CHAPTER - 7

POLICY CONDITIONS & TAX BENEFITS

The policy conditions are studied in five heads:
I. Conditions relating to commencement of risk,
II. Conditions of premium,
III. Conditions relating to continuation of policies,
IV. Lapse- conditions, and
V. Claims conditions.

7.1 CONDITIONS RELATING TO COMMENCEMENT OF RISK

(a) Commencement of Risk

The letter of acceptance is not a cover note, it only intimates that the risk will commence when the first premium is offered to and accepted by the insurer. If premium was paid along with the proposal form, the date of letter of acceptance will be the date of commencement of risk. After acceptance of risk, policy is issued. The policy contains terms and conditions of the insurance and is a document which can be used as a proof of insurance.

(b) Proof of Age

The proof of age must be produced at the time of proposal or immediately after the proposal because the rate of premium depends upon
the age of the life assured. The insurer does not withhold the issue of the policy for want of proof of age, but does not admit any claim unless the age is proved to the satisfaction of the insurer. However, if it is subsequently found that the age at entry was mentioned lower than the correct age, the assured sum is reduced to such amount as would have been purchased at the true age.

7.2 CONDITIONS OF PREMIUMS

a. Payment of Premiums

The premium rate is calculated annually, but for the convenience of the assured, it can be paid half-yearly, quarterly or even monthly. It should be remembered that these premiums are not just the portion of yearly premium because the insurer losses interest on the unpaid premium of a year and expenses are involved for frequent calculation of premium.

b. Days of Grace

Premium is paid on or before the due date. But, for convenience of the policyholders, certain additional period called days of grace, is allowed to pay the premium. The insured can pay the premium within the days of grace and the policy would not lapse up to the days of grace. However, the policy will lapse if the due premium is not paid even within the days of grace. One calendar month but not less than 30 days of grace is allowed for payment of yearly, half-yearly and quarterly premiums, and fifteen days for payment of monthly premiums. The days of grace are to be counted excluding the due date of the premium. When the days of grace expire on a Sunday or a holiday observed by the office of the insurer where
premIums are payable, the premium must be paid on the following working day to keep the policy in force.

c. Premium Notice

In order that policyholder may not forfeit the benefit of his policy, notice of premiums falling due will be regularly sent to him except in the case of policies under which the mode of payment of premium is monthly where no such notice is required, the insurer is not bound to give any such notice and the want of it cannot be admitted as an excuse for not paying the due premium in time.

III. CONDITIONS RELATING TO THE CONTINUE POLICIES

a. Indisputable Clause

In order to protect the interests of the assured, indisputable clause is added which provides that the policies shall be indisputable after a state period, viz., two years from the date of issue except for non-payment of premiums or for fraud. Section 45 of the insurance Act has provided that the policy will not be disputed on ground of unintentional misstatement, misrepresentation or nondisclosure of a material fact after two years of the issue of the policy.

b. Alterations in Policies

The insurer permits certain alterations in terms and conditions of the policies at the request of the policyholders. The insurer reserves the right to decline such requests without assigning any
reason. Alteration may be change in class or term, reduction in sum assured, increase in sum assured, change in mode of premium payment, splitting up of a policy into two or more policies and so on.

c. Exclusion

Ordinarily, the insurer does not assure the hazardous occupation. If any insured person has taken up or intends to take up hazardous occupation, he has to pay extra-premium. The Corporation in India has listed the hazardous occupations. The policies issued at standard rates are free from all restrictions to change in occupation. However, the policies issued to students are on the term of hazardous occupation because a student's occupation is not determined till he completes his education and hence the degree of risk is not known.

d. Lost policy

The insured must inform to the insurer whenever the policy is lost or destroyed. On the satisfactory evidence of loss or destruction, the insurer will issue a duplicate copy after advertising the fact and will charge the assured the fee for issuing the duplicate copy.

e. Loans

The insurer may grant loan on the security of the surrender value of the policies. In India, loans are granted on unencumbered policies up to 90 per cent of the surrender value in case of policies, which are in force for full sum assured, and 85 per cent of the
surrender value in the case of policies, which are paid up being in force for reduced sum assured. In case, policies are due to mature within three years a larger percentage may be granted.

f. **Nomination**

According to section 39 of the Insurance Act, 1938, the holder of a policy of life insurance on his own life may, when affecting the policy or at any time before the policy matures for payment, nominate a person or persons to whom the policy money secured by the policy shall be paid in the event of his death. Nominee is the person named by the policyholder to whom the policy amount may be paid if the policy amount is payable on death and the nominee is alive when the life assured expires. In absence of any of these, the nominee does not acquire a right in the policy. If policy matures by expiry of time, the policy amount is payable to the insured himself and not to the nominee.

g. **Assignment**

A transfer or assignment of a policy of life insurance whether with or without consideration, may be made only by an enforcement upon the policy itself or by a separate instrument, signed in either ease by the transferor or by the assignor or has duly authorized agent and attested at least by one witness, specifically setting forth the fact of transfer or assignment.

The assignment can be of two kinds –

(1) **Absolute:** An absolute assignment is an assignment where all rights, title and interest of assignor in the policy pass to assignee
without reversion to the former or his estate in any event. Under such an assignment, the policy rests absolutely in the assignee and forms part of his estate on his death.

(2) Conditional: A conditional assignment provides that on the happening of a specified event, which does not depend on the will of the owner, the assignment shall be either wholly or partially inoperative.

h. Suicide

In the event of suicide committed by the assured within one year from the date of commencement, whether insured or not, at the time, the liability of the Corporation shall be limited to the extent of the beneficial interest which any person shall prove to the satisfaction of the Corporation to have been acquired in the policy bona fide and for valuable consideration, of which notice in writing shall, at least one calendar month previous to death, have been given to the, within mentioned, divisional office of the Corporation and save and except to that extent, this policy shall be void and all claims to any benefit, advantage or interest in the funds of the Corporation by virtue of this policy shall cease.

i. Double Accident Benefit

This provides for payment of double of the sum assured on death by accident. If the life assured sustain any bodily injury resulting solely and directly from accident caused by outward violent and visible means and if such injury within 90 days of its
occurrence, solely directly and independently of all other intervening causes results in the death of the life assured, double of the sum assured will become payable.

j. **Disability Benefit**

This benefit will be granted to all lives assured under all plans except Pure Endowment, Term Assurances, Children’s Deferred Endowment, Deferred and Retirement Annuities. Life assured disabled by accident from earning his livelihood, will be exempted from paying premiums on his policy, falling due after the date of disablement.

k. **Extended Disability Benefit**

It provides for waiver of premiums and also for payment of an amount equal to the sum assured on permanent total disability as a result of an accident. This benefit is available by paying an extra premium of Rs.2/- per thousand of sum assured.

7.3 **LAPSE CONDITIONS**

The insurer is liable to pay the amount of claim so far the assured continues to pay the premiums. If the assured fails to pay the premium within the grace days, the insurer’s liability, usually, ceases and the contract comes to an end, under such circumstances, the policy is said to have lapsed. The insurer is ordinarily relieved to his liability to pay policy-amount and the assured is not required to pay the premiums. The lapsation
is harmful to the insurer, the agent and the prospect. So every attempt should be made to preserve the business-in-force.

Table 7.1

LAPSATION OF POLICIES

<table>
<thead>
<tr>
<th>Year of New Business</th>
<th>Percentage of Net Lapses to Mean Life Insurance Business in Force</th>
<th>New Lapse Ratio at Mean Duration of New Business</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>1990-91</td>
<td>6.0</td>
<td>0.5</td>
</tr>
<tr>
<td>1991-92</td>
<td>6.1</td>
<td>0.9</td>
</tr>
<tr>
<td>1992-93</td>
<td>5.9</td>
<td>1.0</td>
</tr>
<tr>
<td>1993-94</td>
<td>6.3</td>
<td>0.6</td>
</tr>
<tr>
<td>1994-95</td>
<td>6.1</td>
<td>0.6</td>
</tr>
<tr>
<td>1995-96</td>
<td>6.4</td>
<td>0.9</td>
</tr>
<tr>
<td>1996-97</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>1999-2000</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>2004-2005</td>
<td>4.0</td>
<td></td>
</tr>
</tbody>
</table>

Note: Mean duration is year of lapse minus year of New business.

Source: Insurance - Principles and Practice by M. N. Mishra

The net lapse ratio at mean duration has gone to 17.0 percent of new business during one year of new business. The total amount of percentage of lapse to new business has been 25.4 percent in 1990-91, which has gone up to 29.3 percent in 1992-93. It reveals that more than one-forth of new business did not continue for its term. It is a failure of LIC and increases discredit and loss of expenses of business. If it were not very serious of its business-loss, the private insurers would procure higher amount of
business. However, it is not correct to believe that private insurers would not face lapsation problems. In any case, it is a drawback of LIC’s business.

Lapse conditions can be briefly explained under the following heads.

a. Lapse of Policies

The insurer shall remain liable for the payment of the claim so far the assured continues to pay the premiums when they fall due. If the policyholder fails to pay any of the due premiums within the days of grace, the insurer’s liability ordinarily ceases under the policy and the contract comes to an end. Thus the policy is lapsed and all the benefits related to the policy are terminated.

b. Revival of lapsed Policies

If a policy lapses by non-payment of premium within the days of grace, it may be revived to the full policy amount at any time during the lifetime of the life assured, but within a period of five years from the due date of the first unpaid premium and before the date of maturity. The revival is possible within six months from the due date of the first unpaid premium without evidence of health on payment of the premiums in arrears with interest at the rate of 7½ per cent per annum compounded half yearly.

c. Special Revival Scheme

Many policyholders find it difficult to pay the arrears of premiums with interest to revive their policies. For them the special
revival scheme is beneficial to gain the cover of insurance. Under this scheme, the date of commencement of policy will be fixed by dating back the policy. The period for which the policy will be dated back depends upon the amount of premium paid. The plan and period of insurance will be the same as those under the original policy.

The special revival is possible only when all of the following conditions are fulfilled.

i. The policy must not have acquired surrender value.

ii. Period from the date of lapse must not be less than 6 months and not over two years.

iii. Such a revival is not allowed more than once under the same policy.

d. Surrender Value

When the assured is unable to revive his policy, he can surrender his policy and can get cash surrender value. With this payment, the contract comes to an end and the assured will get the cash value without any liability to pay further premiums. In India, the Corporation has guaranteed surrender value if the premiums have been paid for a least two years or to the extent of one-tenth of the total number of premiums stipulated for the policy provided such one-tenth exceeds one full year’s premium.
e. **Extended Term Insurance**

If a premium remains unpaid at the end of the days of grace and the policy has been in force for at least three years, the insurance will continue as paid up for the full sum assured up to a period called term.

The term depends upon the amount of premium paid. During this period, if the assured dies payment will make up to the full amount. But, if the assured survives the period, no payment is made. Actually, the amount of premium paid before the lapsation is utilized as a single premium or purchasing term insurance and the duration of the term insurance depend upon the amount of premium paid for meeting as single premium.

f. **Automatic Premium Loan**

The assured may use the option of automatic premium loan before the maturity of the policy. In this case, if the assured is unable to pay the premiums the insurer will not allow the policy to lapse but will automatically pay the premiums out of the net surrender value. The assured can repay the unpaid premiums with interest at any time while the policy is not kept in force without furnishing evidence of insurability. If the whole of surrender value is exhausted by advances on account of payment of premium, the policy will lapse and can be revived only after payment of all the premiums unpaid and interest thereon at the rate of 7.5 percent per annum compounded half yearly. This option can be exercised only when premiums of consecutive three years have been paid.
g. Reduced paid-up Insurance

When the policyholder is unable to pay further premiums and does not want cash immediately he can paid up the policy. The sum assured under the policy is reduced in the same proportion as the amount of premiums paid bears to the total premiums payable. The reduced sum assured is payable according to the original term of the policy. Where uniform premiums are payable, as in the case of endowment or whole life limited payment assurances, this proportion is easily ascertained. The paid up value of whole life policy is calculated as per the formula \[ 1 - \frac{dx}{d(x+n)} \] sum assured, where \( dx \) is the premium for the age when the policy was affected, and \( d(x+n) \) is the premium for the present age of the life assured when policy is surrendered.

Methods of Reducing Lapsation.

The lapsation can be reduced by (A) preventing the lapsation and (B) by reinstating the lapsed policies.

(A) Prevention of Lapsation.

The prevention of lapses is considered the more important aspect of conservation of the business in force. The prevention has given fruitful results to the business. The old adage “an ounce of prevention (of lapses) is worth a pound of cure” is still true. The prevention has a much broader meaning than just to keep away a policy from lapsing. Conservation begins at the source, at the time the insurance is sold. It is impossible to exaggerate the importance of the life underwriter in conservation. The
agent writing a given policy is the most important factor in its persistency—
the kind of salesmanship pretty much determines the lapse rate. Therefore
it was suggested that the lapses and surrenders can be well prevented by (i)
 obtaining good-quality prospects, (ii) selling the insurance on the basis of
 needs, (iii) prompt follow-up-services on policyholders and (iv) by good
 qualities of agents.

(i) Obtaining Good Quality Prospects.

It is, of course, essential to qualify a good quality prospect up
to the standards of insurability, family history, and physical and
character standards. There are five major factors to determine a good
quality prospect i.e. occupation, age, income of premium payer,
amount of policy and mode of premium payment. These factors are
combined to produce a basic persistency to which credits are given.
These are a system of rating the prospect, where there is prospective
persistency-below which proposal is rejected.

(ii) Selling on the Basis of Needs.

Life insurance sold on the basis of fulfilling specific needs of
the prospects usually results in good quality and high persistency
business. It the agent sells a prospect the right policy and sells it
skillfully, the policy owner will usually have a proper appreciation
of the value and benefits of his protection.

(iii) Follow-up Services Calls on Policyholder.

Follow-up Service Calls and interviews made regularly by the
agent for the purpose of maintaining contact and goodwill and
rendering intelligent helpful and constructive life insurance services
are also conducive to the maintenance of high persistency. If a
policyholder has genuine need for the security and protection afforded by the insurance policy or policy plans purchased, if he understands the benefits and the privileges of his policy contract, if he is financially able to continue the prompt payment of the premiums and is an individual of character, there should be little danger of lapsation unless, of course, unfortunate changes and upsets occur in his life situation.

(iv) **Good Quality of Agents.**

A qualified, well trained, supervised and motivated agent will try to procure only good quality business. He is aware of the cost involved in lapsation. A thoughtful agent can always guide his policyholders better. His selection of business and follow up services will always be up to the standard. So, the degree of prevention of lapsation highly depends on the quality of the field-force. A cautious and honest field force would always preserve maximum business. In the Life Insurance Corporation the progress of the field-force should be materialized in the light of their respective lapsation, too. Higher percentage of lapsation under a worker should be taken to his discredit because it has been observed that the main cause of lapsation is their negligence.

(B) **Reinstatement of Lapses and Surrenders.**

Despite all that can be done or is being done in the prevention of lapses, lapses may occur. So reinstatement can be applied there. Reinstatement is the whole process of, reinstating or restoring wholly or partially a life insurance policy which has lapsed or has been surrendered either in full force under the term of the original contract by the payment of the necessary back-premium with
interest, or the payment of the difference in reserves or by salvaging the business through replacement or substitution of a different policy plan.

Reinstatement may be least effective to the policyholder, insurer and the agent due to the cost, time and effort of the reinstatement because the subsequent persistency of reinstated business has been found to be poor. It is a matter of satisfaction that the corporation has given various options to reinstate the lapsed policies.

7.4 CLAIMS CONDITIONS

a) Settlement of Claims

The policy amount becomes payable either on the assureds death during the term of insurance or on his surviving till the end of the term, i.e., on maturity. In case of death claims proof of death, proof of title and age proof are essential. In case of maturity proof of title and age proof are required. The age proof is required only when the age was not admitted before the claims. In maturity claim, the policyholders is generally advised well before the actual date of maturity in order that the necessary papers may be completed. The proof of death may be a certificate from the doctor who attended the deceased in his last illness, or certificate of Registration of the Death by the Official Registrar of Deaths, or Certificate from employer identifying the deceased or if the deceased was not in service a certificate of identity from a responsible person acquainted with the deceased.
b) **Settlement Options**

The claim amount may be paid in lump sum or installment. The installment payment may be of different types: payment of interest annually for a particular period or up to survival and the sum assured at a time may be paid. Annuity may be purchased for life or for a particular period and life thereafter.

### 7.5 TAX BENEFITS AND INSURANCE

Insurance world over is seen as a risk prevention investment. But in India, insurance is often bought for a different reason. Most often, it is bought for the tax benefits it gives. The Government of India has provided many tax exemptions for the insured. These exemptions are applicable even to the private insurance companies. Insurance is one of the investment vehicles, which qualifies for income tax exemptions and rebates as per the income Tax Act 1961. Some of the sections under, which tax rebates and exemptions, can be availed are 88, 80D, 80 DDA, 80 CCC (I) and 10D(D).

Under Section 88 of the Income Tax Act, certain percentage of rebate is allowed on investment in the form of insurance premium with any of the insurance companies approved by IRDA. Tax rebates can be availed by an individual on premium paid to keep in force an insurance policy on his/her life; or that of his/her spouse or children, including adult children and married daughter. Percentage of rebate can be up to a maximum of 30% and varies depending upon the tax bracket one falls into. This rebate is deductible form the tax payable by the individual.
The total amount of investment in the form of insurance premium and other specified investments like PPF, NSC, etc., is restricted to Rs.70,000 per annum for the purpose of tax. Tax rebate allowed is 20% of the premium, if the income is less than Rs. 1,50,000 and it stands reduced to 15% for those whose income is more than Rs1,50,000. No rebate is given if income is more than Rs.5,00,000. Under section 80CCC (I) a deduction up to a maximum of Rs.10,000 per annum is allowed from gross total income, when a contribution or deposit is made towards any of the pension policies recognized by IRDA.

Some of the plans eligible for tax exemption are Jeevan Suraksha of LIC, Forever Life of ICICI Prudential Life, Personal Pension Plan of HDFC Standard Life, etc. Investing in these plans rather than investing in any other insurance plan can significantly reduce tax burden. One gets that total deduction as far as the retirement plans are concerned, while in case of other insurance plans this benefit comes as a rebate. These schemes are useful for people in higher tax slabs because taxable income gets reduced.

The rates of income tax applicable under the Finance Act, 2004 for the financial year 2004-2005 i.e. assessment year 2005-2006 in the case of an individual is given below;
### Table: 7.2
**RATES OF INCOME TAX FOR A.Y. 2005-'06**

<table>
<thead>
<tr>
<th>Income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs.50,000/-</td>
<td>Nil</td>
</tr>
<tr>
<td>Rs.50,001 to Rs.60,000/-</td>
<td>10%</td>
</tr>
<tr>
<td>Rs.60,001 to Rs.1,50,000/-</td>
<td>20%</td>
</tr>
<tr>
<td>Above Rs.1,50,000/-</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Income Tax Act

The assessee being an individual or on HUF will be entitled to tax rebate u/s 88 of the Act as under;

### Table: 7.3
**TAX RABATE FOR A.Y. 2005-'06**

<table>
<thead>
<tr>
<th>Gross total income before deduction under Chapter VI-A</th>
<th>Rate of Rebate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Up to Rs.1.5 lakh</td>
<td>20%</td>
</tr>
<tr>
<td>(ii) Rs.1.5 Lakh to Rs.5 Lakh</td>
<td>15%</td>
</tr>
<tr>
<td>(iii) Above Rs.5 lakh</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Source: Income Tax Act
Surcharge on Income Tax:

The amount of Income Tax so computed shall be reduced by the amount of rebate of income tax calculated under Chapter VIIA (i.e. rebate u/s 88,88B, 88C and 88D). Income-tax so reduced shall be increased by a surcharge @10% of such income-tax where the total income exceeds Rs.8,50,000/-. However, in case of a person having a total income exceeding Rs.8,50,000/- the total amount payable as income tax and surcharge on such income shall not exceed the amount payable as income tax on a total income of Rs.8,50,000/- by more than the amount of income that exceeds Rs.8,50,000/-.

Qualifying Investments eligible for rebate:

Investments qualifying for rebate viz. Insurance Premia, Premium paid toward annuity plans of LIC of India is specified under Section 88 of the Income-tax Act.

1) Premiums paid to effect or to keep in force an insurance policy on the life of assessee or on the life of the wife or husband or any child (whether minor or major) of the assessee, irrespective of the status of the child; provided the premium paid is not in excess of 20% of the actual capital sum assured.

2) Premiums paid to effect or to keep in force a contract for a deferred annuity on the life of the assessee or on the life of the wife or husband or any child (whether minor or major) of the assessee provided that such a contract does not contain a provision for the
exercise, by the assured, of an option to receive a cash payment in lieu of the payment of the annuity.

3) Contribution to any provident fund to which the Provident Fund Act, 1925, applies or to any Provident Fund set up by the Central Government.

4) If the assessee is an employee participating in a recognized provident fund, his own contribution to such fund in the previous year.

5) If the assessee is an employee participating in an approved superannuation fund, his contribution to such fund in the previous year.

6) Any sums deposited in a ten-year account or a fifteen-year account under the Post Office Saving Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time.

7) As a contribution for participation by the individual in a Unit Linked Insurance Plan, 1971 of the Unit Trust of India and LIC Mutual Fund (Dhanraksha Plan).

8) Any sums paid in the previous year by the assessee as subscription to National Saving Certificates (VI & VII issues).

9) Any subscription to such Savings Certificates as defined in Section 2(c) of the Govt. Saving Certificate Act, 1959 (i.e. National Savings Certificate VIII issue).
10) Any payment made by the taxpayer towards the cost of purchase or construction of a new residential property will qualify for deduction up to a maximum of Rs.20,000/- subject to certain conditions.

11) Deposits with National Housing Bank under home loan account scheme or Pension Fund set up by the National Housing bank.

12) Notified Annuity Plans of LIC of India or any other insurer.

13) Contribution to any pension fund set up by any Mutual Fund notified under clause (23D) of section 10 or UTI.

14) Subscription not exceeding Rs.10,000/- to any units of any mutual fund notified under clause (23D) of section 10 of Income-tax Act, 1961 or UTI.

15) Payment made as tuition fees to any university, college, school or other educational institution situated within India for the purpose of full time education of individual, assessee, spouse and any child of such individual subject to a maximum of Rs.12,000/- per child limited to two children. This will be applicable from A.Y. 2004-2005.

16) Subscription to equity shares or debentures forming part of any eligible issue of capital by a public company or units of any Mutual Fund referred in clause (23D) of Section 10 and approved by the CBDT. The higher limit of Rs.1,00,000/- for the purposes of availing rebate under this section can be had only when the assessee invests
in such issues, the entire proceeds of which are utilized wholly for the purposes of developing, maintaining & operating infrastructure facilities including telecommunication facilities.

Some important Income Tax Rebates available under various plans of Life Insurance are highlighted below:

1) Income tax exemption on Maturity/Death Claims proceeds under Section 10(10D)

Under the provisions of sub-section 10D of section 10 of Income tax Act, 1961, any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy other than any sum received under Sub-section (3) of Section 80DD (i.e. amount to be refunded under Jeevan Aadhar Insurance Plan in case the handicapped dependant predeceases the individual) or under a Key man Insurance Policy, is exempted from income tax. However, any sum received under an insurance policy effected on or after 1-4-2003 in respect of which the premium paid in any of the years during the term of the policy exceeds 20% of the actual capital sum assured will no longer be exempted under this section.

2) New Jeevan Suraksha – 1 Plan (U/s 80CCC)

A deduction to an individual for any amount paid or deposited by him from his taxable income in the above annuity plan for receiving pension (from the fund set up by the Corporation under the Pension Scheme) is allowed. The deduction will be restricted to Rs. 10,000/-.
3) **Jeevan Aadhar Plan (Sec.80DD)**

As per section 80DD, an amount not exceeding Rs.50,000/- deposited with Life Insurance Corporation of India under Jeevan Aadhar Plan for the maintenance of a handicapped dependant is eligible for deduction from the total income (Rs.75,000/- where handicapped dependant is suffering from severe disability).

4) **Exemption in respect of commutation of pension under Jeevan Suraksha**

Under Section 10(10A) (iii) of the Income-tax Act, any payment received by way of commutation of pension out of the Jeevan Suraksha Annuity plan is exempt from tax.

5) **Rebate of Income-tax on Life Insurance Premium (Section 88).**

(a) **Life Insurance Premium (Section 88(2)(i))**

The insurance premium is paid in order to effect or to keep in force an insurance policy on the life of the assessee or on the life of the spouse or his child. The child may be minor or adult child and also includes a married daughter. In the case of HUF, premium paid on the life of any member thereof, is eligible for rebate. Provided premium paid is not in excess of 20% of capital sum assured.

(b) **Contribution to Deferred Annuity Plans (Section 88 (2) (ii))**

Any sum paid by an individual in order to effect or to keep in force a contract for deferred annuity, on his own life or the life of his
spouse or any child, provided such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of annuity.

(c) Contribution to Pension/Annuity Plans (Section 88(2) (xila))

Contribution to New Jeevan Dhara-I and New Jeevan Akshay-I Schemes of LIC are qualified for rebate under this section.