

6. LIC LOAN

(FORM NO 5196)

Taking a loan against your LIC (Life Insurance Corporation of India) policy is a convenient way to access funds while keeping

Eligibility

Check Policy Type: Ensure that your policy qualifies for a loan. Most traditional endowment policies, money-back policies, and However, term insurance policies do not qualify. **Loan Amount:** The loan amount depends on the surrender value of your policy. Typically, LIC offers up to 85-90% of the surrender value as a loan.

Prepare Necessary Documents

Original Policy Document: You must submit the original policy bond, as it serves as collateral for the loan.

Loan Application Form (Form No. 5196): This is the official form you need to fill out to apply for a loan against your LIC policy. **ID Proof:** A valid government-issued ID proof (e.g., Aadhaar, PAN, Voter ID).

Address Proof: Proof of current address (e.g., utility bill, Aadhaar, passport).

Recent Passport-sized Photograph: Some branches may require your photograph.

Cancelled Cheque: For NEFT transfer of the loan amount to your bank account.

Fill Out the Loan Application Form (Form No. 5196)

Form Details: Fill in your personal information, including name, address, and policy number.

Specify the amount of loan you wish to take, based on the surrender value of your policy.

Provide your bank details for the transfer of the loan amount.

Attach the necessary documents, including ID proof, address proof, and the original policy bond. Sign the form, and if required

Visit the Nearest LIC Branch

Submission of Documents: Visit the LIC branch where your policy is serviced or any other LIC branch. Submit the filled application

Document Verification: An LIC official will verify the documents. They might ask for additional information if necessary.

Receive Acknowledgment: After submitting the documents, you should receive an acknowledgment receipt from LIC.

LIC's Processing of the Loan Application: Processing Time: The processing time for a loan against your policy typically ranges

Approval of Loan: LIC will assess your application, verify the surrender value, and determine the eligible loan amount.

Issuance of Loan Cheque or NEFT Transfer: Once approved, LIC will either issue a cheque or transfer the loan amount directly

Loan Agreement and Terms

Interest Rate: The interest rate on the loan will be communicated to you by LIC. It is usually lower than that of personal loans.

Repayment Schedule: You can choose to repay the loan as per your convenience, but the interest must be paid regularly. If the

Loan Agreement: You may need to sign a loan agreement that outlines the terms and conditions of the loan.

Receiving the Loan Amount

Direct Bank Transfer: If you provided NEFT details, the loan amount will be credited directly to your bank account.

Cheque: Alternatively, you may receive the loan amount via cheque, which you can deposit in your bank account.

Repayment of the Loan: **Interest Payment:** Pay the interest on the loan regularly to avoid compounding, which could lead to a

Principal Repayment: You can repay the principal amount at any time during the policy term. Early repayment may reduce the

g your policy active. Here's a detailed, step-by-step guide to help you through the process:

d whole-life policies are eligible for loans.

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d, get it attested by an LIC official or a notary.

cation form along with all the necessary documents.

s from a few days to a week.

tly to your bank account via NEFT.

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he loan is not repaid, the amount plus interest will be deducted from the maturity or death benefit.

higher payout at the time of maturity or death claim.

ie overall interest burden.