

CHAPTER 13

DOCUMENTATION - POLICY CONDITION - I

Chapter Introduction

In this chapter we discuss the various documents involved when a proposal becomes a life insurance policy.

Learning Outcomes

A. Policy stage documentation

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1. First Premium Receipt

An insurance contract commences when the life insurance company issues a first premium receipt (FPR). **The FPR is the evidence that the policy contract has begun.**

The first premium receipt contains the following information:

- i. Name and address of the life assured
- ii. Policy number
- iii. Premium amount paid
- iv. Method and frequency of premium payment
- v. Next due date of premium payment
- vi. Date of commencement of the risk
- vii. Date of final maturity of the policy
- viii. Date of payment of the last premium
- ix. Sum assured

After the issue of the FPR, the insurance company will issue subsequent premium receipts when it receives further premiums from the proposer. These receipts are known as renewal premium receipts (RPR). The RPRs act as proof of payment in the event of any disputes related to premium payment.

2. Policy Document

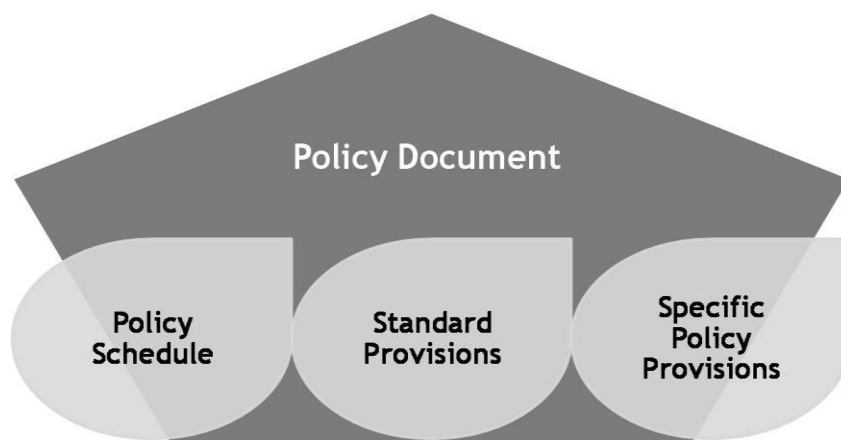
The policy document is the most important document associated with insurance. **It is evidence of the contract between the assured and the insurance company.** It is not the contract itself. If the policy document is lost by the policy holder, it does not affect the insurance contract. The insurance company will issue a duplicate policy without making any changes to the contract. The policy document has to be signed by a competent authority and should be stamped according to the Indian Stamp Act.

The standard policy document typically has three parts:

a) Policy Schedule

The policy schedule forms the first part. It is usually found on the face page of the policy. The schedules of life insurance contracts would be generally similar. They would normally contain the following information:

Diagram 1: Policy document components



- i. Name of the insurance company
- ii. Some specific details for the particular policy like:
 - ✓ Policy owner's name and address
 - ✓ Date of birth and age last birthday
 - ✓ Plan and term of policy contract
 - ✓ Sum assured
 - ✓ Amount of premium
 - ✓ Premium paying term
 - ✓ Date of commencement, date of maturity and due date of last premium
 - ✓ Whether policy is with or without profits
 - ✓ Name of nominee
 - ✓ Mode of premium payment - yearly; half yearly; quarterly; monthly; via deduction from salary
 - ✓ The policy number - which is the unique identity number of the policy contract
- iii. The insurer's promise to pay. This forms the heart of the insurance contract
- iv. The signature of the authorised signatory and policy stamp
- v. The address of the local Insurance Ombudsman.

b) Standard Provisions

The second component of the policy document is made up of standard policy provisions, which are normally present in all life insurance contracts, unless specifically excluded. Some of these provisions may not be applicable in the case of certain kinds of contracts, like term, single premium or non-participating (in profits) policies. These standard provisions define the rights and privileges and other conditions, which are applicable under the contract.

c) Specific Policy Provisions

The third part of the policy document consists of specific policy provisions that are specific to the individual policy contract. These may be printed on the face of the document or inserted separately in the form of an attachment.

While standard policy provisions, like days of grace or non-forfeiture in case of lapse, are often statutorily provided under the contract, specific provisions generally are linked to the particular contract between the insurer and insured.

Example

A clause precluding death due to pregnancy for a lady who is expecting at the time of writing the contract

The detailed provisions are mentioned in chapter 11.

The Insurance Act, 2015 mandates that every insurer must maintain a record with respect to every policy issued by the insurer. Such a record would have the following

- *the name and address of the policy-holder, the date when the policy was effected and a record of any transfer, assignment or nomination of which the insurer has notice*
- *a record of claims, every claim made together with the date of the claim, the name and address of the claimant and the date on which the claim was discharged, or; in the case of a claim which is rejected, the date of rejection and the grounds thereof;*

This record may be maintained in such form including electronic mode, specified in Regulations made under this Act.

An important provision in the Ordinance is that which stipulates issue of policies in electronic [dematerialised or Demat] form. The ordinance provides that ***“Every insurer shall, in respect of all business transacted by him, endeavour to issue policies above a specified threshold in terms of sum assured and premium in electronic form, in the manner and form to be specified by the regulations made under this Act.”***

Test Yourself 1

What does a first premium receipt (FPR) signify? Choose the most appropriate option.

- I. Free look period has ended