on a Particular Product.

The Above Questions are Illustrative, Only.

Declaration:

I / We, hereby declare, on My Behalf and on Behalf of All Persons-Proposed-to-be-Insured, that, the Above Statements, Answers, and / or Particulars, Given by Me, are True and Complete, in All Respects, to the Best of My Knowledge; and that, I / We, am / are, authorized to Propose, on Behalf of these Other Persons.

I understand that, the Information, Provided by Me, will form the Basis of the Insurance-Policy, and that, the Policy is Subject to the Board-Approved Underwriting-Policy of the Insurance-Company, and the Policy will come into Force, Only After, Full Receipt of the Premium-Chargeable.

I / We, further declare that, I / We, will notify, In-Writing, Any Change-Occurring, in the Occupation, Financial Health or General Health, of the Life-to-be-Assured or Proposer, after the Proposal has been submitted, But Before Communication of the Risk-Acceptance, by the Company.

I / We, declare and consent to the Company, seeking the Medical Information from Any Doctor or from Any Hospital, who, At Any Time, has attended on the Life-to-be-Assured or Proposer, or from Any Past or Present Employer; concerning Anything, which affects the Physical or Mental Health of the Life-to-be-Assured or Proposer, and seeking the Information from Any Insurance-Office, to which, an Application for Insurance on the Life-to-be-Assured or Proposer, has been made, for the Purpose of Underwriting the Proposal and Claim-Settlement.

I / We, authorize the Company, to share the Information, pertaining to My Proposal, including, the Medical-Records with Any Governmental and / or Regulatory Authority. Further, the Information may be shared for the Sole Purpose of Proposal-Underwriting and Claim-Settlement.

Date: ----/----/-----.

(Signature or Thumb-Impression of Proposer)

(Signature of Proposer)

(Signature or Thumb-Impression of Life-Assured, if Different from Proposer)

(Signature of Life-Assured, if Different from Proposer)

Section-C: Suitability-Analysis.

(Highly-Recommended)

1. Affordable Contribution (Current and Projected (Rupees)):

	Last Year	Current Year	5 Years to 10 Years	10 Years to 15 Years	15 Years to 20 Years
Year -->					
a. Yearly					
b. Monthly					

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2. How Do You Project Your Work-Span?

a. Number of Years	5 Years	10 Years	15 Years
b. Working-Span			

3. Income and Expenditure (Current and Projected (Rupees)):

	Last Year	Current Year	5 Years to 10 Years	10 Years to 15 Years	15 Years to 20 Years
Year -->					
a. Income					
b. Expenditure					

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4. Financial Details (Rupees):

a. Value of Savings and Assets	
b. Details of Liabilities	
c. Expected Inheritance	

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5. Identified Insurance-Needs (Rupees):

a. Life-Assurance (Death or Maturity)	
<i>Desirable Sum-Assured</i>	
b. Health-Insurance	
<i>Desirable Limit-of-Coverage, Per Annum</i>	
c. Savings and Investment-Planning	

<i>Desirable Returns, Per Annum</i>		
d. Pension-Planning		
<i>Desirable Pension, Per Annum</i>		

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6. Insurance Plan-Details (Traditional or Unit-Linked-Insurance-Plan or Pension or Health Insurance Plan):

a. Plan-Name
b. Premium-Type
c. Payment-Mode
d. Payment-Method
e. Premium-Term
f. Coverage-Term
g. Sum-Assured (Rupees)
h. Benefits or Riders or Fund-Allocation

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7. Identified Life-Needs (Projections, Per Annum (Rupees)):

Item
a. Food, Shelter, Clothing; and Other Living-Expenses, such as, Transportation-Expenses, Utilities, etc.
b. Education-Expenses
c. Health-Expenses
d. Marriage-Expenses
e. Vacations and Other Travel-Expenses
f. Other Commitments, such as, Insurance-Premium, Various Contributions, etc.
<u>Total</u>

<p>It is declared that, the Above Information has been provided by the Proposer.</p> <p style="text-align: right;">---</p>
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(Signature of Agent or Bancassurance or Broker)

(Signature or Thumb-Impression of Proposer)

(Signature of Proposer)

(Signature or Thumb-Impression of Life-Assured, if Different from Proposer)

(Signature of Life-Assured, if Different from Proposer)

Section-D: Product-Proposed.

(Mandatory)

1. Recommendation:			
1. Life-Stage			
2. Protection-Needs			
3. Appetite for Risk			
4. Policy-Recommended, including, Name of Insurer			
5. Details of Commitment, for the Current Year and Future Years			
6. Whether, All Risk-Elements and Details of Charges to be incurred, and All Other Obligation			
7. Why Do You Think that, this Policy is Most-Suited for the Proposer?			
8.	Whether	the	Product-Proposed
i.	Based		on
ii.	Based		on
iii. Based on Agent-Recommendation			

Agent or Bancassurance or Broker’s Certification:

I / We, hereby certify that, I / We believe that the Product(s), recommended by Me / Us, Above, is / are Suitable for the Proposer, based on the Information, Submitted by Him or Her, as Recorded Above. I / We declare that, the Policy-Recommended has been Fully Explained to the Proposer, including about the Terms and Conditions, Exclusions, Premium-Commitments, and Various Charges, as Applicable.

Date: ----/----/-----.

(Signature of Agent or Bancassurance or Broker)

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(Signature of Insurer)

Proposer’s Acknowledgement:

The Above Recommendation is based on the Information, Provided by Me. I have been explained about the Features of the Product, and believe, it would be Suitable for Me, based on My Insurance-Needs and Financial Objectives.

Date: ----/----/-----.

(Signature or Thumb-Impression of Proposer)

(Signature of Proposer)

(Signature or Thumb-Impression of Life-Assured, if Different from Proposer)

(Signature of Life-Assured, if Different from Proposer)

2. Where, the Proposer Does Not Accept the Recommendation of the Agent or Bancassurance or Broker and Insurer:

I am not in Agreement with the Recommendation of the Agent or Bancassurance or Broker and Insurer. I have opted for the Policy, Named --- (Name of the Policy, to be mentioned Here), as per My Wish.

(Signature or Thumb-Impression of Proposer)

(Signature or Thumb-Impression of Life-Assured, if Different from Proposer)

Where, Answers to the Questions are filled-in by a Person, Other Than the Proposer; or, Where, the Answers or Signature of the Proposer or Life-Assured are in Vernacular:

The Details of the Proposal-Form have been Read-Out and Explained to Me, and I have understood the Same.

(Signature or Thumb-Impression of Proposer)

(Signature or Thumb-Impression of Life-Assured, if Different from Proposer)

*

While the IRDAI defined the proposal form, the design and content of the form was left open to the discretion of the insurance company.

11. Agent’s report

The agent is the primary underwriter. All material facts and particulars about the policyholder, relevant to risk assessment, need to be revealed by the agent in his / her report. Matters of health, habits, occupation, income and family details need to be mentioned in the report.

12. Medical examiner’s report

In many cases, the life to be insured has to be medically examined by a doctor who is empaneled by the insurance company. Details pertaining to physical features like height, weight, blood pressure, cardiac status etc. are recorded and mentioned by the doctor in his report called the medical examiner’s report.

We must note that many proposals are underwritten and accepted for insurance without calling for a medical examination. They are known as non-medical cases. The medical examiner’s report is required typically when the proposal cannot be considered under non-medical underwriting because the sum proposed or the age of the proposed life is high or there are certain characteristics which are revealed in the proposal, which call for examination and report by a medical examiner.

The underwriter of the insurance company thereby gets an account of the current health position of the life to be insured.

13. Moral hazard report

Life insurance is a contract between an individual and an insurance company that pays a stated amount of money if the covered person passes away during the term of the policy. When you purchase life insurance, you must go through

several underwriting procedures including filling out an application and submitting to a physical exam. One factor impacting the risk, which underwriters look out for, is termed as moral hazard.

Definition

Moral hazard is the likelihood that a client's behaviour might change as a result of purchasing a life insurance policy and such a change would increase the chance of a loss.

Example

John Doe recently purchased a life insurance policy. He then decided to go on a skiing expedition at a site which was touted to be one of the most dangerous skiing places on earth. In the past he had refused to undertake such expeditions.

Life insurance companies seek to guard against the possibility of individuals seeking to make a profit from the purchase of life insurance through actions like ending one's own life or the life of another. Life insurance underwriters would thus look for any factors which might suggest such hazard.

For this purpose, the company may require that a moral hazard report has to be submitted by an official of the insurance company. Before completion of the report the reporting official should satisfy himself regarding the identity of the proposer. He should meet him preferably at his residence before completing the report. The reporting official should make independent enquiries about the life to be assureds' health and habits, occupation, income, social background and financial position etc.

14. Age Proof

We have already seen that the risk of mortality in life insurance increases with age. Hence age is a factor that insurance companies use to determine the risk profile of the life to be insured. Accordingly a premium is charged for each age group. Verification of correct age by examination of an appropriate document of evidence of age thus assumes significance in life insurance.

Valid age proofs may be standard or non-standard.

a) Standard age proofs

Some documents considered as standard age proofs are:

- i. School or college certificate
- ii. Birth certificate extracted from municipal records
- iii. Passport

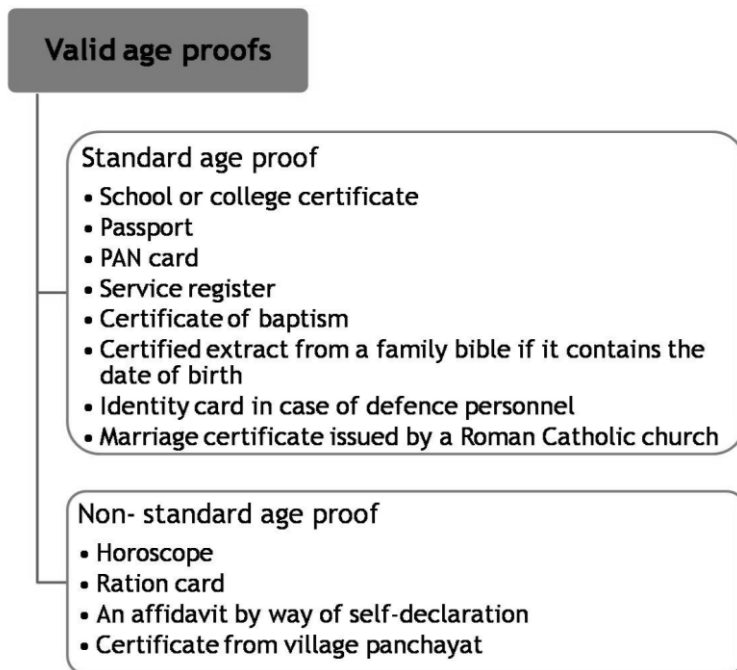
- iv. PAN card
- v. Service register
- vi. Certificate of baptism
- vii. Certified extract from a family bible if it contains the date of birth
- viii. Identity card in case of defence personnel
- ix. Marriage certificate issued by a Roman Catholic church

b) Non-standard age proofs

When standard age proofs like the above are not available, the life insurer may allow submission of a non-standard age proof. Some documents considered as non-standard age proofs are:

- i. Horoscope
- ii. Ration card
- iii. An affidavit by way of self-declaration
- iv. Certificate from village panchayat

Diagram 1: Valid age proof



15. Anti-Money Laundering (AML)

Definition

Money laundering is the process of bringing illegal money into an economy by hiding its illegal origin so that it appears to be legally acquired. The Government of India launched the PMLA, 2002 to rein in money-laundering activities.

The Prevention of Money Laundering Act (PMLA), 2002 came into effect from 2005 to control money laundering activities and to provide for confiscation of property derived from money-laundering. It mentions money laundering as an offense which is punishable by rigorous imprisonment from three to seven years and fine up to Rs. 5 lakhs.

Each insurer is required to have an AML policy and accordingly file a copy with IRDAI. The AML program should include:

- i. Internal policies, procedures and controls
- ii. Appointment of a principal compliance officer
- iii. Recruitment and training of agents on AML measures
- iv. Internal audit/control

16. Know Your Customer (KYC)

Know your customer is the process used by a business to verify the identity of their clients. Banks and insurers are increasingly demanding their customers provide detailed information to prevent identity theft, financial fraud and money laundering.

The objective of KYC guidelines is to prevent financial institutions from being used by criminal elements for money laundering activities.

Insurers, hence, need to determine the true identity of their customers. Agents should ensure that proposers submit the proposal form along with the following as part of the KYC procedure:

- i. Photographs
- ii. Age proof
- iii. Proof of address - driving license, passport, telephone bill, electricity bill, bank passbook etc.
- iv. Proof of identity - driving license, passport, voter ID card, PAN card, etc.
- v. Income proof documents in case of high-value transactions

17. Free-look period

Suppose a person has purchased a new life insurance policy and received the policy document and, on examining the same, finds that the terms and conditions are not what he/she wanted.

What can he/she do?

IRDAI has built into its regulations a consumer-friendly provision that takes care of this problem. It has provided for what is termed as a “free look period” or as “cooling period.”

During this period, if the policyholder has bought a policy and disagrees to any terms and conditions of the policy, he/she can return it and get a refund subject to the following conditions:

- i. He/she can exercise this option within 15 days of receiving the policy document
- ii. He/she has to communicate to the company in writing
- iii. The premium refund will be adjusted for proportionate risk premium for the period on cover, expenses incurred by the insurer on medical examination and stamp duty charges

This free look period is available to life insurance policy holders as a privilege. They can exercise this choice during a period of fifteen days from the date of receipt of the policy document by the policyholder.

Test Yourself 1

During the _____ period, if the policyholder has bought a policy and does not want it, he / she can return it and get a refund.

- I. Free evaluation
 - II. Free look
 - III. Cancellation
 - IV. Free trial
-

Summary

- Prospectus is a formal legal document used by insurance companies that provides details about the product.
- The application document used for making the proposal is commonly known as the 'proposal form'.
- Matters of health, habits and occupation, income and family details need to be mentioned by the agent in the agent's report.
- Details pertaining to physical features like height, weight, blood pressure, cardiac status etc. are recorded and mentioned by the doctor in his/ her report called the medical examiner's report.
- Moral hazard is the likelihood that a client's behaviour might change as a result of purchasing a life insurance policy and such a change would increase the chance of a loss.
- Some documents considered as standard age proofs include school or college certificate, birth certificate extracted from municipal records etc.
- Each insurer is required to have an AML policy and accordingly file a copy with IRDAI. The AML program should include internal policies, procedures and controls and appointment of a principal compliance officer.
- Insurers need to determine the true identity of their customers. KYC documents like address proof, PAN card and photographs etc. need to be collected as a part of the KYC procedure.

Key Terms

1. Prospectus
 2. Proposal form
 3. Moral hazard
 4. Standard and non-standard age proofs
 5. Anti-money laundering
 6. Know Your Customer (KYC)
 7. Free-look period
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