

**LIFE INSURANCE CORPORATION OF INDIA
CENTRAL OFFICE**

Dept: Product Development

“Yogakshema”
Jeevan Bima Marg
Mumbai – 400 021

Ref: CO/PD/6

31st January, 2011

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 BIMA ACCOUNT - I (Plan No. 805)

1. INTRODUCTION:

It has been decided to introduce LIC's Bima Account – I (Plan No. 805) with effect from 2nd February, 2011. The Unique Identification Number (UIN) for LIC's Bima Account – I plan is **512N263V01**. This number has to be quoted in all relevant documents furnished to the policyholders and other users (public, distribution channels).

This is a without profit Variable Insurance Product wherein the proposals will be accepted under Non-medical Scheme only. Under this plan there will be a Policyholder's Account maintained separately for individual policyholder, which shall consist of two parts; Policyholder's Regular Premium Account and Policyholder's Top-up Premium Account. The premiums shall be paid regularly throughout the term of the policy. Each regular premium paid by the policyholder will be subject to deduction of charges mentioned in Para 4 of this circular. The balance premium, net of charges, will be credited to the Policyholder's Regular Premium Account. The policyholders will also have an option to pay top-up premiums subject to conditions specified in Para 9.a), which shall be credited to the Policyholder's Top-up Premium Account after deduction of applicable charge as mentioned in Para 4.

The Policyholder's Account will earn an annual interest of 6% p.a. provided the policy is in force and 5% p.a. if the policy is paid-up. The interest rate will be guaranteed for the whole of the policy term. The Corporation may also declare an additional interest rate on Policyholder's Regular Premium Account for in force policies based on the experience under this plan.

2. BENEFITS:

a) Benefits payable on death:

In case of death of the Life Assured during the policy term, when the policy is in force, the nominee shall get the Sum Assured along with the balance in the Policyholder's Account.

b) Benefits payable on maturity:

On life assured surviving the date of maturity an amount equal to balance in the Policyholder's Account is payable.

c) Guaranteed Interest:

Guaranteed interest rate shall be applicable on Policyholder's Account and **not** on the gross premium paid by the Policyholder.

The Policyholder's Account i.e both Policyholder's Regular Premium Account and Policyholder's Top-up Premium Account will earn an annual interest of 6% p.a. provided the policy is in force and 5% p.a. if the policy is paid-up. The interest rates will be guaranteed for the whole of the policy term.

During the revival period Policyholder's Account will earn guaranteed interest rate of 5% p.a. On revival of policy, the guaranteed rate of interest on Policyholder's Account will again be 6% p.a. from the date of revival.

The interest amount will be calculated on day to day basis on balance in the Policyholder's Account after deduction of all due charges and shall be credited to the Policyholder's Account at the end of each calendar month.

d) Additional Interest:

The Corporation may also declare an additional interest rate on Policyholder's Regular Premium Account for in force policies based on the experience under this plan.

3. ELIGIBILITY CONDITIONS AND FEATURES:

(a) Minimum Sum Assured:

10 times the annualized premium

(b) Maximum Sum Assured:

20 times the annualized premium up to age 35 years
14 times the annualized premium for age between 36 to 45 years
10 times the annualized premium for age between 46 to 50 years

The maximum Sum Assured shall be subject to maximum non-medical limit applicable for the life to be assured.

(c) Minimum Premium:

Regular premium:

| <u>Mode</u> | <u>Instalment premium</u> |
|------------------------|---------------------------|
| Yearly | ₹ 7,000 |
| Half-yearly | ₹ 4,000 |
| Quarterly | ₹ 2,000 |
| Monthly (ECS) | ₹ 600 |
| <u>Top-up premium:</u> | ₹ 1,000 |

(d) Maximum Premium:

Regular premium:

| <u>Mode</u> | <u>Instalment premium</u> |
|---------------|---------------------------|
| Yearly | ₹ 14,000 |
| Half-yearly | ₹ 7,000 |
| Quarterly | ₹ 3,500 |
| Monthly (ECS) | ₹ 1,100 |

Top-up premium: Sum total of Regular Premiums paid upto the date of payment of top-up.

Annualized Premiums shall be payable in multiple of ₹ 1,000 for all modes other than ECS monthly. For monthly (ECS), the premium shall be in multiples of ₹ 100/-.
(in years)

- (e) Minimum Entry Age : 11 (completed)
(f) Maximum Entry Age : 50 (nearest Birthday)
(g) Policy Term : 5 to 7
(h) Minimum Maturity Age : 18 (completed)
(i) Maximum Maturity Age : 57 (nearest Birthday)

Age At entry is to be taken as age nearest birthday except for the minimum age at entry.

4. CHARGES AND FREQUENCY OF CHARGES:

- i. **Expense Charge:** This is the percentage of the premium appropriated towards charges from the premium received. The balance part of the premium will be credited to the Policyholder's Regular Premium Account or Policyholder's Top-up Premium Account, as the case may be.

The expense charges are as below:

Regular premium:

| First Year | 2 nd & 3 rd Years | Thereafter |
|------------|---|------------|
| 27.5% | 7.5% | 5% |

Top-up Premium: 2.5%

- ii. **Mortality Charge:** Mortality charge is the cost of life insurance cover. This charge will be deducted every month from the Policyholder's Regular Premium Account appropriately. Mortality charge during a policy year, will be based on the age nearer birthday of the Life Assured as at the Policy anniversary coinciding with or immediately preceding the due date of deduction of charge and hence will increase every year on each policy anniversary. This charge shall depend upon the Sum Assured.

The age-specific Mortality charge per ₹ 1,000/- Sum Assured per annum for standard lives are given in **Annexure I**.

As this plan is to be granted under non-medical scheme, only standard lives will be accepted at proposal stage. However, if on revival, the policyholder is sub-standard and attracts any extra mortality rating, the policy shall be revived with extra.

The Class I extra charge (applicable in case of revival), shall be 25% of the Mortality charge for standard lives. Charge for higher EMR shall be multiples of the Class I extra charge as applicable in other plans. This extra charge will be included in the Mortality charges.

- iii. **Service tax charge:** A service tax charge, if any, shall be levied on Mortality charge deducted from the Policyholder's Regular Premium Account on a monthly basis as and when the corresponding Mortality charges are deducted.

The level of this charge will be as per the rate of service tax as applicable from time to time. Currently, the rate of Service Tax is 10% with an educational cess at the rate of 3% thereon and hence effective rate is 10.30%.

- iv. **Alteration Charge:** This is a charge levied for an alteration within the contract, such as change in mode of payment to higher frequency and decrease in sum assured and shall be a flat amount of ₹ 50/- which will be deducted from the Policyholder's Regular Premium Account and the deduction shall be made on the date of alteration in the policy.

5. MODES OF PREMIUM PAYMENT:

The policyholder has the choice either to pay yearly, half-yearly, quarterly or monthly (ECS only) premiums.

6. SURRENDER BENEFIT:

The policy will acquire surrender benefit after payment of the first instalment premium. The surrender benefit will be as under:

Duration from date of commencement

Before completion of third policy anniversary

Surrender Benefit

The surrender benefit is payable only after completion of third policy anniversary and will be the balance in the Policyholder's Account as on the date of surrender. During the lock-in period of 3 years from the date of commencement of policy no charges will be deducted from the Policyholder's Account and no further interest will be credited from the date of surrender.

On or after completion of 3rd policy anniversary

Balance in the Policyholder's Account shall be payable.

7. DISCONTINUANCE OF PREMIUMS:

If due premium is not paid within the days of grace, the policy shall become paid-up. The Life Assured shall have an option to revive the paid-up policy within 12 months from the date of first unpaid premium. During the revival period the life cover will cease and no mortality charge shall be deducted. The balance in the Policyholder's Account during the period of revival will earn guaranteed interest rate of 5% p.a. without debiting any expenses. On revival of policy, the guaranteed rate of interest on Policyholder's Account will again be 6% p.a. from the date of revival. Any additional interest declared by the Corporation for inforce policies shall not be applicable for paid-up policies.

The Life Assured has the option to revive the policy as described in Para 15.

The following provisions will apply under Paid-up policies:

- A) Where the policy becomes paid-up without payment of at least 2 years' premium, the benefits under such a policy in different contingencies shall be as under:

i. In case of Death:

The balance in the Policyholder's Account shall be payable

ii. In case of Surrender:

The surrender benefit is payable only after completion of third policy anniversary and will be the balance in the Policyholder's Account as on the date of surrender. During the lock-in period of 3 years from the date of commencement of policy no charges will be deducted from the Policyholder's Account and no further interest will be credited from the date of surrender.

iii. Compulsorily termination:

In case the policy is not revived during the period of revival, then the policy shall be terminated compulsorily. The balance in the Policyholder's Account shall be refunded on completion of third policy anniversary. No charges shall be deducted and no interest will be credited from the date of compulsory termination. In case of death, balance in the Policyholder's Account shall be paid without waiting for completion of third policy anniversary.

B) Where the policy becomes paid-up after payment of at least 2 years' premiums, and is not revived during the period of revival, the policy shall continue as paid-up. The benefits under such a policy in different contingencies shall be payable as under:

i. In case of Death:

The balance in the Policyholder's Account shall be payable

ii. On Maturity:

On Life Assured surviving the stipulated date of maturity the balance in the Policyholder's Account shall be payable.

iii. Surrender: On surrender, benefit at different duration is as under

a) Before completion of third policy anniversary:

The surrender benefit is payable only after completion of third policy anniversary and will be the balance in the Policyholder's Account as on the date of surrender. During the lock-in period of 3 years from the date of commencement of policy no charges will be deducted from the Policyholder's Account and no further interest will be credited from the date of surrender.

b) On or after completion of 3rd policy anniversary:

Balance in the Policyholder's Account shall be payable.

8. COMPULSORY TERMINATION:

The policy shall be terminated compulsorily in following cases:

- i. If less than 2 years' premiums are paid and the policy is not revived during the period of revival, the policy shall be terminated compulsorily on expiry of revival period. No charges shall be deducted and no interest will be credited from the date of compulsory termination. The balance in the Policyholder's Account shall be refunded on completion of third policy anniversary.
- ii. If any loan has been taken under the policy, and if, at any point of time, the balance in the Policyholder's Account is less than or equal to loan outstanding alongwith interest thereon, then the policy shall be compulsorily terminated and nothing shall be payable to the Policyholder.

9. ADDITIONAL FEATURES:

- a) **Top-up Premium:** The policyholder can pay top-up premiums in multiple of ₹ 1000/-. The top-up premiums paid shall be credited into the Policyholder's Top-up Premium Account after deducting the expense charge as applicable to top-up premium. However, there would not be any increase in the sum assured under the policy. The total of Top-up premium at any point of time shall not exceed the sum total of regular premiums paid upto that point of time. The top-up premiums can be paid only if all due premiums have been paid under the policy.
- b) **Decrease in benefits:** This plan offers the flexibility of reducing the sum assured during the term of the contract subject to the minimum sum assured under this plan. When the sum assured is changed, such change will be effective from the policy anniversary coinciding with or next following the date of request. Further, once reduction in Sum Assured is allowed, the same cannot be subsequently increased / restored.

10. LOANS:

Loan will be granted under the policy after completion of one year provided at least one full year's premiums have been paid, subject to the following terms and conditions:

- It will be available maximum to the extent of 60% of the amount in the Policyholder's Account
- Minimum amount of loan that can be granted at any time shall not be less than ₹ 1000.
- If at any point of time during the term of the contract the Policyholder's Account is less than or equal to the loan outstanding alongwith interest thereon, then policy shall be compulsorily terminated and nothing shall be payable to the policyholder.

The rate of interest charged for this loan amount would be determined from time to time by the Corporation. Presently the rate of interest is 9 % p.a. payable half-yearly.

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

Commission to Agents & Corporate Agents:

Regular premium:

- First Year: 10%
- Subsequent Years: 2%

Bonus Commission: 40% of 1st year's commission is payable in the first year.

Top-up Premium: 2%

Commission to Brokers:

Regular premium:

- First Year: 14%
- Subsequent Years: 2%

Top-up Premium: 2%

Development Officer's credit: 30% of first year premium excluding any top-up premium

12. CEIS REBATE:

No rebate on premium is allowed to Corporation Employees.

However, for direct business in respect of Corporation Employees, the expense charge will be as under:

Regular premium:

| | | |
|------------|---|------------|
| First Year | 2 nd & 3 rd Years | Thereafter |
| 7.5% | 5.5% | 2.75% |

Top-up premium: 0.25%

All other charges shall be as mentioned in Para 4 (ii) to 4 (iv).

13. UNDERWRITING:

Instructions will be issued separately by Underwriting and Reinsurance Department.

14. DAYS OF GRACE:

A grace period of one-month but not less than 30 days will be allowed for payment of premiums under **all modes** of premium payment. If death of Life Assured occurs within the grace period and before the payment of the 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 premiums are not paid within the days of grace, the benefits shall be paid as per details given in Para 7 under Discontinuance of premiums.

15. REVIVALS:

If due premium is not paid within the days of grace, the policy will become paid-up. A paid-up policy can be revived within 12 months period from the due date of first unpaid premium or before maturity, whichever is earlier. The period during which the policy can be revived will be called "Period of revival" or "revival period". During this revival period, the life cover will cease and no mortality charge shall be deducted.

The revival shall be made on submission of proof of continued insurability to the satisfaction of the Corporation and the payment of all the arrears of premium without interest.

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

Irrespective of what is stated above, if any loan has been taken under the policy and if, at any point of time during the revival period the balance in the Policyholder's Account is less than or equal to the loan outstanding along with interest thereon, the policy shall compulsorily be terminated and nothing shall be payable to the policyholder.

In case the policy becomes paid-up without payment of at least 2 years' premium and is not revived during the period of revival, the policy shall compulsorily be terminated. The balance in Policyholder's Account shall be refunded to the Life Assured as per the conditions mentioned in Para 7.A).iii.

In case the policy becomes paid-up after payment of 2 full years' premium and is not revived during the period of revival, the policy shall continue. The benefits under such a policy in different contingencies shall be payable as per the condition in Para 7.B).

Reinstatement of surrendered policy shall not be allowed.

16. 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:

Balance in the Policyholder's Account
Plus Expenses charge
Less charges @ ₹ 0.20‰ Sum Assured

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.

17. BACK DATING:

Back dating of policy will not be allowed.

18. POLICY STAMPING:

Policy Stamping will be at the rate of ₹ 0.20 per thousand Sum Assured.

19. ASSIGNMENTS / NOMINATION:

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

20. 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; proof of death; proof of accident, if any; medical treatment prior to death; employer's certificate, whichever is applicable together with the proof of age, if not already admitted under the policy.

On maturity or on earlier Surrender, the Life Assured shall submit the discharge form along with the original policy document besides the proof of age, if not admitted earlier.

In case the age is found to be higher from that on which mortality charges has been deducted under the policy, then the difference in the charges for the correct age shall be deducted with interest at such rate as determined by the Corporation from time to time.

21. REINSURANCE:

Normal procedure for reinsurance as applicable to Endowment Assurance will apply.

22. 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.

23. STATEMENT OF POLICY ACCOUNT:

Statement of policy account shall be sent to the Policyholder at least once a year. The format of statement of policy account will be issued by the CRM Department, Central Office.

24. PROPOSAL FORM:

The specimen Proposal Form is enclosed in **Annexure II**.

25. POLICY DOCUMENT:

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

CHIEF (PRODUCT DEVELOPMENT)

Enclosures – Annexure I and II