

**LIFE INSURANCE CORPORATION OF INDIA
CENTRAL OFFICE**

Dept: Product Development

“Yogakshema”
Jeevan Bima Marg
Mumbai - 400 021

Ref : CO/PD/ 3

31st August, 2010

To,
All HODs of Central Office
All Zonal Offices
All Divisional Offices
All Branch Offices (through DOs)
MDCs, ZTCs, STCs, NIA and
Audit & Inspection Depts. of Zonal Offices.

Re: INTRODUCTION OF LIC'S PENSION PLUS (Plan No. 803)

1. INTRODUCTION

It has been decided to introduce LIC'S Pension Plus (Plan No. 803) with effect from 2nd September, 2010. The Unique Identification Number (UIN) for LIC'S Pension Plus plan is **512L260V01**. This number has to be quoted in all relevant documents furnished to the policyholders and other users (public, distribution channels).

It is a unit linked deferred pension plan which offers investment of contributions during the term of the policy. The plan is without risk cover. The allocated premium will be utilized to purchase units as per the selected fund type. The Policyholder's Fund Value will be subject to deduction of charges mentioned in para 3 of this circular. Units will be allotted and cancelled based on the Net Asset Value (NAV) of the respective fund applicable to the date of allotment / cancellation. There is no Bid-Offer spread (both the Bid price and Offer price of units will be equal to the NAV). The NAV will be computed on daily basis and will be based on the investment performance, Fund Management Charges (FMC) and whether fund is expanding or contracting under each fund type.

Other details of this plan are as follows.

2. INVESTMENT FUND TYPES

The premiums allocated to purchase units will be invested according to the investment pattern prescribed for different fund types. The types of fund and their investment pattern are as under:

Fund Type	Investment in Government / Government Guaranteed Securities / Corporate Debt	Short-term investments such as money market instruments	Investment in Listed Equity Shares	Details and objective of the fund for risk /return
Debt Fund	Not less than 60%	Not more than 40%	Nil	Low risk
Mixed Fund	Not less than 45%	Not more than 40%	Not less than 15% & Not more than 35%	Steady Income -Lower to Medium risk

The policyholder must opt for any ONE of the above 2 funds to invest his premiums.

The NAV will be computed on a daily basis as under:

When Appropriation price is applied (when fund is expanding):

Market value of investment held by the fund plus the expenses incurred in the purchase of the assets plus the value of any current assets plus any accrued income net of fund management charges less the value of any current liabilities less provisions, if any divided by the number of units existing at the valuation date (before any new units are allocated).

When Expropriation price is applied (when fund is contracting):

Market value of investment held by the fund less the expenses incurred in the sale of the assets plus the value of any current assets plus any accrued income net of fund management charges less the value of any current liabilities less provisions, if any divided by the number of units existing at the valuation date (before any units redeemed).

3. CHARGES AND FREQUENCY OF CHARGES

i. Premium Allocation Charge:

This is the percentage of the premium appropriated towards charges from the premium received. The balance known as allocation rate constitutes that part of the premium which is utilized to purchase (Investment) units for the policy.

The allocation charges are as below:

Single premium: 3.3%

Regular premium:

Premium	Allocation Charge
First Year	6.75%
2nd to 5th Year	4.50%
thereafter	2.50%

Allocation charge for Top-up: 1.25%

ii. Other Charges

a) Policy Administration Charge

The Policy Administration charge of Rs. 30/- per month during the first policy year and Rs 30/- per month escalating at 3% p.a. thereafter, throughout the term of the policy will be deducted on monthly basis by canceling appropriate number of units out of Policyholder's Fund Value.

b) **Fund Management Charge**

Fund Management Charges (FMC) are dependent on type of Fund and are deductible on the date of computation of NAV at the following rates:

0.7% p.a. of Unit Fund for "Debt" Fund

0.8% p.a. of Unit Fund for "Mixed" Fund

The NAV, thus declared, will be net of FMC.

c) **Switching Charges**

This is a charge levied on switching of monies from one fund to another. This charge will be levied at the time of effecting switch at the rate specified under Para 11 (a) below.

d) **Bid/Offer Spread**

Nil.

e) **Discontinuance Charges**

The discontinuance charge for regular premium policies is as under:

Where the policy is discontinued during the policy year	Discontinuance charges for the policies having annualized premium up to Rs. 25,000/-	Discontinuance charges for the policies having annualized premium above Rs. 25,000/-
1	Lower of 10% * (AP or FV) subject to a maximum of Rs. 2500/-	Lower of 6% * (AP or FV) subject to maximum of Rs. 6000/-
2	Lower of 7% * (AP or FV) subject to a maximum of Rs. 1750/-	Lower of 4% * (AP or FV) subject to maximum of Rs. 5000/-
3	Lower of 5% * (AP or FV) subject to a maximum of Rs. 1250/-	Lower of 3% * (AP or FV) subject to maximum of Rs. 4000/-
4	Lower of 3% * (AP or FV) subject to a maximum of Rs. 750/-	Lower of 2% * (AP or FV) subject to maximum of Rs. 2000/-
5 and onwards	NIL	NIL

AP - Annualised Premium

FV - Policyholder's Fund Value excluding the fund value in respect of Top-up premiums paid, if any, on the date of discontinuance.

"Date of discontinuance of the policy" shall be the date on which the insurer receives the intimation from the insured or policyholder about discontinuance of the policy (i.e. complete withdrawal from the policy) or on the expiry of the notice period of 30 days, whichever is earlier.

There shall not be any discontinuance charge under Single Premium.

Further, there shall not be any discontinuance charge for direct business in respect of Corporation Employees.

f) **Service Tax Charge**

A service tax charge shall be levied on all applicable charges as per the prevailing service tax laws and/or any other laws as applicable from time to time.

At present, service tax charge under this plan is based on 10.30% of maximum Fund Management Charge (i.e. 1.35% p.a.) allowed by IRDA in terms of circular Ref:

g) **Miscellaneous Charge**

This is a charge levied for an alteration within the contract, such as change in premium mode to higher frequency, may be allowed subject to a charge of Rs. 50/- which will be deducted by canceling appropriate number of units out of the Policyholder's Fund value and the deduction shall be made on the date of alteration in the policy. The alteration will be effective from the policy anniversary coincident with or following the alteration. The Corporation reserves the right to accept or decline the alteration in the policy. The alteration shall take effect from the policy anniversary coincident or following the alteration only after the same is approved by the Corporation and is specifically communicated in writing to the Life Assured.

iii. ***Right to revise charges***

The Corporation reserves the right to revise all or any of the above charges except Premium Allocation charge. The modification in charges will be done with prospective effect with the prior approval of IRDA and after giving the policyholders a notice of 3 months.

In case the policyholder does not agree with the revision of charges the policyholder shall have the option to withdraw the Policyholder's fund value which shall be utilised to provide an annuity as specified in para 5.c.

4. APPLICABILITY OF NET ASSET VALUE (NAV)

The allotment of units will be as per IRDA guidelines. The present guidelines state as under:

The premiums received up to 3 p.m. by the corporation through ECS or by way of a local cheque or a demand draft payable at par at the place where the premium is received, the closing NAV of the day on which premium is received shall be applicable. The premiums received after 3 p.m. by the corporation through ECS or by way of a local cheque or a demand draft payable at par at the place where the premium is received, the closing NAV of the next business day shall be applicable.

The outstation cheque / Demand draft shall not be accepted.

In respect of the valid applications received for surrender, complete withdrawal, death claim, switches etc up to 3 p.m. by the Servicing Branch the same day's closing NAV shall be applicable. For the valid applications received in respect of surrender, complete withdrawal, death claim, switches etc after 3 p.m. by the Servicing Branch the closing NAV of the next business day shall be applicable

In case of discontinuance, wherein the policyholder does not exercise the option within the period of 30 days of receipt of notice then the NAV as on the date of expiry of notice period shall be applicable.

In respect of amount available on vesting, NAV of the date of vesting of annuity shall be applicable.

5. BENEFITS

a) **Benefits payable on death before vesting**

In case of death of the policyholder within the deferment term, the Policyholder's Fund Value as at the date of booking the liability, shall be payable to the nominee. The benefit may be chosen either in lump sum or in the form of annuity as desired by the nominee. The nominee can also take the proceeds partially as a lump sum and the balance as an

annuity subject to the terms and conditions for payment of an immediate annuity applicable at that time.

b) Benefit on vesting

On the policyholder surviving up to the date of vesting, the higher of Policyholder's Fund Value and Guaranteed Maturity Proceeds, as defined in para 9, will compulsorily be utilised to provide an annuity as specified in para 5.c.

c) Conversion to annuity: The benefit amount, payable in case of surrender or on discontinuance of premium or on vesting, shall compulsorily be utilized to provide an annuity subject to the following conditions:

1. The policyholder will have an option to commute upto a maximum of one third of the
 - i. Higher of Policyholder's Fund Value and Guaranteed Maturity Proceeds, in the event of vesting, or
 - ii. Proceeds of the discontinued policy, if policy is discontinued or surrendered within 5 years from the date of commencement of policy, or
 - iii. Policyholder's Fund Value, if policy is discontinued or surrendered after 5 years from the date of commencement of policy,

whichever is applicable.

The commutation will be allowed provided the balance amount is sufficient to purchase a minimum amount of annuity as per the provisions of section 4 of Insurance Act, 1938 as applicable on the date of payment of annuity.

The balance amount shall compulsorily be utilised to provide an annuity based on the then prevailing immediate annuity rates under the relevant annuity option.

2. The minimum amount of annuity payable shall be subject to the provisions of section 4 of Insurance Act, 1938 as applicable on the date of payment of annuity. In case the applicable amount as mentioned in (i) to (iii) of Para 5.c.1 above is insufficient to purchase the minimum amount of annuity, then the said amount shall be refunded as a lump sum to the Policyholder.
3. The policyholder shall have an option to purchase immediate annuity from any other life insurance company "registered with IRDA" subject to Regulatory provisions. In such cases, LIC will transfer his Fund amount directly to the chosen Insurer.

If the policyholder opts to purchase immediate annuity from any other life insurance Company, he/she will have to inform his/her such intention to the Corporation six months prior to the vesting date.

6. Surrender:

If all due premium have been paid and the policy is surrendered, the surrender value, if any, is payable as under:

- i) If the policy is Surrendered within 5 years from the date of commencement of the policy:
If a policyholder applies for surrender of the policy within 5 years from the date of commencement of policy, then the Policyholder's Fund Value after deducting the Discontinuance Charge as specified in para 3.ii.e shall be converted into monetary terms as specified in para 8 below. This monetary amount shall be credited to the Discontinued Policy Fund and no charges shall be deducted thereafter. The Proceeds of the Discontinued Policy, as specified in para 8 below, shall be utilized for payment of an annuity as specified in Para 5.c, on completion of 5 years from the date of commencement of policy.

In case of death of life assured after the date of surrender but before the completion of 5

years from the date of commencement of policy the Proceeds of the Discontinued Policy shall be payable to the nominee/ legal heir immediately.

ii) **If the policy is Surrendered after 5 years from the date of commencement of the policy:**

If a policyholder applies for surrender of the policy after 5 years from the date of commencement of policy, then the Policyholder's Fund Value, as at the date of surrender, shall be utilized for payment of an annuity as specified in Para 5.c. There will no Discontinuance Charge.

7. Discontinuance of Premiums:

If premiums under the policy have not been paid within the days of grace, a notice shall be sent to the policyholder within a period of fifteen days from the date of expiry of grace period to exercise one of the following options within a period of thirty days of receipt of such notice:

- i) Revival of the policy, or
- ii) Complete withdrawal from the policy

During the notice period of 30 days, the policy shall be treated as in force till the date of discontinuance of the policy (i.e. till the date on which the intimation is received from the policyholder for complete withdrawal of the policy or till the expiry of the notice period) and recovery of all charges as specified for an inforce policy shall continue by cancelling an appropriate number of units out of the Policyholder's Fund Value.

The benefits payable under the policy during the notice period shall be same as that under an inforce policy.

The benefits payable when the policyholder exercises the option for complete withdrawal or does not exercise any option during the notice period shall be as under:

I) **If the policy is discontinued within 5 years from the date of commencement of the policy:** If policyholder exercises the option for complete withdrawal from the policy, or does not exercise the option within the period of 30 days of receipt of notice, then the policy shall be compulsorily terminated. The Policyholder's Fund Value as on the date of discontinuance of policy after deducting the Discontinuance Charge as specified in para 3.ii.e shall be converted into monetary terms as specified in para 8 below and Proceeds of the discontinued policy as specified in para 8 below will compulsorily be utilized to provide an annuity as specified in para 5.c, and shall be payable after completion of 5 years from the date of commencement of the policy.

II) **If the policy is discontinued after 5 years from the date of commencement of the policy:** If policyholder exercises the option for complete withdrawal from the policy, or does not exercise the option within the period of 30 days of receipt of notice, then the policy shall be compulsorily terminated and Policyholder's Fund value will compulsorily be utilized to provide an annuity as specified in para 5.c.

8. Method of calculation of Monetary amount and Proceeds of the Discontinued Policy:

The conversion to monetary amount shall be as under:

The NAV on the date of application for surrender or as on the date of discontinuance of the policy (in case of complete withdrawal of the policy), as the case may be, multiplied by the number of units in the Policyholder's Fund Value as on that date will be the monetary amount.

The Proceeds of the Discontinued Policy shall be calculated as under:

The monetary amount calculated as above shall be transferred to the Discontinued Policy Fund. This Fund will earn a minimum interest rate of 3.5% p.a. from the date of discontinuance of the policy to the date of completion of 5 years from the commencement of the policy. In case of death of the life assured after discontinuance of policy but before completion of 5 policy years, the interest shall accrue from the date of discontinuance of the policy to the date of booking of liability. **The Proceeds of the discontinued policy shall be the monetary amount plus the interest accrued on the Discontinued Policy Fund.**

9. Guaranteed Maturity Proceeds:

If all due premiums are paid till maturity, a guaranteed interest shall accrue on the gross premium, including Top-up premium if any, at the end of each financial year. The guaranteed interest rate shall be 50 basis points above the average of the reverse repo rate prevailing as on the last working day of June, September, December and March of the preceding year. However, the guaranteed interest rate shall be subject to a maximum of 6% and a minimum of 3%. This guaranteed interest rate is not applicable to a discontinued policy.

The minimum guaranteed rate of 4.5% p.a. is applicable to all premiums received upto 31st March, 2011, including any Top-up premiums paid.

10. ELIGIBILITY CONDITIONS AND FEATURES:

a)	Minimum Sum Assured	Not Applicable
b)	Maximum Sum Assured	Not Applicable
c)	Minimum Premium	Rs. 15,000 p.a. for Regular premium (other than monthly (ECS) mode) Rs. 1,500 p.m. for monthly (ECS) mode, increasing thereafter in multiples of Rs. 250. Rs. 30,000 for Single premium
d)	Maximum Premium	Rs. 1,00,000 p.a. for Regular premium No Limit for Single premium
		(In years)
e)	Minimum Entry Age	18 last birthday
f)	Maximum Entry Age	75 nearest birthday
g)	Minimum Deferment Term	10 years
h)	Minimum Vesting Age	40 completed
i)	Maximum Vesting Age	85 nearest birthday

Age at entry for the policyholder is to be taken as age nearest birthday except for the minimum age at entry i.e. 18 years.

Annualized Premiums shall be payable in multiple of Rs. 1,000 for other than ECS monthly. For monthly (ECS), the premium shall in multiples of Rs. 250/-. Single Premiums shall be payable in multiple of Rs. 1,000.

11. ADDITIONAL FEATURES:

a. Switching

The policyholder can switch between any fund types during the policy term. On switching the entire amount is switched to the new Fund opted for. Within a given policy year, 2 switches will be allowed free of charge. Subsequent switches shall be subject to a switching charge of Rs.100 per switch.

On receipt of the policyholder's valid application for a switch from one fund type to another, Policyholder's Fund Value after deducting switching charge, if any, shall be transferred to the New Fund type opted for by the policyholder and shall be utilized to allocate Fund Units at the NAV under the new Fund type on the said date of switch. If a valid application is received up to 3 p.m. by the servicing branch, the closing NAV of the same day shall be applicable and in respect of the applications received after 3 p.m. by the servicing branch, the closing NAV of the next business day shall be applicable.

Switching shall not be allowed if due premiums have not been paid.

b. Top-Up (Additional Premium)

The policyholder can pay Top-up in multiples of Rs.1,000/- without any limit at anytime during the term of the policy. However Top-up shall not be allowed during the last 5 years of the contract. In case of yearly, half-yearly, quarterly or monthly(ECS) mode of premium payment such Top-up can be paid only if all due premiums have been paid under the policy.

12. MODES OF PREMIUM PAYMENT

The policyholder has the choice either to pay Single Premium (in one lump sum) or Regular premium (yearly, half-yearly, quarterly or monthly (through ECS only)). There will be no mode specific charges/ rebates.

13. COMMISSION PAYABLE TO AGENTS/ CORPORATE AGENTS/ BROKERS & DEVELOPMENT OFFICER'S CREDIT:

Commission to Agents, Corporate Agents and Brokers:

- For regular premium policies - 7.5% of the premium in the first year and 2% of the premium for subsequent years
- For Single premium policies - 2% of the premium
- 1% of the amount deposited as Top-up any time during the Policy term
- There will be no bonus commission.

Development Officer's credit will be as under:

- 20% of first year premium in case of Regular Premium policies
- 5% in case of Single Premium Policies.

14. CEIS REBATE:

No rebate on premium is allowed to Corporation Employees.

However, for direct business in respect of Corporation Employees, there will not be any allocation charge as well discontinuance charge.

All other charges shall be as mentioned in Para 3(ii).

15. LOANS

No loan shall be granted under this plan.

16. UNDERWRITING

Instructions will be issued separately by Underwriting and Reinsurance Department.

17. DAYS OF GRACE:

A grace period of 30 days will be allowed for payment of yearly or half-yearly or quarterly premiums and 15 days for monthly (through ECS) premiums. If the death of Life Assured

occurs within the grace period but before the payment of premium then due, the policy will still be valid and the death benefits shall be paid after deduction of all the relevant charges, if not recovered.

If the premium is not paid before the expiry of the days of grace, the benefits shall be paid as per details given in para 7 under Discontinuance of premiums.

18. REVIVALS

If due premium is not paid within the days of grace, a notice shall be sent to the policyholder within a period of fifteen days from the date of expiry of grace period to exercise the option for revival within a period of thirty days of receipt of such notice. If the policyholder exercises the option to revive the policy, the arrears of premium without interest shall be required to be paid.

The Corporation reserves the right to accept the revival at its own terms or decline the revival of a policy. The revival of a policy shall take effect only after the same is approved by the Corporation and is specifically communicated in writing to the Policyholder.

Reinstatement of surrendered policy shall not be allowed.

19. COOLING-OFF PERIOD:

If a policyholder is not satisfied with the "Terms and Conditions" of the policy, he/she may return the policy to the Corporation within 15 days from the date of receipt of the policy. The amount to be refunded in case the policy is returned within the cooling-off period shall be determined as under:

Fund Value of units in the Policyholder's Fund value

Plus unallocated premium.

Plus Policy Administration charge deducted

Less charges @ Rs. 0.20% of Total Premiums payable during entire term of policy.

In case the policy is returned during the cooling-off period, Commission shall be recovered from the concerned Agent and the Development Officer's credit allowed shall be withdrawn.

20. BACK DATING:

Back dating of policy will not be allowed.

21. POLICY STAMPING:

Policy Stamping will be affixed at the rate of Rs.0.20 per thousand of total premium payable during entire term of the policy.

22. ASSIGNMENTS / NOMINATION:

Nomination/ change of Nomination should be submitted for registration to the office of the Corporation, where this policy is serviced. In registering nomination the Corporation does not accept any responsibility or express any opinion as to its validity or legal effect.

Assignment will not be allowed under this plan.

23. NORMAL REQUIREMENTS FOR CLAIM:

The normal documents which the claimant/s shall submit while lodging a claim in case of death of the policyholder shall be the claim forms as prescribed by the Corporation accompanied with the original policy document; proof of title and proof of death.

On vesting or on earlier Surrender, the Life Assured shall submit the discharge form, annuity option form and the original policy document besides the proof of age, if not admitted earlier.

24. REINSURANCE:

Not Applicable.

25. ACCOUNTING OF INCOME AND OUTGO:

Instructions regarding the accounting procedure to be followed under the plan shall be issued separately by Finance & Accounts Department, Central office.

26. PROPOSAL FORM:

The specimen Proposal Form is enclosed as **Annexure**.

27. POLICY DOCUMENT:

The specimen Policy document will be sent by the Corporate Communications Department, Central Office.

EXECUTIVE DIRECTOR (MARKETING)

Enclosures: Annexure