A Beginners Guide to
LIFE INSURANCE

IFEA
Investor Education Simplified


Make sure these smiles
never fade from your
loved one's faces

IFEA

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LIFE INSURANCE

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About this guide

This booklet is part of a series designed to help create a comprehensive plan for financial security for your lifetime .

It provides a clear and objective overview of what you need to know on buying life insurance. Find out for whom life insurance is for, how much is needed and the different types of policies available to choose from – along with other important considerations to make, while you buy a life insurance policy.

Contents

01

Why Life Insurance?

To protect the ones you love...

You buy life insurance because it is the best way to protect your loved ones. It is not only a financial decision but also an emotional decision.

Still, millions of people buy life insurance every year for reasons that are often difficult to express. But, the reasons are very simple and obvious. The idea is simple, but the reasons behind it cut deep, to our very core, almost to an instinctive level.

02

Who should have Life Insurance?

Everyone with a dependant would need...

In general, everyone with a dependant would need Life Insurance. Typically, dependants are spouse and children. But a dependant could be anyone who is financially dependent on you, like an aging parent, sibling.

Life insurance is generally meant for younger, working people with family who relies on a regular monthly income. Life insurance intends to replace the person's "value" to his family financially in his absence.

Suitable Insurance based on need...

Young Professional

You can choose any based on your financial goals

Newly Married

High Tax Planning & Death Benefit Protection

Term or Whole life Insurance

Saving for your future needs

Unit Linked Plans

Married with Kids

High Tax Planning , Children's future needs & their education

Plans that promise periodical returns like
Money Back or Whole Life Insurance

Planning to Retire

Saving for Retirement

Guaranteed Products like
Endowment Plans / Deferred Annuity Plan

Post Retirement

Saving for medical and other expenditures

Single Premium Immediate Annuities &
Whole Life Products

03

What about Life Insurance I already have?

Might not be sufficient...

You may already have some life insurance in place through your employee benefits or attached to your mortgage. This is a good start, but here are a few things to keep in mind:

Life Insurance attached to mortgage shall be useful to settle the lender. It covers only the outstanding balance of your mortgage. Nothing is left over to help your family for their requirements.

Life Insurance through employee benefits is a very affordable way to begin, but its important to understand whether it would be sufficient to meet your requirements. Also, you would lose the cover when you retire / quit your job. Getting cover at a later stage may be an expensive proposition.

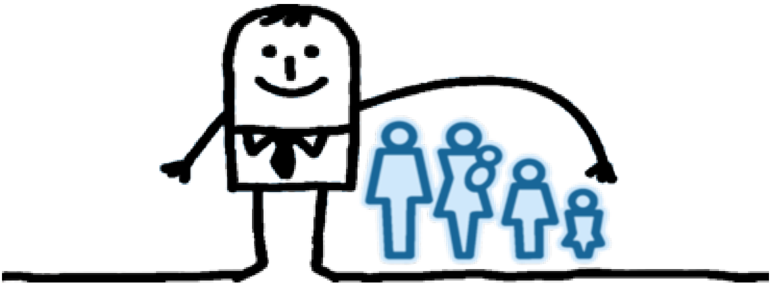
04 How much Insurance Do I need?

Depends on current debts and future needs...

The life insurance cover should be big enough to generate income that can take care of the expenses of the family till your dependents are self-sufficient. If your spouse is a dependent, the cover should also provide for her retirement needs. Then comes the issue of debt. The money received should be able to settle all outstanding loans, especially big-ticket home loans.

> "A big part of financial freedom is having your heart and mind free from worry about the what-ifs of life.
> - Suze Orman"

Insurance coverage needs



Current Obligations PLUS Future Needs MINUS Other Assets = Insurance needs

(A) Current Obligations :

BASIC

STUDENT LOAN

HOUSE & CAR

(B) Future Needs

CHILD EDUCATION

RETIREMENT

(C) Other Assets

INVESTMENT

CHILD EDUCATION PLAN

A : KNOW YOUR FAMILY INCOME/EXPENSES			
		EXAMPLE	YOURS
	Your Monthly Income	75,000	
	% of Monthly Income you wish to cover (80%)	60,000	
	Multiply by 12 to annualise the amount	7,20,000	
	No. of years the family would need support (for 10 years)	72,00,000	
A	**Your Family's Expenses**	**72,00,000**	
B : KNOW YOUR FAMILY'S FUTURE NEEDS			
	Child's Wedding Expenses	20,00,000	
	Child's Higher Education	25,00,000	
	Home Loan Pay-off	40,00,000	
	Car Loan Pay-off	0	
	Personal Loan Pay-off	0	
	Other Needs	0	
B	**Total Requirement**	**85,00,000**	
C : Know Your Current Assets			
	Cash / Savings	75,000	
	Investments (Mutual Funds, Stock, Bonds Etc.)	100,000	
	Retirement Funds(PPF, PF, NPS, Others)	5,00,000	
	Existing Insurance	5,00,000	
	Others	10,00,000	
C	**Total Existing Assets**	**21,75,000**	

We've assumed that Home is not an asset, your family would prefer to sell.

Insurance Cover required = 72,00,000 + 85,00,000 – 21,75,000 (A+ B- C)

Life Insurance Required = Rs. 1.35 Crores

05

Which Type of Insurance is Right for me

Depends on your situation...

To develop the right plan to protect your family and your estate, you first need to understand the different kinds of Life Insurance coverage available and the features & benefits they offer.

Perhaps your needs are simple and you need just one type of insurance. Or you may need a combination of products if your situation requires.

Discuss your needs with an advisor and understand the potential benefits of each product.

Types of Life Insurance

Endowment Policies : In addition to Life Cover, Savings Quotient is attached to the Policies. Policies are taken for a fixed period. On completion of the tenure, Sum Assured plus vested Bonuses if any shall be paid. In case of any unfortunate event within the policy term, Sum Assured plus Bonuses if any shall be paid to the Beneficiary.

ULIPS: A unit linked insurance plan (ULIP) is a type of insurance that provides Life Cover and the option to invest in any number of qualified investments, such as stock, bonds or mutual funds. This investment risk in investment portfolio is borne by the policy holder. On maturity the fund value is paid.

Money Back Policy : A portion of the agreed and payable Sum Assured is returned to the insured on a periodical basis, in the form of a survival benefit. When the term expires, the outstanding Sum Assured is paid as a maturity benefit. Life risk is covered for the entire amount of the agreed Sum Assured, even if a portion of the benefits has already been paid.

Types of Life Insurance

Whole Life Insurance : Gives lifelong protection. It covers the entire life and on unfortunate event happening, Sum Assured is paid to the beneficiary. Some plans come with a maturity period also. Most people use this type of policy to create an inheritance or estate for their children.

Annuity Plans : These plans help plan for Pension. It safeguards retirement, as the benefit is like a regular income. It is best to get pension plans in order to ensure financial independence after retirement.

Children's Policies : These plans can be taken in the name of the child or the parent. However, it is only for the benefit of the child. This helps parents mobilize finances when the child reaches a particular age or stage of life.

Term Insurance Plans : Pure Life Cover plans. Insurance Premium is much lower than other Policies. It is taken for a fixed tenure. On completion of the tenure, no survival benefits are paid. In case of any unfortunate event within the policy term, Sum Assured shall be paid to the Beneficiary.

06

Customise your Insurance Protection with Riders

Riders are additional benefits in a life insurance policy...

Most Insurance Companies offer similar product features and optional benefits to complete your protection plan. Ask your advisor about which options may be suitable to your needs.

Whole Life Cover : You can combine whole life insurance with endowment or money back to enjoy the benefits and leave a legacy too.

Accidental Death Benefit : Increases the death benefit paid to beneficiary in case of accidental death.

Critical Illness Cover : Pays a lump sum if diagnosed with one of the illnesses covered such as heart disease or cancer.

Waiver of Premium : Need not pay the premium if there is any disability.

07 When should I re-evaluate my coverage?

When you experience a major life event...

You're wise to consider making life insurance a part of your financial plan. But since life keeps changing, its important to review your coverage to make sure you always have the protection you and your family need, when you need it.

Review your coverage whenever you experience a major life event.

> "If a Child, a Spouse, or a Parent depends on you and your income, you need Life Insurance."
>
> \- SUZE ORMAN

You need more Insurance when...

You get married

Even if your spouse works, he or she might depend on financial support from you. Buy an insurance policy for yourself.

You become a parent

Your responsibilities shoot up after the birth of a child. Take an insurance cover to provide for the new family member.

Your Parents retire

Take additional insurance cover when your dependent parent(s) stop working or their income reduces due to any reason

You borrow a large sum

Your family will be in a spot if something happens to you and there's not enough money to pay the EMIs. Take a cover equal to the loan amount.

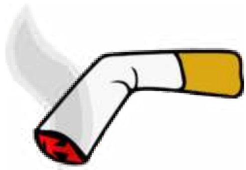
You start a business

If you quit your job, you need a bigger cover because you might have lost many of the benefits that employees get in the organised sector.

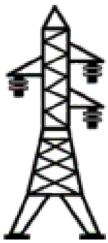
What Impacts your premiums?

AGE

HEALTH CONDITION



SMOKING



RISKY OCCUPATION

RISKY ACTIVITIES

DRIVING RECORD

TYPE OF POLICY

To keep your premiums low, buy early!

08 What would the Insurer ask me?

- You have to sign a Proposal form for taking up an Insurance Policy.
    - Please check whether all sections in the proposal form is completed.
    - Any over-writing in the proposal form should be counter signed by you.
- You would have to furnish a lot of documents for "Know Your Customer" – Anti Money Laundering Norms.
    - Proofs have to be clear, legible and self attested.
    - Proof of Date of Birth
    - PAN for premium above Rs. 50 000 in a year
    - Address Proof
    - Cancelled cheque/Bank statement/Passbook if premium is above Rs. 25000 in a year.

What would the Insurer ask me?

- Latest Photograph
- Details of the appointee in the proposal form if the nominee is minor.
- A declaration to meet the KYC-AML norms if the premium payer is other than Proposer/Life assured
- In case of NRI, the VISA copy, NRI questionnaire and other proofs to be submitted.
- The Proposer has to sign the benefit illustration as an acknowledgement for understanding the Policy Benefits.
- The Underwriter may request you to go in for a Medical Test considering the Age and Sum Assured chosen. Generally, Medical Tests would get triggered for High Sum Assured. Any pre-existing diseases declared in the form, would also trigger Medicals. It has to be done at the Labs affiliated to the Insurer.

When you buy an insurance policy:

- Fill the proposal form yourself correctly without leaving any blanks as it bears your signature and you are responsible for the details provided. Do not sign an unfilled or blank form.
- Disclose relevant information about the risk to cover.
- Select the amount and term of policy as per your needs and affordability

What would the Insurer ask me?

- Choose between one time premium and regular premium (monthly, quarterly, half-yearly or yearly)
- Considering convenience and safety go in for electronic payment (ECS)
- Make sure to nominate

After proposal submission

- Once the proposal is submitted, the insurance company should decide on issue or refusal of grant of insurance
- If no intimation, proceed with the complaint in writing
- In case of need for additional documents, submit immediately
- In case of refusal to grant, it should be informed in writing stating the reasons.

09 What should I check when I receive the Policy

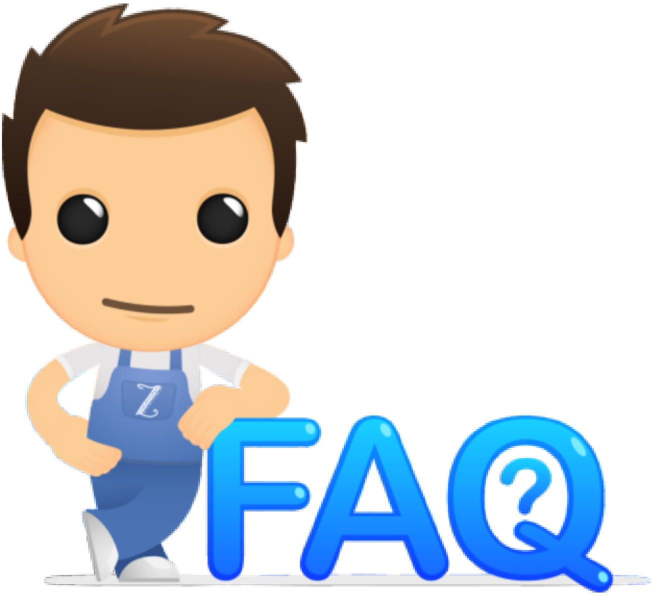
- The policy bond should be received within a reasonable period of time
- In case not received, contact the insurance company
- If received, check if it is the policy you wanted
- Go through the policy conditions to check for any discrepancy
- Do contact the intermediary or insurance company for any clarifications

What should I do if I don't get the right product

- A free look period of 15 days is provided for policy cancellation in case of any disagreement.
- Return the policy, along with the reasons for objection
- Premium amount is refunded after deducting proportionate risk premium, and relevant expenses incurred in this connection
- In case of ULIP, units can be repurchased at the price on cancellation date.

Maintaining the policy:

- Inform the beneficiary of the policy about the benefits.
- Pay your premium regularly on the due dates or at least in the grace period (30 days after due date for annual premium and 15 days for other premium payment period)
- If you fail to pay the premium when due, your policy may lapse. Contact the insurance company for reviving it.
- If there is a change of address, please intimate the insurance company immediately.



What is the objective of Life Insurance?

There are several objectives of insurance like providing financial security to one's family in case of unfortunate happenings, tax savings, wealth creation, financial planning for children's education/marriage and provisioning for old age.

Is Life Insurance better than other savings plans?

Life Insurance cannot be compared with other Investment Products. Predominantly Life Insurance Policies cover the risk of Life and provides Peace of Mind. A portion of premium is invested to generate return after covering the risk. A Life Insurance Policy pays the Sum Assured and bonus (with bonus policies) even if the Policyholder expires before the end of the payment term. Hence, this provides greater security to the person and his/her family.

Who can take an insurance policy?

A person who has completed 18 years of age & as per other conditions specified under the Indian Contract Act, 1872 can take an insurance policy either for himself/herself or for his/her dependents.

FAQs on Life Insurance

Who provides Insurance?

Several insurance companies can offer exciting insurance policies where the money that a customer puts in as protection money also works as an investment over a long period of time.

Do I need life insurance if I am not the sole breadwinner of my family?

No. If you are not the sole earning member or do not contribute to the family's source of income, you do not need a life insurance coverage.

Do I need to buy life insurance for my spouse and children?

Usually, it is the earning member who needs to be insured at the earliest. After this is taken care of, you could consider buying a proper coverage for your spouse and children. In the unfortunate event of death of the spouse, the proceeds from life insurance may help in meeting other expenses. Getting life insurance for your children makes sense. This will ensure that your child leads his life trouble-free. You can prefer buying low-cost term insurance for a particular number of years.

Do I need to go through medical examination when I buy life insurance? If yes, is the cost borne by the company?

Usually, a person buying life insurance coverage for over Rs. 500,000 has to undergo medical examination. This amount may vary by company. The insurance company bears the cost of medical examination.

What is the importance of age, gender and health in buying a life insurance policy?

Age, gender and health do matter while purchasing a life insurance policy. Cost of insurance increases with age because as age increase, the chances of death claim increases. Since the average life span of females is longer than males, cost of insurance for females tend to cheaper. An individual in poor health will have to pay a higher premium because poor health increases the chances of non-payment of premiums.

FAQs on Life Insurance

How can I buy life insurance policy?

If you have your own financial advisor, you could ask him to recommend the ideal plan based on your unique needs. He will guide you accordingly. If you do not, contact a Broker / Insurance company to make an appointment with their representative. If you are a person who believes on your information, you can find plenty of information on the Internet or from ads in magazines, newspapers, etc. Review and compare various policies offered by companies. Assess you needs, verify the information and then you can finalize on your choice.

Can I get insurance quotes over the Internet?

It depends with company. While some may put their quotes online, others may require you to fill-out queries before offering a quote or cost estimate.

When is the right time to buy insurance?

The ideal time to purchase a life insurance policy is at a younger age. If you purchase policy when you are young and healthy, rates will be quite lower than purchasing policy at an older age or when health issues arises. In short, buying policy at a younger age can be financially beneficial. Other situations when you must buy an insurance policy is when you have a family, have an elderly parent and have other important financial commitments.

Do I need more than one Insurance Policy?

Yes. Since no single policy can meet all insurance objectives, it is recommended that you should acquire a portfolio of policies covering your various needs.

Is my money safe with an insurance company?

Most of the foreign partners in the Indian market are well-established global insurance players with a proven track record in the business. All insurance companies in India are regulated by the IRDA (Insurance Regulatory and Development Authority) which has laid down very clear criterias defining the manner in which insurance companies can invest a customer's funds. In fact, every insurance company needs to have a minimum paid up capital of Rs. 100 crores, which acts as a safety net.

Further, the insurance companies are also required to maintain their solvency margins depending on their volume of business. The minimum solvency margin required to be maintained by any insurer is Rs. 50 crores.

What are riders?

Riders are additional benefits that compensate you for certain losses that are not covered under your policy. You can attach riders as per your needs by paying a nominal extra amount.

Do I get a greater benefit if I opt for Riders or Add-ons?

Riders/Add-ons are the additional benefits, which you can add to the basic policy by paying marginal additional premium. Each company specifies their own set of riders and the most common riders offered by insurers are: Term rider, Critical illness rider, Accidental death and dismemberment rider, Waiver of premium rider and Payor benefit rider.

What is Accident Death Benefit?

An Accident Death Benefit provides for an additional benefit amount equivalent to the Sum Assured purchased, subject to underwriting rules, in the case of death due to an accident before the insured reaches age of 70 or before the expiry of the basic policy, whichever is earlier.

What is wavier of premium benefit?

This rider will waive future premiums of the policy to which it is attached (up to age 60), in the event of any total and permanent disability occurring to the insured during the policy term or in the event of a policy owner's death. The insured's family continues to enjoy the coverage, as Insurance Company pays the premium towards the basic policy, to ensure that the policy remains in force. These benefits come to the insured at a low cost.

FAQs on Life Insurance

What is Critical Illness Benefit?

Critical Illness benefit provides a lump sum payment to the insured in case he/she is diagnosed with any of the critical illnesses as specified in the policy contract. The benefit is paid within 30 days of diagnosis. While the benefit discontinues after the payment is made, the basic policy still remains in force.

What is the list of Critical Illness covered?

Different critical illnesses covered under different products by Insurance Company are: Cancer, Stroke, Heart attack, Coronary bypass graft surgery, Chronic renal failure, Recipient of major organ transplants like heart, lung, liver, kidney, pancreas, or bone marrow transfer, Aorta surgery, Benign brain tumor, Heart valve surgery, Paralysis, Parkinson's disease & Total blindness.

What is permanent total dismemberment?

Permanent total dismemberment means that the life assured is incapacitated to work or follow an occupation and obtain wages, compensation or profit.

The following are considered to constitute such disability:

- irrecoverable loss of entire sight of both of the eyes
- amputation of both hands
- amputation of both feet
- amputation of one hand and one foot

What kind of returns should one expect from a life insurance product?

Life insurance, as a product is a unique combination of savings / investment and protection; hence it cannot be compared to any other instrument. Insurance provides you a life cover that protects the family financially from any unforeseen event. It also offers tax benefits.

FAQs on Life Insurance

When looking at insurance, one should look for the overall benefits and not merely from the point of view of returns.

Are there any tax benefits on purchasing Life Insurance policies?

Yes. All premiums paid under life and health insurance policies are eligible for tax redemption under different sections of the current income tax laws. An individual can avail of an annual deduction under section 80D of Rs. 25,000 from his taxable income for premium payment of health insurance policies for self and dependents as also Rs. 30000 for dependent parents. This amount is Rs. 30,000 for senior citizens. Premiums paid upto Rs. 150000 for a Life Insurance is eligible for tax benefit under section 80C.

What/Who is a beneficiary?

The person(s) or entity (ies) (e.g. corporation, trust, etc.) named in the policy as the recipient of insurance proceeds upon the death of the insured.

What should I look for in a policy?

While buying an insurance policy, carefully read and assess the benefits provided therein. Check the term and premium and be clear about your requirements. Look for a proper coverage. Do not compromise on the amount of coverage you require. You can avail basic coverage where you are asked to pay minimum premium. Do consult your financial advisor before finalizing on any policy.

What is a premium?

Insurance premium is a payment made by a policyholder to an insurance company for a particular coverage. The payment has to be made regularly till maturity or as stated in policy documents to avail of a specific life insurance cover and other monetary benefits.

What is First premium?

First premium is the yearly, half yearly, quarterly or monthly premium payable with the proposal form.

FAQs on Life Insurance

What is First Year premium?

First Year Premium is premium payable in the first policy year.

What is renewal premium?

All premiums subsequent to the first premium are called as renewal premium.

What are the different modes of payment?

Modes of payment are different for different policies. However, most policies allow you to pay premium in the following modes: annually, semi-annually, quarterly and monthly.

What are the premium payment options?

Premiums can be paid either by cheque, cash, ECS or online payment.

What if I don't pay my premiums? Do I lose my insurance?

Typically every insurance policy offers you a grace period of 30 days to pay your premium. After that, the company decides if you can pay back premiums and reinstate the policy. You may have to provide a sound evidence of your good health.

Can I cancel my policy after paying my premium? Will I receive a refund?

Every insurance policy offers a "Freelook" period of 15 days from the date of receipt of the policy documents. If the customer expresses his interest in cancelling the policy within this period, the insurance company will refund the premiums paid after deduction of some nominal charges.

What is free look cancellation?

A policyholder can cancel the policy by giving a written notice within the free look period of 15 days from the receipt of the policy. The market value of the invested premiums along with the charges paid will be refunded after nominal deductions and mortality charge on proportionate basis. This is as per the provisions of the IRDA (Protection of Policyholders' Interest, 2002).

What happens if I pay excess premium?

Excess premium paid, if any, is parked in Future Premium Deposit Fund (FPDF) account and this excess premium is adjusted with the next renewal premium due. The policyholder does not earn any interest for the excess premium deposited with the insurance company.

Is change in the mode of premium payment allowed?

Change in premium payment mode is permitted on any due date, subject to a modal premium falling due on the policy anniversary after the mode change is effected. Mode change request must be received 10 days before the premium due date.

What is Grace period?

Grace period is a period of 31 days from the due date for the policyholder to make premium payment. The policy will remain in force during the period. The policy shall lapse and have no further value if premium is not paid within the grace period unless the policy has cash value.

How can I change my address, and beneficiary name?

You can request for an address change by filling in the Request for Change Form, accompanied by the proof of address. For nomination change we would require a Nomination form duly filled along with the policy document.

When does a policy acquire paid up value?

A Policy acquires a paid up value within the currency of the policy & after completion of three premiums paying years. The paid up value is generally calculated by multiplying the sum assured by the ratio of number of premiums paid under the policy and the number of premiums payable under the policy. Such a reduced paid up policy will not be entitled to participate in future bonuses.

Can I take a policy loan?

A policy becomes eligible for policy loan after completion of three premium-paying years and when it has cash value. Granting of policy loan is subject to the policy contract provisions depending on the nature of the product. Policy loans cannot be taken for some types of plans.

How can I take a loan against my policy?

If an individual has a life insurance policy that has a cash value, he/she may be able to obtain a policy loan from the insurance company provided the insurer offers the loan facility under such policies.

What is surrender value?

Surrender value is the amount or cash value payable by the insurance company to the policy owner at his/her written request for policy surrender. Participating policies become eligible for surrender value after a completion of three premiums paying years.

What is transfer or assignment of a life insurance policy?

This is nothing but transfer of ownership of the policyholder to another person. Eg: As a collateral security for loans. It is the means whereby the beneficial interest, right and title under a policy get transferred from the assignor to the assignee. 'Assignor' is the policyholder who transfers the title and 'Assignee' is the person who derives the title from the assignor.

When can one assign a policy?

Assignment can be made only after acquiring the policy. Assignment can be done only for consideration - for money or money's worth or good, moral and meritorious consideration like, love and affection. A duly filled assignment form & original policy document are required to assign the policy. Assignment can be done by mere endorsement on the policy or by a separate duly stamped deed.

What are the pre requisites for a valid assignment?

- Assignor must be a major
- Assignor must have an absolute right over the policy
- Assignment must be in writing on the form prescribed by the Company
- Notice of assignment is to be submitted to the insurer

What is Nomination?

Nomination is the process of identifying a person to receive the policy money in the event of the death of the policyholder.

The nominee can also be a minor but an appointee (who is a major) has to be appointed until the minor nominee become major. It is the duty of the nominee to ensure that the policy monies are paid to the legal heirs of the life assured.

Can I change my nomination?

The policy owner can change the nomination any time during the term of the policy and any number of times. For this, the policy owner has to give a notice in a prescribed form to the insurer.

Can Nomination be done at any time?

Nomination is usually done at the inception of the policy by providing details of nominee in the proposal form. However, if the nomination is not done at the inception of the policy, the policyholder can nominate at a later date. This nomination has to be effected by giving notice in a prescribed form to the insurer and getting it endorsed on Policy Bond.

What are the pre-requisites for a valid nomination?

Nomination can be done only on policies where the policy owner & the insured are one and the same person. The policy owner does nomination. In the case of juvenile policies, the nomination cannot be done until the child becomes a major.

What are the rights of a nominee?

Under nomination, the nominee gets only the right to receive the policy money in the event of the death of the policyholder. Nomination does not pass on the property in the policy. If nominee dies when the policyholder is still surviving, then the nomination would be ineffective. Nomination has no effect if the policyholder is surviving. If the nominee dies after the death of the policyholder but before receiving the policy money, then nomination becomes ineffective and only the legal heirs of the policy owner can claim money.

What is difference between nomination and assignment?

While the nomination is an authorization to receive the policy money in the event of the death of the life assured, it does not give the nominee an absolute right over the money received. Further, the nomination can be revoked or cancelled at any time during the lifetime of the policy owner by a subsequent assignment.

On the other hand, assignment of an insurance policy is a transfer or assignment of all rights and liabilities to the insurance policy in favour of the assignee and cannot be revoked. However, the policy can be re-assigned in favour of the insured at the written request of the assignee.

What if one loses the policy?

A policyholder can apply for a duplicate policy document. To get this document, he/she will have to submit a Policy Lost declaration form, indemnity bond on stamp paper and make a payment of processing fees.

What is a maturity claim?

The payment to the policyholder at the end of the stipulated term of the policy is called maturity claim.

What happens if I do not make my premium payment on time?

This depends entirely on the policy terms & conditions. In most cases, a policyholder is expected to pay his premiums on the due date. However, a grace period of 31 days is allowed for policies having payment mode as Quarterly, Semi annual or Annual and 15 days for policies on the monthly mode.

What is Lapsation?

This depends entirely on the policy terms & conditions. In most cases, a policyholder is expected to pay his premiums on the due date. However, a grace period of 31 days is allowed for policies having payment mode as Quarterly, Semi annual or Annual.

When does a policy lapse?

If a premium is not paid on time or within the specific grace period, the policy will get terminated or lapsed.

What is revival?

Once all outstanding premiums are paid and a Health Certificate (if required) is submitted within a period of 5 years from the last unpaid premium due date, a policy gets reinstated or revived, and the life cover restarts from the date of revival.

What is the maximum time allowed to reinstate a lapsed policy?

A policyholder can revive his lapsed or discontinued policy within 5 years from the due date of his unpaid premium.

FAQs on Children’s Plan

What is Children's Plan?

A children's plan is a financial plan, which ensures that your child's life is smooth and secure in future. The money paid in premium towards children's plan makes sure that their educational and/or other needs are fulfilled, even when you are not around.

Why should I buy Children's Plan?

As a responsible parent, it is vital that you make special provisions for your child to help him lead a trouble-free life ahead. Your child would require lump-sum money for different needs like education, professional degree, marriage, etc. A proper children's plan is just meant for that. It pays a regular amount so that your child's future needs and dreams are fulfilled.

What are the different types of Children's Plan?

There are two types of Children's plans- Traditional plans and Unit-linked plans. Traditional plans invest in debt instruments, because of which you get moderate returns. Unit-linked children's plans have the ability to give you attractive returns since they invest across equity and debt markets in varying proportions.

What are the benefits?

Children's plans give a specified amount at a specified period, which can be used for different purposes as education, higher studies, marriage, etc. Death cover provides immediate relief by paying out the sum assured to your child. Maturity benefit at a specific age will come to your child, which they can use for their future needs.

In the event of death, does the policy get cancelled?

No. In case of a contingency, the sum assured in the children's plan is paid to child. Besides, there is an in-built Waiver of Premium (WOP) benefit that waives all future premiums payable till maturity and gives the maturity amount immediately.

FAQs on Savings Plan

What is a Savings plan?

A savings plan is an ideal term & endowment plan that saves your funds and pays you a lump sum amount for your future needs. It not only saves and invests your funds but also offers you a life coverage at a low cost.

Do I need a Savings plan?

If you are seeking life coverage at an affordable cost and also want your funds to grow steadily, you can purchase a savings plan.

What are the benefits that I can avail under Savings plan?

Savings plan entitles you to a lifetime income after a specific period of time. The income is a certain percentage of the sum assured. Besides, you also earn dividends, bonuses, etc. In unfortunate events like death or disablement, the nominee receives the sum assured.

Do I get any tax redemption on buying a Savings plan?

Yes. All premiums that you pay for savings plan are eligible for tax redemption under section 80C and 10(10D) of the current Income Tax laws.

> "If people understood what life insurance does, we wouldn't need salesmen to sell it. People would come knocking on the door. But they don't understand.
>
> \- Ben Feldman"

FAQs on Wealth Plan

What is a Wealth plan?

A Wealth plan is a savings cum investment plan that is designed to help individuals and families save funds in a tax-advantaged way and at the same time get maximum return from the market. Wealth plans not only offers attractive investment options but also provide you life insurance coverage that supports your family in case of unforeseen events.

Who is eligible to buy a wealth plan?

A person aged 18 or above can buy wealth plans. Alternatively, if you have attained the age of 18 you can also buy a wealth plan for your child.

What is ULIP?

ULIP stands for Unit Linked Insurance Plan, that lets an investor, make a single investment for both - insurance and market linked returns.

How is a unit-linked insurance plan different from a regular life insurance plan?

While investing in Unit Linked Insurance Plans, the investor needs to understand that these are different from the standard insurance plans which have a fixed sum assured. Unit linked insurance plans are risk products that are linked to the market and have a minimum sum assured attached.

Do ULIPs help me in savings?

ULIPs are structured in such a way that the protection (insurance) element and the savings element can be distinguished by the investor, and managed according to one's specific needs with reference to sum assured, risk cover, returns; all accompanied by unprecedented flexibility and transparency.

Are ULIPs long term or short-term investment options?

ULIPs, like all other life insurance policies, are long-term products, designed for the dual purposes of protection and long-term savings. In fact, if an investor has purchased a ULIP with a short-term perspective, he/she may end up stuck with relatively high initial charges.

FAQs on Wealth Plan

Are there different kinds of unit linked insurance plans?

Unit Linked Plan varies in investment type to match the investor's appetite for risk. He/She can invest in Equity, Aggressive Growth, Stable Growth or Debt funds. Depending on which risk type he/she selects, the investor's funds will be invested in gilts, bonds, stock markets, equities, and other appropriate financial instruments by expert fund managers.

How does a ULIP work?

With a ULIP investment, when the market is bullish, the investor's fund value would go up. But if the market crashes he should know what to expect. These products after deducting management expenses, invests the policyholder's money in funds such as Equity, Aggressive Growth, Stable Growth Debt and/or Short Term Fixed Income as per the investor's choice. Hence, when an investor invests in a ULIP, he/she should be aware that he/she is playing with his/her risk cover. Moreover, it is recommended that the investor hold his/her ULIP investments for a longer period of time.

Note: Investments are subject to market risks. Past performances are not a guide to future results.

What is NAV?

NAV or Net Asset Value stands for per share market value of a particular fund. NAV denotes the price at which an investor buys and sell fund shares from a company.

What is Fund Value?

Fund Value refers to the monetary value of a fund. The valuation is done by multiplying total number of shares under the policy with the NAV.

What should I check before committing my money to a Unit Linked Insurance Plan?

Before finalizing on a ULIP of his/her choice, the investor should check out the various charges associated with it. Typically, these include an investment fee, a policy loading fee, fund switching charges, policy administration fee, entry load etc. to name a few.

FAQs on Wealth Plan

Can I change my investment fund option?

Individual investor's premium allocation reference may change over time. To facilitate that need, the investor is allowed to change the investment fund option. However he/she may be charged a nominal fee (if any) as mentioned in the policy contract.

Can I withdraw partial funds in case of need? When can I withdraw?

Yes, you can withdraw partial funds from your policy after the completion of three years.

What does switching of funds mean?

When you invest money in a wealth plan, your money buys shares in one or more types of funds. Purchase and sales (fund allocation) is done considering the ups and downs of the stock markets. Switching of funds allows you to allocate your investments from one to more funds as per your needs and desires.

Why should I switch funds?

If you are not satisfied with the performance of your current funds you can switch your funds. This facility helps you to spread your investments around different funds so as to get maximum return from the market.

How do I track the performance of my policy fund?

A unit-linked insurance policy provides the policyholder/investor with greater transparency than the traditional life insurance policy. In a traditional policy he/she is not aware of how his/her money is invested, where it is invested, what is the value of his/her investment, etc. In a Unit Linked Policy the underlying investments made by the policyholder are clearly identifiable and determine its cash values (Net Asset Value). NAV listings are published on a regular basis in the mainline publications, which will help the policyholder/investor to check the performance of his/her fund. A quarterly newsletter is sent to the policyholder that provides them with a detailed analysis of the Fund performance.

FAQs on Wealth Plan

What is Cost of Insurance (COI)?

Cost of Insurance is yearly renewable cost of providing term insurance. This is also known as Mortality Charge. Further, the insurance companies are also required to maintain their solvency margins depending on their volume of business. The minimum solvency margin required to be maintained by any insurer is Rs. 50 crores.

Do I get any tax redemption on buying a Wealth plan?

Yes. All premiums that you pay for a wealth plan are eligible for tax redemption under section 80C and 10(10D) of the current Income Tax laws.

FAQs on Wealth Plan

How do I make a claim?

You can make a claim

- Through an agent or Broker
- By contacting the branches/Zones/H.O./Corporate Office of Insurance Company

To whom is the death benefit/ claim amount payable?

The death benefit is paid to:

- The nominee, as declared by the insured/the policyholder
- The legal heirs, in case the policyholder/insured has not specified the nominee
- The appointee named by the policyholder/insured, when the nominee is a minor at the time of claim
- The assignee, in case the policy is assigned by the policyholder/insured
- The Trustee wherever applicable

What documents are required for a death claim?

The following documents are required in order to make a Death claim:

- Claim Form
- Application Form for Death Claim (Claimant's Statement)
- Physician's Statement
- Death Certificate of the life insured
- Medical cause of death' Certificate issued by attending physician
- Attested True copy of Indoor Case Papers of the hospital(s)
- Burial or Cremation ground certificate
- Original Policy Document
- The Insured's Photo ID with Date of Birth (if not submitted for policy issue)
- Photo Identification of the beneficiary or nominee or appointee or assignee who is entitled to receive the payment
- Proof of legal title to the claim proceeds (e.g. legal succession paper, assignment deed)

FAQs on Wealth Plan

What are the additional requirements in case of death by an accident?

In addition to the requirements for a death claim, the claimant should submit all the reports (police, hospital etc.) pertaining to the accident as required by the company, mentioned below:

- All police reports / First Information Report and Final Investigation Report.
- Proof of Accident - Panchnama / Inquest report
- Newspaper cutting / Photographs of the accident - if available

How do I claim the Critical Illness rider benefit?

For claiming the Critical Illness rider benefit, the below mentioned documents are required:

- Claimant Statement
- Attending Physician's Statement
- All related medical / hospitalization records
- Diagnostic tests reports

Who receives the claim amount if the insured dies at the time of treatment?

In such instances where the insured passes away during treatment, the claim amount is paid to the nominee. If no nominee is named under the policy, the insurance company will request the Court of Law for a succession certificate in order to disburse the claim amount.

Where can the case be presented in the event of a claim dispute?

The claimant has to first approach the Customer Care department of the company in case of a claim dispute. If there is no satisfactory response, the policyholder /claimant may write to the Grievance Redressal Cell of the IRDA, which will then take up the matter with the concerned company for examination\re-examination.

If the complainant is looking for adjudication in respect of claims, he or she may approach the Insurance Ombudsman.

FAQs on Claims

The IRDA (Insurance Regulatory and Development Authority) clearly articulates that a claim will have to be paid within 30 days from the date of receipt of all claim documents.

In case the claim warrants an investigation, then the insurance company has to complete the investigation not later than 6 months from the time of making the claim.

Moreover, if a claim is ready for payment but the payment cannot be made because of conflicts or insufficiency of proof of title, then the insurer may apply to pay the amount into the Court, or, such an amount will earn interest at the prevalent rate applicable to a savings bank account.

> "Whole life does two things for you: protects your family and allows you to save for the future."
>
> - Scott Berlin

Glossary

ANNUITY : The amount paid under an annuity scheme at stipulated intervals like yearly/half yearly/quarterly/monthly intervals. Annuities are typically used for pensions and the individual receiving the annuity is known as an annuitant.

COMPOUND REVERSIONARY BONUS : A with-profits life assurance bonus, normally added annually to the policy, which is based on the profits of the life company's investments. The compound reversionary bonus is normally calculated on the sum assured (or basic sum assured) plus bonuses to date and is payable at the maturity of the policy or prior death. Once declared, reversionary bonuses are guaranteed.

CRITICAL ILLNESS COVER : Insurance which covers the insured against pre-defined critical illnesses such as cancer, heart attack and multiple sclerosis etc. In the event that the insured contracts one of the specified illnesses, the insurers would pay a lump sum rather than an income as in the case of permanent health insurance.

GUARANTEED ADDITIONS : The Guaranteed Addition is an additional sum which is paid over and above Sum Assured. The method under which the additional sum is determined depends on product to product.

It is payable on any of the following conditions

- If the Insured is alive on the Maturity Date (Provided that the Maturity Benefit is payable) OR
- Death of the Insured before Maturity (provided the Death Benefit is payable and that the sum of the Guaranteed Addition and the Regular Premium Fund Value at the death is greater than the Sum Assured net of all Deductible Partial Withdrawals, if any, from the Regular Premium Account)"

HOSPITALIZATION PLAN : An insurance policy that pays specified amount to the insured in the event that he/she goes to hospital. This is usually to compensate for lost income.

INSTANT PENSION CERTIFICATE : A Certificate issued to the insured instantly at the submission of the application form signifying the fact that 'his cover has begun'

LIMITED PREMIUM PAYMENT TERM : The insured has to pay premiums only till the fixed term and not for the entire lifetime of the policy

REVERSIONARY BONUS : A bonus added to the sum assured of a "with profits" life insurance policy out of a company's surplus profits usually on an annual basis. These bonuses are payable at the end of the term of the policy (that is, at maturity), or on prior death of the life assured. Once allocated, their values are guaranteed provided premiums are paid up to maturity or death.

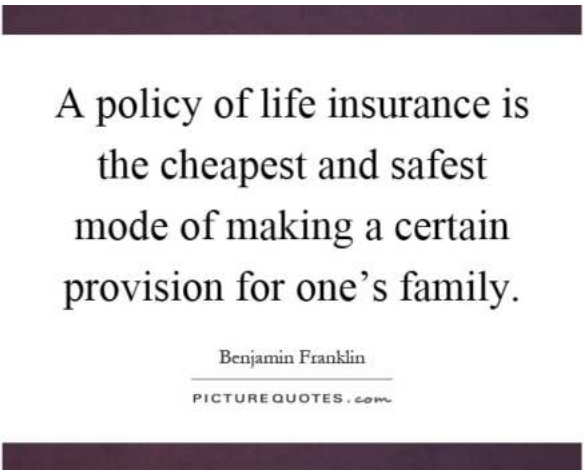
Glossary

SUM ASSURED : "Sum Assured" is the guaranteed amount of the benefit that is payable on the death of the Insured under the Basic Policy. The Sum Assured when the Policy is issued is shown in the Policy Information Page. If the Sum Assured is subsequently altered according to the terms and conditions of the Policy, the adjusted amount after such alteration as endorsement issued by us to this effect will become the Sum Assured.

SWITCHING OF FUNDS : Customer can switch his money within the various available funds under a product. These Funds have different risk profiles based on different types of investments that are offered under these Funds. The returns are expected to vary according to the risk profile. Switching between funds is done to maximize returns.

TERMINAL BONUS : The Terminal bonus is a bonus payable at maturity of the policy or prior death of the life assured for a 'with profits' products. This bonus is not guaranteed and is based on company's overall performance.

TOP-UP PREMIUM : 'Top-Up Premium' refers to unscheduled premium that You may pay into the Policy at any time after the Issue Date while the Policy is in force. It does not form part of the Regular Premium, is subject to our rules, and limits which may be revised at our sole discretion from time to time.



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Your loved ones Rely on you thats why you need
LIFE INSURANCE

About IFEA

IFEA was established in 2011 as a Not-for-Profit entity to promote Financial Education. IFEA conducts Investor Awareness Programs across the country with the support of other market participants. www.ifea.in is a comprehensive website on Financial Education. It has various sections such as Videos, Puzzles & Games, Financial Calculators and Library. It gives a holistic view on financial education combining various aspects such as Savings Investments, Credit, Insurance and Pension at a single place. IFEA periodically publishes Investor Educational materials and distributes it to general public.

IFEA

Investor Education Simplified

Investors Financial Education Academy

5A, 5th Floor Kences Towers, No.1, Ramakrishna Street, North Usman Road,

T.Nagar, Chennai- 600 017. Ph: 044-2814 0815 email:bulletin@ifea.in www.ifea.in