

Insurance

BE INSURED & BE SECURED.

Endowment Plan Unit Linked Insurance Plan Term Insurance

Service tax rates on Insurance

ENDOWMENT PLAN:

Endowment Assurance

This is an Endowment Assurance plan that provides financial protection against death throughout the term of plan. It pays the maturity amount on survival to the end of the policy term.

Payment of Premiums

Premiums are payable yearly, half-yearly, quarterly, monthly or through salary deductions throughout the term of the policy or earlier death. The premiums are payable within the selected premium paying term. Alternatively, the premium may be paid in one lump sum (single premium).

Bonuses

This is a with-profit plan and participates in the profits of the Corporation's life insurance business. It gets a share of the profits in the form of bonuses. Simple Reversionary Bonuses are declared per thousand sum assured annually at the end of each financial year. Once declared, they form part of the guaranteed benefits of the plan. A final (additional) bonus may also be payable provided a policy has run for certain minimum period.

Benefits associated with the plan

Death benefit: The sum assured plus all bonuses to date is payable in a lump sum upon the death of the life assured during the policy term.

Maturity benefit: The sum assured plus all bonuses declared up to maturity date is payable in a lump sum on survival to the end of the policy term.

Supplementary/extra benefits: These are the optional benefits that can be added to your basic plan for extra protection/option. An additional premium is required to be paid for these benefits.

Surrender value: Buying a life insurance contract is a long-term commitment. However, surrender value will be available under the plan on earlier termination of the contract.

Guaranteed surrender value: The policy may be surrendered after it has been in force for 3 years or more. The guaranteed surrender value is 30% of the basic premiums paid excluding the first year's premium. In case of a single premium policy the guaranteed surrender value is 90% of the single premium paid excluding any extra premium.

UNIT -LINKED INSURANCE PLAN.

Unit-linked insurance plans (ULIPs) have become something of a rage with their 'promise' of market-linked returns combined with the dual benefit of insuring your life from eventualities.

To put it simply, ULIPs attempt to fulfill investment needs of an investor with protection/insurance needs of an insurance seeker. ULIPs work on the premise that there is a class of investors, which regularly invests its savings in products like fixed deposits, coupon-bearing bonds, debt funds, diversified equity funds and stocks.

Some individuals take insurance to provide for their family in case of an eventuality. So both these categories of individuals (which also overlap to a large extent) have a portfolio of investments as well as life insurance.

ULIP as a product combines both these products (investments and life insurance) into a single product. This saves the investor/insurance-seeker the hassles of managing and tracking a portfolio of products.

ADVANTAGES OF ULIP:

Insurance cover plus savings. To begin with, ULIPs serve the purpose of providing life insurance combined with savings at market-linked returns. To that extent, ULIPs can be termed as a two-in-one plan in terms of giving an individual the twin benefits of life insurance plus savings.

Multiple investment options. ULIPs offer a lot more variety than traditional life insurance plans. So there are multiple options at the individual's disposal. ULIPs generally come in three broad variants:

Aggressive ULIPs (which can typically invest 80%-100% in equities, balance in debt)

Balanced ULIPs (can typically invest around 40%-60% in equities)

Conservative ULIPs (can typically invest up to 20% in equities)

Flexibility

Individuals may well ask how ULIPs are any different from mutual funds. After all, mutual funds also offer hybrid/balanced schemes that allow an individual to select a plan according to his risk profile. The difference lies in the flexibility that ULIPs afford the individual. Individuals can switch between the ULIP variants outlined above to capitalize on investment opportunities across the equity and debt.

Works like an SIP

Rupee cost averaging is another important benefit associated with ULIPs. Individuals have probably already heard of the SIP, which is increasingly being advocated by the mutual fund industry.

TERM INSURANCE

Term insurance has lower initial premiums in the beginning, so you can afford higher levels of coverage when you're young. This could be helpful in covering things like mortgage payments.

Term life insurance premiums increase as you age and the policy generally doesn't offer cash value or paid-up insurance.

If you want insurance protection only, and not a savings and investment product, buy a term life insurance policy.

OTHER BENEFITS OF TAKING INSURANCE

1. Tax Relief:

- a. Under Section 80C of Income Tax Act, a portion of premiums paid for life insurance policies are deducted from tax liability. Similarly, exemption is available for Health Insurance Policy premiums.
- b. Money paid as claim including Bonus under a life policy is exempted from payment of Income Tax. Under section 10(10D).

2. Encourages Savings:

An insurance scheme encourages thrift among individuals. It inculcates the habit of saving compulsorily, unlike other saving instruments, wherein the saved money can be easily withdrawn.

3. The beneficiaries to an insurance claim amount are protected from the claims of creditors by affecting a valid assignment.

4. Life Policies are accepted as a security for a loan. They can also be surrendered for meeting unexpected emergencies.
5. Based on the concept of sharing of losses, the society will benefit as catastrophic losses are spread globally.

Money Back Plan. Personal Pension Plan. Unit Linked Pension Plan Whole Life Policy

Money Back Plan

It is a participating (with profits) insurance plan that offers the following features:

- ✓ Payment of cash lumpsums, each of which is a proportion of the basic sum assured, at a regular interval during the term of the policy.
- ✓ On survival up to maturity, a payment equal to the basic sum assured plus any bonus additions less the cash lumpsum paid earlier is provided.
- ✓ In case of the unfortunate death of the life assured within the term of the policy, the basic sum assured plus any bonus additions is provided. This is over and above the earlier payouts.

Personal Pension Plan

The policy is basically a savings contract, which is designed to provide an income for life from retirement, with an option to take the lump sum elsewhere to buy the annuity, provided it is permitted by the prevailing regulations.

Your commitment: You agree to pay a single premium or level premiums with installments due every quarter, half-year or year throughout the deferment period of the policy, after which you will start receiving your pension.

Can I take the notional lump sum as cash on retirement?

Subject to the prevailing legislation and regulations, part of this can be taken as a lumpsum and the rest used to buy an immediate annuity.

Unit Linked Pension Plan

The unit linked pension plan is basically an insurance contract, which is designed to provide a retirement income for life.

Your premiums are invested in units of the investment fund of your choice, based on the prevailing unit price. On vesting the value of your units will be used to buy your retirement benefits.

What are my Premiums?

You agree to pay level premiums regularly, either quarterly, half-yearly or annually, throughout the term of the policy or a single premium at the start of the policy.

What investment funds can I invest in?

The policy is fully unitised with a range of funds to match your needs and approach to risk. (By risk we mean the likely volatility in the value of units in the fund.) Each investment fund is composed of units. All the units in a fund are identical.

WHOLE LIFE POLICY

A typical whole life policy runs as long as the policyholder is alive. In other words, the risk is covered for the entire life of the policyholder, which is why they are known as whole life policies.

The policy monies and the bonus are payable only to the nominee of the beneficiary upon the death of the policyholder. The policyholder is not entitled to any money during his or her own lifetime, i.e. there is no survival benefit.