CHAPTER V

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LIFE INSURANCE : A CONCEPTUAL ANALYSIS

LIC does not simply insures the life of a person there is a separate procedure in LIC for selection of life for insurance; calculation of premium & settlement of claim. As the calculation of premium is a highly technical & difficult so it requires a broad knowledge of mathematics & statistics. It involves the computation of cost of mortality for various types of policies. Insured must have a proof of age before getting insured & there are definite rules regarding advance deposit; medical examination; filling of proposal form in LIC. Submission of prescribed proposal form is the basic requirement. Medical report may be required to assess the health of the proposer. Proofs of age and income, agent’s recommendations, special reports in case of any deformity or history of major illness, etc. would be required to evaluate the risk. This process is called ‘Underwriting’ and it is done in India based on the facts appearing in proposal form and allied paper. If the proposed life is acceptable and sufficient amount is received towards the First Premium, acceptance letter would be sent to the proposer and policy bond would be issued in due course.

5.1 PROCEDURE IN LIC REGARDING

5.1.1 Selection of life:

Selection of life is a process whereby, inferior lives are ‘weeded out’. This process is to determine whether the degree of risk presented by an applicant for insurance is commensurate with the premium established for persons in his category or some additional premium should be charged or the applicant should be rejected the insurance.
Purpose of selection:

(i) The first and the foremost purpose of the selection of the life is to determine whether the proposal should be accepted or not.

(ii) The second objective of selection is to determine the rate of premium to be charged from the assured. The premium depends upon the amount of risk. Higher is the risk the more will be the amount of premium.

(iii) Since there are various degrees of risk to a person & so all people should be charged different premiums but it is not practicable to charge so many premiums as many applicants are. Therefore, for practical purposes this risk are classified & premiums are determined accordingly.

(iv) The fourth aim of selection is to avoid any discrimination on the part of the lives assured. Since the degree of risk is not the same to the entire person’s, different premiums should be charged from different groups.

(v) The selection of life is also essential to avoid adverse selection. The persons in adversity of insurance, i.e. the person who are imminent to death may try to purchase insurance at any cost to gain. If it is permitted not only the insurer will be losing, but also the honest insured that would be required to pay more premiums to meet the total loss of the insurer. Therefore, it is very essential to select standard risk at standard cost and substandard risk at extra premium to avoid inequality of cost & unfavorable selection of risk.

(vi) The aim of selection is to, decide that there exists insurable interest or not.

The following factors are taken into account in assessing the risk:

(i) **Age** - This is the most important factor in the selection of life and also a basic thing for calculating the premium. The insurers insist to produce age proof in the form of school or college certificate certified extract from the municipal board certified extract from service registrar etc, at the time of summitting the proposal form.
(ii) **Build**: Build refers to physique of the proposed life and includes height, weight, and the distribution of weight according to height and considers the proposal on merits. Overweight is dangerous in advanced age and underweight is similarly not desirable at a younger age, say below 35 years. The corporation has fixed the minimum weight at a specified height. If the assured life is not within the standard the proposal may not be accepted at the time of proposal and it may be postponed or may be accepted at extra premium or may be rejected at all.

(iii) **Physical condition**: The physical condition of the age life proposed has a direct bearing on the mortality of the life. Insurers are therefore very particular about the conditions of an applicant’s sight, hearing heart, arteries lungs, tonsils, teeth, kidneys, nervous system etc. The proposal form also contains these questions to collect the information. If required, medical examination can also be recommended.

(iv) **Personal history** – The personal history reveals applicant’s past health records, habits, accident, operation and previous occupation etc. A proposal with recent illness will not be accepted unless a specified period is elapsed. If the applicant has undergone for serious surgical operation during the past two years he may be in a position to get recurrence. Similarly, habits also affect risk. A person who is in the habit of taking alcohol is a substandard risk.

(v) **Insurance history** – If the proposal is already insured, the amount of insurance present as well as past according to his income group is an indication for over and insurance also to access that he will be able to pay the premium. Thus the previous amount of insurance disclose the degree of the applicant if he was refused, insurance it might be suspicious factor of his insurability.

(vi) **Family history**: This is a very important factor in the selection of risk. The proposal form usually contains questions about the health of proposer’s parents, brothers, sisters, wife or husband and children not only about the living at
present but also who are dead, their present age and state of health and cause of death. This will reveal the insurer to decide if there is any hereditary disease and average longevity of the family.

(vii) **Occupation** – Proposer’s occupation is an important factor in the selection of life. Firstly, the nature of work may be hazardous because of which he may suffer an accident at any time while at work. Secondly, the chemical effect may be poisonous. Thirdly, the dusty or unventilated house, unhealthy or in sanitary environments may deteriorate the health of workers. Fourthly, excessive mental nervous strain may cause financial worries and lastly, the lesser income may affect the health of the worker.

(viii) **Residence** – The residence also affects the risk. The risk will be lesser in a good climate area and more in a bad climate although the difference is narrowed down because of better medical and sanitary, climate, construction of house, travel etc. are important factor which may affect the life.

(ix) **Morals** – Moral hazard depends upon the character of the insured. Moral hazard includes good habit personal reputation, character, business ethics, environment, sex relations etc. Moral hazard is expected to present where person is suffering from serious disease, proposal is on other’s lives and proponent is engaged in hazardous occupation.

(x) **Race & Nationality** – The mortality rate differs from race to race & nation to nation. In India, persons of high race or caste are expected to live longer than the scheduled castes or tribes. Similarly, countries near to equator have more mortality. The climate & way of life of a country affect the health conditions of the people.

(xi) **Sex** – Mortality among female sex is, generally, higher than that of male sex because the physical hazard of maternity is present in the former case. Moreover, the ladies are physically more handicapped. The lesser education, conservation & non-employment also affect the mortality. So, unless woman
had good financial reasons for insurance, her proposal is not generally conceded.

5.1.2 Admission of Age
At the time of admission, insurer should check policy bond to see that if date of birth is correctly given therein. This is one of the factors on which the premiums paid for a policy is arrived at. This would also form the basis of all future policies insurer avail from LIC. Insurer with LIC must see that if in case earlier policies do not have his date of birth incorporated he had a date of birth certificate issued by the competent authority, attested with a request to admit your age.

Table No. 5.1 Age Proof accepted by LIC
The Proofs of age, which are generally acceptable to the LIC, are as under:

<table>
<thead>
<tr>
<th>S.No</th>
<th>Type of Document</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Armed Force ID Card-with Photo</td>
<td>Armed Force ID Card-with Photo Declaration on plain paper for ID/Address with seal and sign of supervising officer</td>
</tr>
<tr>
<td></td>
<td>Driving license</td>
<td>Valid driving license having photograph in payor's name issuance validity requirement reduced from 2 years to 1 year</td>
</tr>
<tr>
<td>3</td>
<td>Passport</td>
<td>Valid passport (should not have expired)</td>
</tr>
<tr>
<td>4</td>
<td>Ration Card with Photo</td>
<td>Ration card with payor's photo (in case of having family photograph on the ration card and absence other alternate in the photograph with counter signature by the payor) proof the payor has to be encircled</td>
</tr>
<tr>
<td>No.</td>
<td>Document Type</td>
<td>Description</td>
</tr>
<tr>
<td>-----</td>
<td>---------------</td>
<td>-------------</td>
</tr>
<tr>
<td>5</td>
<td>Birth Certificate</td>
<td>Issued by Village Panchayat or Municipal Certificate with address and matches with the address application. For address proof, it should not be older than 1 year from the date of address.</td>
</tr>
<tr>
<td>6</td>
<td>Voter’s Identity Card</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>IRDA License</td>
<td>IRDA card as photo ID proof of an active agent (in case agent is Payor).</td>
</tr>
<tr>
<td>8</td>
<td>Bank Manager’s Letter</td>
<td>On the letter head of the bank or rubber stamped by the Manager, stating the customer’s address along with photo duly signed by the manager.</td>
</tr>
<tr>
<td>9</td>
<td>Credit Card Statement</td>
<td>Latest credit card statement in Payor name (not more than 6 months old) duly verified by &amp; attested by an employee of LIC.</td>
</tr>
<tr>
<td>10</td>
<td>Employee ID or Declaration on Letter Head</td>
<td>Of Company</td>
</tr>
<tr>
<td>11</td>
<td>Government, Semi Government</td>
<td>Employee ID cards or declaration on company letter head should be employed in the same company.</td>
</tr>
<tr>
<td>12</td>
<td>Government Bonds, RBI Bonds, Capital Gain Bonds, IDBI or ICICI Bond Certificates</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>House Allotment Letter</td>
<td>House Allotment letter from the Government / Registered societies/Reputed Companies with photocopy duly certified by the HR Department.</td>
</tr>
<tr>
<td>14</td>
<td>IT Returns</td>
<td>IT Returns for the current Assessment Year or the immediately preceding Assessment Year.</td>
</tr>
<tr>
<td>Page</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>LPG / GAS Proof from BPCL, HPCL, IOC Mahanagar Gas (Passbook)</td>
<td>Gas book in Payor name or in the name of immediate family, defined as parents, spouse, and children. Relationship proof such as ration card or Marriage certificate in case of married women, is required if in family members’ name.</td>
</tr>
<tr>
<td>16</td>
<td>Mutual Fund / Demat Account Statements</td>
<td>Mutual Fund / Demat Account Statements provided it is not older than 12 months as on the date of acceptance.</td>
</tr>
<tr>
<td>17</td>
<td>Personal or Home loan Statements</td>
<td>Personal or Home loan Statements provided it is not older than 12 months as on the date of acceptance.</td>
</tr>
<tr>
<td>18</td>
<td>Property Registered Deed</td>
<td>Property Tax Document not older than 1 year.</td>
</tr>
<tr>
<td>19</td>
<td>RC Book Copy</td>
<td>RC Copy of two wheeler / Four wheeler in payors name bearing his photograph.</td>
</tr>
<tr>
<td>20</td>
<td>Rent Agreement</td>
<td>Valid lease agreement (within the period of lease) supported with Rent Receipt which is not more than 3 months old.</td>
</tr>
<tr>
<td>21</td>
<td>Shares, Debentures, Bonus/rights/Dividend Statements</td>
<td>Shares, Debentures, Bonus/rights/Dividend Statements provided it is not older than 12 months as on the date of acceptance.</td>
</tr>
<tr>
<td>22</td>
<td>Society Charges payment Receipt</td>
<td>Society Charges payment Receipt not older than 12 months as on the date of acceptance.</td>
</tr>
<tr>
<td>23</td>
<td>Utility Bills ; Electricity Bills ; Water Bill ; Gas Bill issued by HPCL, BPCL, IOL, GAIL, MGL, etc. Telephone Both Mobile and Landline</td>
<td>Utility Bills not older than 6 months from application date in Payor name or in name of immediate family – defined as parents, spouse, and children. Relationship proof required if in immediate family member’s name.</td>
</tr>
<tr>
<td>24</td>
<td>Post Office Saving a/c and PPF a/c - with photo</td>
<td>Post Office Saving a/c and PPF a/c - with photo.</td>
</tr>
<tr>
<td>No.</td>
<td>Document Type</td>
<td>Details</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>25</td>
<td>Bank passbook with photo attested on the same</td>
<td>Bank passbook with payor’s photo attested on the same</td>
</tr>
<tr>
<td>26</td>
<td>Letter on letterhead with name and address of the issuing authority, stamped and signed verifying the identity</td>
<td>Letter on letterhead (preferably) with name and address of the issuing authority, stamped and signed verifying the customer from the authorised person as per list (photograph should also be duly stamped/attested) and residence of the customer from the authorised person as per list attached</td>
</tr>
<tr>
<td>27</td>
<td>Property Registered deed with attested photograph</td>
<td>Property Registered deed with payor’s attested photograph - Not older than 6 months from date of application</td>
</tr>
<tr>
<td>28</td>
<td>Trade License/Professional license</td>
<td>Trade License/Professional license-with photo</td>
</tr>
<tr>
<td>29</td>
<td>Domicile Certificate</td>
<td>Domicile Certificate Issued by Magistrates/Dist Collector</td>
</tr>
<tr>
<td>30</td>
<td>LIC Policy</td>
<td>The LIC policies and the premium receipts, which indicate the age, admitted based on the following codes only will be accepted as Standard age proof. The codes are P: Passport S: School Certificate C: College Certificate M: Municipal Birth Certificate B: Baptism Certificate I: Defense ID card J: Domicile Certificate</td>
</tr>
<tr>
<td>31</td>
<td>Insurance Premium Receipt</td>
<td>Policy Document or premium receipt paid in the past 12 months of LIC/GIC/any other Insurance Company Policy</td>
</tr>
</tbody>
</table>

**5.1.3 Calculation & payment of Premium**

Premium is the consideration in the insurance contract and is paid by the assured in advance to the insurer.
The premium is paid on monthly, quarterly, half-yearly or yearly basis. The premium is of two types:
(i) Net Premium.
(ii) Gross Premium.

The two premiums are further subdivided into two parts:
- Single premium
- Level Premium

(i) **Net premium** – The net premiums is based on the mortality and interest rates.
Net single premium is that premium which is received by the insurance in lump-sum & is exactly adequate, along with the return earned thereon, to pay the amount of claim whenever it arises whether at death or at maturity or even at surrender.

- **Steps for calculation of net single premium:**
  1. Determine what constitutes a claim:
     a) death       b) survival       c) or both
  2. Determine when claims are paid:
     a) at the beginning       b) at the end or,       c) during the year
  3. Determine the number of insured.
  4. Determine the duration of the policy.
  5. Determine the probable number of claims per year.
  6. Determine the value of claims per year.
  7. Determine the no. of years of interest involved and find the present value of a rupee.
  8. Determine the Present value of the claim for each year.
  9. Determine the Present value of all future claims.
 10. Determine the net single premium (i.e. Present value of future claims) divided by number assumed for buying policy.

*The steps of premium calculation vary according to the nature of the policy.*
Calculation of net single premium in different types of policies is asunder:

(a) **Term insurance** -- Under Term insurance plan the Sum Assured is payable only when the life assured dies within the term specified. Nothing will be paid if death does not occur during the designated term. The premium is received in advance and it will not be returned if assured survives. The premium is paid only once in a single sum at the inception of the policy. Thus, the probability of death in each year along with the present value of the claim for each year will be calculated because death may occur at any moment and the insurer may be required to pay.

The premium for term insurance is calculated by the following formula:

\[
\text{Premium} = \text{probability of death} \times \text{sum assured} \times \text{Present value of rupee 1/}
\]

(b) **Whole life policies** -- A whole life policy continues for the whole life and promises to pay the sum insured upon the death of the insured to his beneficiary. This policy is like that term insurance policy with only difference that instead of being limited to a definite number of years, it continues for the largest possible length of life and will certainly be paid at some time. It has been assumed in most of the mortality table that the live will continue up to 100 years. Therefore, the calculation of premium will start from the date of commencement of the risk to the 100th year. If a person has taken policy at the age of 45, the calculation will continue until hundredth year.

\[
\text{Premium} = \text{probability of death} \times \text{policy amount} \times \text{Present value of rupee 1/}
\]

(c) **Pure endowment**

Under pure endowment policy insure will pay the sum assured only, if assured survive the stipulated term. If the assured dies during the stipulated term nothing is payable.
Under this mortality rate of survival is taken into account and not mortality rate of death in term insurance. The formula is as under:

\[ \text{Premium} = \text{Probability of survival} \times \text{Sum assured} \times \text{Present value Of Re. 1} \]

(d) **Endowment plan** -- Under then endowment plan sum is paid either on the happening of the event before the term or on survival at the date of maturity. Thus, endowment plan is a combination of term assurance and pure endowment. Therefore to calculate the single premium under an endowment plan mortality rate of death as well as mortality rate of survival both is taken into account and added together. The formula is as under:

\[ \text{Premium} = \text{Single premium for the year of endowment} + \text{Single premium for Term insurance} \]

**Net level premium**

The single premium of a given policy can be easily converted into level premium by establishing ratio between net level premium & net single premium. The ratio will defer according to the age at the beginning, nature and duration of the policy. The second method of calculating the net level premium is on the basis of annuity due principle because the annuity due for the same period and issued at the same age is just like level premium. In both the case’s, the payments are made in the beginning of the period and so long as the assured is alive. So,

\[ \text{Net level premium} (P_x) = \frac{\text{Net single premium} (A_x) \times \text{annuity due}}{\text{Purchase price of annuity due} (A_x)} \]

(ii) **Gross Premium**

Gross premium depends upon the mortality rate, the assumed interest rate, the expenses and the bonus loading. Alternatively, we can say if expenses and bonus to policyholders is added to the net premium it comes the gross. Gross
premium is the premium which is actually charged from the policyholders. The insurance companies have to incur various expenses in procuring new business, commission to the agents, salaries to staff and incentives to field force. Therefore, net premium is loaded with all these expenses to find out the gross premium.

\[
\text{Gross premium} = \text{Net premium} + \text{loading}
\]

**Loading** - The insurer has to incur lot of expenses in connection with

1. New business
2. In connection with the collection of premium
3. In connection with the servicing charges &
4. In connection with the general matters such as administrative and legal charges. These expenses are added to the net premium and the process is called the ‘loading of the premium’.

**Methods of loading**

1. **The constant addition method** – As per this method a fixed amount per thousand of sum assured is added to the net premium.
2. **Percentage method** – Under this method a percentage of net premiums is added to the net premium. It assumes that all expenses vary according to the premium account. The percentage is determined according to the past experience.
3. **Modified Percentage Method** – As there are various types of policies issued by the corporation so expenses may vary accordingly. Under this method, the loading is divided into two parts:
   - Expenses varying according to net level premium of the given policies &
   - Expenses varying according to the net level premium of the whole life policy issued at the given age.
4. **Cost and & Percentage Addition method** - Under this method, the loading is done under two parts:

- Cost amount per thousand of the sum assured
- A fixed percentage related to the net premium of the policy.

The percentages are determined on the basis of past experience.

The premium rate is calculated annually, but for the convenience of the assured, it is paid half-yearly, quarterly or even monthly. These premiums paid in installments 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. When premiums are not annual but fraction and if death takes place before all the premiums have fallen due for the current policy year, the corporation deducts the unpaid installments from policy year, the corporation also deducts the unpaid installments from the assured sum at the time of settling the claim.

5.1.4 **Settlement of Claims**

Claims mean a procedure for the payments under the policy to the assured himself either at the time of maturity of the policy or to his legal heirs or nominee in the event of his early death.

(i) **Procedure for settlement of maturity claim:**

A maturity claim means the payment of claim under the policy on the stipulated date mentioned therein to the life assured who is alive. Usually the divisional office maintains a date wise maturity list of the policies and when a policy matures, an intention is sent two months ahead of the maturity date. If the age of the life assured is not admitted this intimation is sent to him in advance of 3 to 4 months, before the date of maturity asking the assured to submit the proof of age for the early settlement of claim. If the age has already been admitted intimation is sent along with the discharge form (Form No. 3825)
requesting him to complete it return duly signed and stamped so as to enable the corporation to make the payment. The corporation usually sent post dated cheque to the assured to get the payment on the date mentioned in the policy document.

Steps taken in LIC for the settlement of a maturity claim:

(i) First of all, they ascertain that age of the assured is admitted in the records & discharge form is duly completed and the original policy bond is received.

(ii) If the policy document is in the possession of the corporation as a security against loan advanced, the same is called from the loan department along with the loan & interest dues against it and the same is deducted from the proceeds of the payment.

(iii) They also ascertain that the title of the policy is clear & it is not assigned in any way.

(iv) After verification if the claim is found correct and payable, it is be entered in the maturity claim intimation register. This is a statutory requirement under section 14(b) of the insurance Act. Full details of the claim i.e. name and address of the assured, date of maturity, date of payment and amount to be paid is entered in the respective columns of the register.

(v) When the papers are completed in every respect for the payment of maturity claim, the original policy is cancelled and a rubber stamp is placed marked as ‘matured. A voucher is prepared for the amount payable and entered in the claim register. All the details about the policy are entered in this register.

(ii) Procedure for settlement of death Claims:

Corporation has laid great emphasis on expeditious settlement of the maturity as well as death claims. If the life assured dies during the term of the policy, death claim arises. The death of the policyholder should be immediately
intimated in writing to the branch office where the policy is serviced along with the following particulars:

a) The No./s of the policy/ices
b) The name of the policyholder
c) Death Certificate issued by concerned authority
d) The date of death
e) The cause of death and
f) Claimant’s relationship with the deceased

On receipt of the intimation of death, necessary claim forms are sent by the Branch Office for completion along with instructions regarding the procedure to be followed by the claimant. The claims, which have arisen after a period of three years, are treated as non-early claims and settled within 30 days from the date of receipt of all requirements. The claims that have arisen within a period of two years from the date of commencement of the policy are treated as early claims and investigation is compulsory in such cases. The claim is usually payable to the nominee/assignee or the legal heirs, as the case may be. However, if the deceased policyholder has not nominated/assigned the policy or if he/she has not made a suitable provision regarding the policy moneys by way of a will, the claim is payable to the holder of a succession certificate or some such evidence of title from a court of law.

**Steps for settlement of claim followed in LIC:**

(i) **Intimation of death the policy holder** - As soon as the death takes place, the nominee under the policy or the assignee or the legal heir gives an intimation of death to the divisional office by stating the name of the assured, policy no. and the date of death. Sometimes agent on behalf also gives intimation to this effect.

(ii) **Filling up claim forms** – On receipt of the intimation of death the claims forms are sent immediately. The form contains various details to be filled
up, such as policy no. & the date of commencement of the policy, name of the assured, type of policy, term of policy, sum assured, the date of maturity, date of death, period of illness & treatment, nominee, mode of payment required, doctor’s certificate if any etc.

(iii) **Proof of death** – A number of evidence of death is to be furnished:

- **Death certificate** – To be obtained from the birth and death registration office and mostly it is the police station of the place concerned which issues it. The certificates states the identity of the deceased with details like name, deceased father’s name, place, occupation, date of death etc.

- **The legal heir certificate** - It is generally issued on the basis of the death certificate by the tehsil office. As the name implies it states and authorizes the actual heir of the property of the deceased or the nominee along with more or less the same details of death certificate.

- **Certificate of identity**– It is usually issued by a respectable person of the place with regard to the death of the person. Sometimes this certificate may be filled by the insurer himself.

- **Doctor’s certificate** –Whenever possible a doctor’s certificate is also sent in case of deceased was under his treatment.

- **Agents report** -If possible the concerned agent is informed of the death & report to this effect is obtained to expedite the matter. In case of death of a government employee, a certificate of death from the employer serves the purpose.

All these certificates and form dully filled & the policy is sent to divisional office.
5.2 RULES IN POLICY

5.2.1. Rules regarding Advance Deposit

The corporation requires in the case of any proposal payment of an advance deposit equal to the first premium but in no case less than the amount shown below in respect of proposal where under medical reports are required.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Sum Proposed</th>
<th>Minimum Advance Deposit Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Full medical report up to &amp; including ` 50,000</td>
<td>` 50</td>
</tr>
<tr>
<td>2.</td>
<td><code>50,001 to</code> 2,00,000</td>
<td>` 60</td>
</tr>
<tr>
<td>3.</td>
<td>Above ` 2,00,000</td>
<td>` 80</td>
</tr>
</tbody>
</table>

Table 5.2

In case of proposal on two lives under Joint Life Assurance Plan the minimum deposit required will be equal to double the amount mentioned above. The proposer must not be presented for medical examination until the requisite amount of advance deposit has been remitted to the branch office of the corporation within whose jurisdiction the proposer resides, on account of medical examination. However, advance deposits need not be collected where a proposal is to be financed from the provident fund A/c provided the application for withdrawal of premiums from the provident fund is submitted along with the proposal.

If the proposal accepted at ordinary rates & the proposer for any reason, does not complete the proposal, then a sum equal to the minimum advance deposit will be appropriated towards the cost of medical examination from the advance deposit & only the balance of the advance deposit, if any will be refunded. The same will be applicable in case of proposals which have been postponed or declined.
5.2.2. Rules Regarding Medical Examination

The corporation has appointed medical examiners, authorized to examine cases throughout the country. The list of appointed doctors with their limits depending upon their experience & qualification for examining cases is available at each Branch office.

The appointment of medical examiners rests entirely with the corporation. Agents are forbidden to canvass any doctor for assurance on promise of getting him appointed as a medical examiner. A report from an unauthorized medical examiner would under no circumstances be accepted wherever there is an adequate provision of medical examiners. Reports from assistant civil surgeons & assistant district medical officers & doctors–in–charge of local fund dispensaries & municipal hospitals who are not appointed medical examiners of the corporation may, however, be accepted up to the limits that can be allowed to them in cases where no authorized medical examiner is available at the station. A report from a medical examiner in excess of his limit will not be accepted under any circumstances if the doctor with the requisite limit is available.

Only one medical report is to be obtained whatever be the basic sum assured subject to adequate medical examiner’s limit.

Medical Examination of Female Lives-Female lives should be examined only by appointed lady doctors & in their absence, by the government lady doctors, if available.

Others rules regarding medical examination
i) A proposer should be taken for medical examination only to the authorized examiner in the proposer’s own locality.
ii) Medical examination should be carried out only at the place where the doctor carries on his practice & for which he is appointed. Medical examination of
the proposer at any place other than the consulting room & dispensary of the medical examiner will not be permitted.

iii) Medical examinations should not be conducted at late hours in the evening except where facilities of electric lights are adequately available.

iv) A lady doctor should not be asked under any circumstances to examine a male life. Similarly a male doctor should not be asked to examine a female life. Such reports will not be accepted & no fees paid thereof.

vi) In case of the medical examination of agent’s own life, the controlling branch shall decide by which examiner he is to be examined.

vii) The medical examiner should be instructed to forward the report when completed direct to the office of the corporation in the jurisdiction of which he is appointed. The medical report is confidential & neither the agent nor the proponent would have any access to it.

viii) The party can be examined by the medical examiner duly authorized by the corporation only if:

➢ Proposal complete in all respects together with a personal statement is made available to the medical examiner at the time of medical examination.

➢ The proposal bears the name & signature of the life to be insured together with the name & signature of the person introducing the party.

ix) The signatures of the party & the person introducing the party to the medical examiner should be taken in the medical diary as well as the counterpart of the medical report pads maintained by the medical examiner.

x) A medical report remains in force for six months & further proposals within the medical examiner’s limit can be entertained during this period without further medical examination provided sum proposed under additional proposal is up to ` 1 lacs.
5.2.3 Rules regarding filling of Proposal forms:

The agent should be conversant with the various types of proposal & other forms to be completed under given circumstances so that only the appropriate form, duly completed in all respects, is submitted.

Instructions for filling the proposal form:

a) **Name of the proposer**: The full as well as contracted name of the proposer is required to be stated, the former in block letter. The contract name is to be used for purpose of correspondence and sending out premium notice and receipts.

b) **Present occupation and its nature**: The occupation of the proposer is to be correctly stated and, precisely described in order to enable the corporation properly to assess the risk in respect of occupation which require extra premium.

c) **Date of Birth**: This should be correctly stated & satisfactory proof of age should as far as possible accompany the proposal form.

d) **Table & Term Assurance**: The plan of assurance should be selected on the basis of proposer’s insurance needs, age, etc.

e) **Object of assurance**: The purpose of assurance should be clearly stated such as family provision, old age provision, marriage of dependent female relative etc.

f) **Nomination**: Only the holder of a policy of life insurance on his own life can effect a nomination under Sec 39 of the Insurance Act 1938 but not in the proposal on the life of another. If the proposal is for policy under the married woman’s property Act 1874 the question regarding nomination should be answered as “does not arise”. In case a policy is to be financed wholly or partly out of Hindu undivided family (HUF) income no nomination or assignment can be effected. In case of proposal for a joint life policy the nomination question should be answered in the negative because it is not
practicable under the plan to effect a nomination in the proposal form.

g) **Appointment of Appointee**: The appointment of an appointee in the case of minor nominee would be valid only if the appointee affixes his signature below the appointment. The appointee’s signature must invariably be obtained in the proposal form if the appointment of an appointee is to have effect.

h) **Previous insurance history**: Clear and complete information in the respect of each of the previous policies as to:

(i) whether the policy is in full force and if not;

(ii) whether it has lapsed or made paid up in which case the due date of last premium paid & the mode (i.e. yearly, half yearly, quarterly, or monthly) of payment of such premium.

i) The proposal form should preferably be filled in by the proposer himself, though this is not absolutely essential. When the form is printed in English it should be filled in English, if he does not know English, the proposer should further declare in his own language and above his own signature that all the questions were explained to him and that his replies were given after fully & properly understanding the same. Where a proposer does not know English, form printed in the regional language with which he is conversant should preferably be used.

5.2.4 **Rules regarding 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. If the actual age comes out to be lower than the stated age, the difference is either refunded or adjusted towards future premium or policy amount. The proof of age is very essential at the time of proposal in the Term policies, Multipurpose policy, Children Deferred Endowment Assurance, Immediate Annuity Deferred Annuity.

The following are accepted as evidence of age:

- Certified extract from Municipal or Local Body’s records made at the time of birth.
- Certificate of Baptism or Certified Extract from Family Bible, if it contains age or date of birth.
- Certified Extract from School or College records, if age or date of birth is stated therein.
- Certified Extract from Service Register in the case of Govt. employees and employees of Quasi-Govt. Institutions or
- Passport issued by the Passport Authorities in India.
- Any other document (such as Domicile certificate) where date of birth or age has been provided on the basis of one of the standard age proofs acceptable to the corporation.
- In case of defence personnel, identity card issued by defence department.
- Marriage certificate in the case of Roman Catholics issued by a Roman Catholics church.

5.3 POLICY CONDITIONS:

5.3.1 Accident Benefit in LIC

Accident benefit provides for payment of an additional benefit equal to the sum assured in installments on permanent total disability and it also provides for payment of an additional amount equal to the sum assured in case of death by accident.
Benefit payable on disability of the life assured:

(i) Payment is made in monthly installments spread over 10 years of an additional sum equal to the sum assured by the policy, the first installment becoming payable one month after the date of disablement provided. However, if the policy becomes a claim before the expiry of the said period of years, the disability benefit installments which have not fallen due, will be paid along with the claim. This is subject to this condition that such additional sum payable in respect of the policy together with it under any other policies on the life of the assured, issued by the corporation or any insurer whose business a has been taken over by the corporation will not exceed ` 5,00,000.

(ii) The waiver of the payment of future premiums up and to an assurance of ` 50,00,000 the first installment to be waived being that falling due immediately after the date of disablement.

Benefits Payable on Death of Life Assured

Payment of an additional sum equal to the sum assured under this policy is made if while the policy is in force for full sum assured the life assured shall sustained any bodily injury resulting solely & directly from accident caused by outward violent & visible means ( of which proof satisfactory to the Corporation has been furnished ) and if such injury within 120 days of its occurrence , solely, directly and independently of all others intervening causes results in the death of the life assured . However, such additional sum payable in respect of this policy together with any additional sum payable under other policies on the life of the assured shall not exceed ` 5,00,000.

The corporation shall not be liable to pay the benefits on account of disablement of the life assured or on account of the death of the life assured if the disability or the death of the life assured is:
1) caused by intentional self injury, attempted suicide, insanity, or immorality or whilst the life assured is under the influence of intoxicating liquor, drug or narcotic; or

2) taken place as a result of accident while the life assured is engaged in aviation or aeronautics in any capacity other than that of a fare-paying, part paying, or non-paying passenger in any aircraft which is authorized by the relevant regulations to carry such passengers & flying between established aerodromes, the life assured having at that time no duties on board the aircraft or requiring descent there from; or

3) be caused by injuries resulting from riots, civil commotion, rebellion, war (whether war be declared or not), invasion, hunting, mountaineering, steeple-chasing or racing of any kind; or

4) result from the life assured committing any breach of law; or

5) arise from employment of the life assured in the armed forces or military services of any country at war (whether war be declared or not), or from being engaged in police duty in any military, naval or police organization.

5.3.2. Disability Benefit in LIC

This benefit will be granted to all lives assured, both male & female, except Temporary Assurance, Mortgage Redemption Assurance, Convertible Term Assurance & Deferred Annuity unless specifically excluded on account of hazardous occupation or physical defect or adverse personal history.

Disability benefit under Children’s Deferred Endowment Assurance Policy and Children’s Anticipated policy and Jeevan Balya will be allowed only with effect from the date of commencement of risk and under New Children’s Deferred Assurance Plan Jeevan Kishore, Jeevan Sukanya only from the policy anniversary coincident with or following the attainment of age 18. Notwithstanding their hazardous occupation, the benefit will be extended to
persons employed in the army or navy excluding navy personnel having diving duties & submarine personnel.

The nature & extent of the Disability Benefit & the conditions to be fulfilled for the grant thereof are briefly as follows:

1) If a Life Assured is disabled by accident from earning his livelihood, he will be exempted from paying premiums on his policy, falling due after the date of disablement. Under Jeevan Saathi Policies, half the premium will be waived if one of the two lives assured is disabled & the entire premium if both the lives are disabled.

2) This benefit will be granted only on the first `20,000 of assurance on one life. In respect of Jeevan Sarita the premium waiver benefit will be limited to a maximum of two units of benefit.

3) To be eligible for this benefit the policy must be in force for the full sum assured at the time of disability occurs. Further, the disability must arise before the policy anniversary, on which the age nearer birthday of the life assured is 70. Disability must be result of an accident and must be total and permanent and such that there is no work, occupation or profession that the life assured can do or follow to earn or obtain any wages, compensation or profit. The loss of sight of both eyes or amputation of both hands at or above the ankle or amputation of one hand at or above the wrist and one foot at or above the ankle will be deemed to constitute total and permanent disability.

4) Satisfactory proof of the disability must to be furnished to the corporation within 120 days.

5.3.3. Loss of Policy Documents

The Policy Document is an evidence of the contract between the Insurer and the Insured. Hence the policyholder should preserve the Policy Bond till the
contracted amount under it is settled. In case of Loss of Policy Document it should be immediately intimated with full particulars like name of assured, number of the policy, assured sum and causes of loss are to be clearly stated to the Branch Office where it is serviced so that on the satisfactory evidence of loss or destruction, the LIC can issue a duplicate copy after advertising the fact & for this it will charge some fee for issuing duplicate copy. If the policy bond is partially destroyed due to natural causes like, fire, flood, etc, the remaining portion may be returned as evidence of loss of policy to LIC, while applying for a duplicate policy. In case the policy bond is untraceable due to unknown causes, there is a simple procedure to comply with while applying for the duplicate policy at the branch that services the policy.

**Duplicate Policy:**

A duplicate policy confers on its owner the same rights and privileges as the original policy. The following are the requirements for issuing a duplicate policy:

1) A declaration by a surety of good financial status agreeing to stand as surety for the issue of policy is the first requirement.

2) Unless a duplicate copy is issued, no payments will be made in any form. For example, loans or surrender or survival benefits or maturity or death claim, etc.

3) Insertion of an advertisement at the policyholder’s cost in one English daily newspaper having wide circulation in the State where the loss is reported to have occurred. A copy of the Newspaper in which the advertisement appeared should be sent to the servicing office one month after its appearance. If no objection has been lodged with LIC regarding the policy in question, a duplicate policy will be issued after complying further requirements, i.e., Indemnity Bond and payment of charges for preparing duplicate policy and stamp fee.
4) However, the requirement of advertisement and Indemnity Bond may be dispensed with or modified in certain circumstances as given below:

- loss of policy by theft
- destruction of policy by fire
- loss of policy while in custody of an office of government
- mutilated or damaged policy
- policy in torn and a part of it is missing
- policy partially destroyed by white ants

Under all the above cases the competent authority will satisfy itself about the circumstances and make further enquiries from the respective authorities and may dispense with the advertisement. Therefore a policyholder is advised to lodge first information report to the police authorities, where there is theft. Thus, on satisfactory evidence of loss or destruction of the policy, the insurer will issue a duplicate copy after advertising the fact & will charge the assured the fee for issuing the duplicate copy.

5.3.4 Days of grace & Revival of Lapsed Policy

Premium is paid at 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 & 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. i.e grace period of one month but not less than 30 days will be allowed for payment of yearly/half-yearly/quarterly premiums and 15 days for monthly premiums. When the days of grace expire on a Sunday or a public holiday, the premium may be paid on the following working day to keep the policy in force.

If premium is not paid before the expiry of the days of grace, the policy lapses. If policy lapses by non-payment of premium within the days of grace, it
can be revived during the life time of the life assured, within a period of five years from the date of the first unpaid premium but before the date of maturity subject to certain conditions:

(i) The revived policy is treated as novation i.e. a new contract entered between the assured and the insurance company discharging the old contract.

(ii) That unpaid premium alongwith compound interest \( @7.50\% \) is paid.

(iii) The revival is allowed without re-medical of the insured if the revival is within six months from the date of first unpaid premium.

(iv) But, if it is to be revived after six months & within five years, it can be revived after satisfactory evidence of good health or by undergoing a fresh medical examination. Habits of the assured, if any, are to be considered before reviving lapsed policies.

*The Corporation offers three convenient schemes of revival viz., Ordinary Revival, Special Revival and Installment Revival.*

Under Special Revival Scheme the assured is not required to pay the whole amount due at once in a single payment as sometimes the policy holders find it difficult on their part to pay a large amount in one single installment in reviving the lapsed policies. For such lapsed policies, the date of commencement of the policies shall be fixed by dating back the policies, by issuing new policies, keeping the endowment period same as before. Dating back of policy means shifting the policy maturity by the period of lapse for example if a policy was taken on 1-1-1982 and say lapsed on 1-1-1984 and again revived on 1-6-1984 after six months. In this case the policy shall be re-dated back to 1-6-1984 instead of 1-1-1984 i.e. being shifted by six months and hence the policy will mature six months later.
For dating back of policy following conditions must be satisfied:

(i) The period of lapse must not be less than six months and not more than two years to the date of revival.
(ii) Satisfactory evidence of good health of the assured is to be submitted.
(iii) Original policy is to be submitted.
(iv) In re-dating the policy in case of higher age of the assured, a higher rate of premium is fixed accordingly.

Policies can also be revived under Loan-cum-Revival and SB-cum-Revival schemes. Request for revival may be made to the Branch Office servicing the policy.

5.3.5. Relief to Policy Holders

LIC also provide Relief To Policyholders by generally allowing concessions on payment of premiums, settlement of claims, issue of duplicate policies, etc when the policyholder are affected by natural calamities such as droughts, cyclones, floods, earthquakes, etc. Acc to Section 39 of the Insurance Act, 1938 the holder of a policy of his insurance on his life may, when affecting the policy or at any 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.

5.3.6. Nomination

Nomination is a right conferred on the holder of a Policy of Life Assurance on his own life to appoint a person/s to receive policy moneys in the event of the policy becoming a claim by the assured’s death.

Nomination is a process by which a person can be identified to receive the policy amount if the policyholder dies during the policy term. A policyholder can do nomination at the time of proposal by giving the details of
nominee in the proposal form. If nomination cannot be done at the time of proposal it can be done later also. If nomination is done later, it has to be effected by giving notice in a prescribed form of LIC & it has to be endorsed on the back of the policy document. A nomination is not required to be stamped. The nominee does not get any other benefit except to receive the policy moneys on the death of the life assured. A nomination may be changed or cancelled by the life assured whenever he likes without the consent of the nominee. Ensure nomination exists in the policy for easy settlement of claims.

Section 39 of Insurance Act 1938 deals with the provisions of Nomination in life insurance. The insurance Act has outlined the following rules regarding nomination under Sec.39:

(1) The nomination is governed by Sec 39 of the Insurance Act, 1938. The section gives the power to the owner of a policy to appoint a person called the nominee to receive the policy money in the event of his death. Such nomination must be made during the currency of the policy. Where the policy is issued on the life of another person the proposer cannot make a nomination.

(2) The nomination can be made at the stage of the disposal. If the same has not been done at this stage nomination can be made subsequently by endorsement on back of the policy. In no case nomination is to be made on a separate sheet of paper, it would be invalid.

(3) The legal position of a nominee is to collect the money and to hold the same in the event of death of the assured. The nominee has no right or title under the policy and therefore he cannot deal with the policy in any way. The owner of the policy can change the nomination without obtaining the consent of the nominee.

(4) If the nominee dies before the policyholder, nomination becomes ineffective and nominee’s heirs’ or successor’s have no right in the policy. In such an event the assured can appoint a fresh nominee.
(5) If the nominee dies after the death of the assured but before receiving the policy moneys such nomination is ineffective and the sum assured will be paid to the legal heirs of the life assured.

(6) If the assured is alive at the date of maturity of the policy, nomination becomes inoperative.

(7) A notice must be given by the life assured in writing and nomination must be registered in the books of the corporation. However, when nomination is made at the of proposal, no notice is necessary.

(8) A nomination can be cancelled or changed by an endorsement on the policy itself.

(9) An assignment either conditional or absolute automatically cancels the nomination. However an assignment in favour of Corporation for taking a loan on the security of the policy does not cancel the nomination.

(10) A minor can also be a nominee but under such circumstances it is desirable to appoint an appointee to receive the policy money on behalf of the minor during his minorship.

(11) Nomination cannot be made if a policy is taken under married Woman Property Act, 1984.

(12) Where there are more than one nominees policy money will be paid to them jointly or to their survivor. Under such a position no share should be specified otherwise it would not be possible to carry out the provisions of the Act.

(13) A successive nomination is valid as for example moneys should be paid to ‘A’ failing him to ‘B’ failing him to ’C’.

(14) as far as possible nomination in favour of wife and children should not be made as a class but should be made a mention of the names of existing wife and children.
(15) Under a joint life policy the sum assured is paid to survivor on the first death therefore nominating a person under this policy should not generally be allowed at the time of issue of the policy. However a nomination can be effected jointly in case both the lives assured dies simultaneously in common accident and it would be difficult to prove which one was predeceased the other.

**Process of change of nomination:** A policy holder can change his nomination during the policy term and it can be changed any number of times. To change the nomination policyholder has to give a notice to LIC OF INDIA in a specified form (Form 3750) and nomination has to be endorsed. Further, the policyholder can remove it without any prior notice to the existing nominee. Nomination can be done and changed any time by the Life Assured during the policy term in the LIC OF INDIA's office.

*At the time of nomination the following documents are required:*

1. Relation proof of life assured and the person being nominated.
2. Form 3750 is also required.

Any change or cancellation of nomination should be given in writing only by the Life Assured. Nomination under Joint Life Policy can only be a joint nomination. Nomination in favor of a stranger cannot be made as there is no insurable interest and moral hazard may be involved. Nomination in favour of wife and children as a class is not valid. Specific names of the existing wife and children should be mentioned. Where nomination is made in favour of successive nominees, i.e., nominee “A” failing him to nominee “B” failing whom nominee “C”, the nomination in favour of one individual in the order mentioned will be considered. Where the nominee is a minor, an appointee has to be appointed to receive the monies in the event of the assured’s death during
the minority of the nominee. No nomination can be made under a policy financed from HUF funds.

**Rights of a Nominee:**

Even after doing a nomination during in favour of individual the policyholder still has all the rights under the policy. The nominee has the only right to receive the policy amount in case of the policyholder dies during the policy term. No legal rights are given to the nominee. Nomination becomes ineffective if the nominee dies but the policyholder survives. Only the legal heirs of the policyholder can claim the policy amount if the nominee dies before receiving the policy amount after the policyholder's death.

5.4 **AGENTS IN LIC**

5.4.1. **Qualification & Procedure**

Life insurance is not a profession for the thin-skinned or faint-at-heart. In fact, more than any other factor, including education and experience, life insurance agents must possess a fighting spirit. They must be people who love the thrill of the hunt, the rush of a sale and see rejection as a stepping-stone to eventual success. A career in life insurance sales is not ideal for those who view themselves as introverted, soft-spoken, or afraid of conflict.

The vast majority of life insurance companies have no formal education requirements for becoming an agent. While many prefer college graduates, this general rule is constantly overlooked in favor of the "right" candidates. Previous experience in the insurance industry is not required because most medium and large insurance carriers have internal programs to train their salespeople about the products they're going to sell.
Practical Training.

(1) The applicant shall have completed from an approved institution, at least, one hundred hours’ practical training in life or general insurance business, as the case may be, which may be spread over three to four weeks, where such applicant is seeking licence for the first time to act as insurance agent. The applicant shall have completed from an approved institution, at least, one hundred fifty hours’ practical training in life and general insurance business, which may be spread over six to eight weeks, where such applicant is seeking licence for the first time to act as a composite insurance agent.

(2) Where the applicant, referred to under sub-regulation (1), is---

(a) an Associate/Fellow of the Insurance Institute of India, Mumbai;
(b) an Associate/Fellow of the Institute of Chartered Accountants of India, New Delhi;
(c) an Associate/Fellow of the Institute of Costs and Works Accountants of India, Calcutta;
(d) an Associate/Fellow of the Institute of Company Secretaries of India, New Delhi;
(e) an Associate/Fellow of the Actuarial Society of India, Mumbai;
(f) a Master of Business Administration of any Institution / University recognised by any State Government or the Central Government; or
(g) possessing any professional qualification in marketing from any Institution / University recognised by any State Government or the Central Government, She/he shall have completed, at least, fifty hours’ practical training from an approved institution. Provided that such applicant shall have completed from an approved institution, at least, seventy hours’ practical training in life and general insurance business, where such applicant is seeking licence for the first time to act as a composite insurance agent.
(3) An applicant, who has been granted a licence after the commencement of these regulations, before seeking renewal of licence to act as an insurance agent, shall have completed, at least twenty-five hours’ practical training in life or general insurance business, as the case may be, from an approved institution. Provided that such applicant before seeking renewal of licence to act as a composite insurance agent shall have completed from an approved institution, at least, fifty hours’ practical training in life and general insurance business.

**Examination.**—The Applicant shall have passed the pre-recruitment examination in life or general insurance business, or both, as the case may be, conducted by the Insurance Institute of India, Mumbai, or any other examination body.

Skills and attributes needed by LIC insurance agent are:

(i) Ability to convince others, presence of mind and dedication for service towards the clients are the deciding factors in this profession.

(ii) Similarly organizing skill, logical approach, quick grasping skill, good communication skills are always beneficial.

(iii) the key-skill required is to have a capability for convincing people along with a great business sense.

(iv) Excellent communication skill coupled with willingness to work outside the office for odd hours are some of the qualities required.

Agents in LIC should have a minimum qualification of 12th standard or equivalent examination conducted by any recognised Board/Institution, where the applicant resides in a place with a population of five thousand or more as per the last census, and a pass in 10th Standard or equivalent examination from a recognised Board/Institution if the applicant resides in any other place & must be of 18 years and above. To become an agent one has to contact Branch Office and meet the Development Officer there. The Branch Manager (I/C) will conduct an interview, and if found suitable, the person will be sent to training at
Divisional/Agency Training Centre. The training is for 100 hours and covers all aspects of Life Insurance Business. After successful completion of training the person will have to sit for Pre-Licensing examination conducted by the Insurance Regulatory and Development Authority (IRDA). After successful completion of the examination he/she will be awarded a License by the IRDA to work as an insurance agent. The person will be appointed as an agent by the Branch Office and will become a part of the team under Development Officer. The Development Officer will impart field training and other valuable inputs to work in the market place

5.4.2 Benefits

The LIC offers following benefits to an LIC agent:

1. **Rewarding Career** --LIC agent helps people realise their dreams by fulfilling their financial goals. The difference they make to their lives is more rewarding and satisfying than one could ever imagine.

2. **A Successful Team** --By joining LIC, one will be a part of the country's finest team of life insurance Agents. Last year, LIC contributed 1317 members to the Million Dollar Round Table: a global forum that salutes the world's most successful Insurance Agents.

3. **Attractive Remuneration** --LIC offer one of the best remuneration systems in the industry that not only takes care of current earnings, but also guarantees an earning for the future. One can set their own income targets with a potential to earn as much as they want for the rest of their life.

4. **Independence** --As an Agent, one will be a true entrepreneur. One has the freedom to be their own boss: work for oneself, choose own clients and make their own money. All of this, the insurance agent needs not to make any initial capital investment.
5. **World-Class Training**-- LIC provide one with the best-in-class training systems, since that is what differentiates LIC Agent from the rest. Even if one don't have previous experience in selling, their multi-dimensional training programme conducted by their qualified in-house training personnel, will make one a specialist in life insurance sales.

6. **Commitment To Career Agency System**-- LIC commitment to the Career Agency System means that, LIC support agent and their efforts not just today, but at every stage of their business. LIC believe in encouraging our Agents to strive towards the highest levels of success, throughout their careers. In fact, depending on their performance, LIC also offer a management career option with the company.

7. **Infrastructure Support**-- LIC have invested in creating a state-of-the-art infrastructure at each of their Branch Offices. One will have access to the necessary tools, technology and people support that will enable them to build a profitable long-term business.

8. **Full Range Of Products And Services**-- Agent can offer customers over 50 product combinations of our unique Products and Riders, to help them meet all their financial goals. In order to give one a greater competitive edge, LIC are also continuously working on newer and more innovative products.

9. **Sales And Marketing Support** --LIC support our Agents with innovative sales and marketing tools. The Sales, Promotions and Marketing collaterals that LIC provide will help one take oner business to new heights.

10. **Financial Strength**--LIC offers you and your customer unmatched financial strength and solidity.

**5.4.3 Job Profile**

Job Profile of LIC Agent to help individuals, families, and businesses to select insurance policies that provide the best protection for their lives, health, and
property. Insurance sales agents who work exclusively for one insurance company are referred to as captive agents. Independent insurance agents, or brokers, represent several companies and place insurance policies for their clients with the company that offers the best rate and coverage. In either case, agents prepare reports, maintain records, seek out new clients, and, in the event of a loss, help policyholders settle their insurance claims. Increasingly, some are also offering their clients financial analysis or advice on ways the clients can minimize risk.

Insurance sales agents, commonly referred to as “producers” in the insurance industry, sell one or more types of insurance, such as property and casualty, life, health, disability, and long-term care. Property and casualty insurance agents sell policies that protect individuals and businesses from financial loss resulting from automobile accidents, fire, theft, storms, and other events that can damage property. Life insurance agents specialize in selling policies that pay beneficiaries when a policyholder dies. Depending on the policyholder’s circumstances, a cash-value policy can be designed to provide retirement income, funds for the education of children, or other benefits. Life insurance agents also sell annuities that promise a retirement income. Health insurance agents sell health insurance policies that cover the costs of medical care and loss of income due to illness or injury. They also may sell dental insurance and short- and long-term-disability insurance policies.

The growth of the Internet in the insurance industry is gradually altering the relationship between agent and client. In the past, agents devoted much of their time to marketing and selling products to new clients, a practice that is now changing. Increasingly, clients are obtaining insurance quotes from a company’s Web site and then contacting the company directly to purchase policies. This interaction gives the client a more active role in selecting a policy at the best price, while reducing the amount of time agents spend actively...
seeking new clients. Because insurance sales agents also obtain many new accounts through referrals, it is important that they maintain regular contact with their clients to ensure that the clients’ financial needs are being met. Developing a satisfied clientele that will recommend an agent’s services to other potential customers is a key to success in this field.

**Job Profile of an Agent includes the following:**

1) **Training** -- Agents go through both generic and specific, professional programs that help them remain well-informed and knowledgeable about the company’s products in the market. There is a further focus on soft skills such as communication, managing long-term relationships and selling skills, which are very relevant in a service-driven industry like life insurance. Revision session ensure that the candidates thoroughly understand the course contents and are well prepared for the licensing examination. Theoretical training is interspersed with practical appointment settings with potential customers, giving agents a feel of how their business will work from the very first day. All through, the Development Officer and the management provide continuous support to the advisors in achieving independence towards garnering business.

   A 17-18 day training schedule covers the mandatory IRDA training requirements and LIC product-training module. Insurance sales agents must obtain a license in from IRDA. Separate licenses are required for agents to sell life and general insurance. Licenses are issued only to applicants who complete specified pre-licensing courses and who pass IRDA examinations covering insurance fundamentals and insurance laws.

2) **Career** -- Career development is emphasized upon from the very day the agent joins the system. Though individual meetings with his or her Development Officer, the agent can discuss various issues related to business development and career enhancement. Expectations from the organization in terms of chalking a career in the insurance industry are also discussed.
Absorption into the management is another career enhancement option provided at LIC. This program helps agents build a full time career as a Development Officer in the organization, offering great potential for managing a team of agents and personal development.

3) **Rewards And Recognition** -- LIC agents are constantly recognized and rewarded for their performance. Numerous competitions all year round promote healthy competition amongst agents and recognition for their efforts. Depending on the level of business the agent achieves in a year, he or she can become a member of various clubs such as the Corporate Club, the Chairman’s club, etc. Each of these clubs have specific performance criteria for qualification and members of these clubs are entitled to attend seminars held at exotic international and domestic locations each year. Advisors can also qualify for the renowned MDRT (Million Dollar Round Table), an exclusive international insurance advisors club.

*In addition to offering insurance policies, agents are beginning to sell more financial products, such as mutual funds, retirement funds, NSC’s, etc. Agents are not on the payrolls of the insurance company. The insurance agents get a fixed commission on each policy they (insurance-agent) manage to sell. People who wish to become insurance agents are required to undergo 100 hours of training by the respective insurance company.*

**5.4.4. Code of Conduct**

Every LIC agent, shall adhere to the code of conduct specified below:-

(i) **Every insurance agent shall,**---

(a) identify himself and the insurance company of whom he is an insurance agent;

(b) disclose his licence to the prospect on demand;

(c) disclose the scales of commission in respect of the insurance product offered
for sale, if asked by the prospect;

(d) disseminate the requisite information in respect of insurance products offered for sale by his insurer and take into account the needs of the prospect while recommending a specific insurance plan;

(e) indicate the premium to be charged by the insurer for the insurance product offered for sale;

(f) explain to the prospect the nature of information required in the proposal form by the insurer, and also the importance of disclosure of material information in the purchase of an insurance contract;

(g) bring to the notice of the insurer any adverse habits or income inconsistency of the prospect, in the form of a report (called “Insurance Agent’s Confidential Report”) along with every proposal submitted to the insurer, and any material fact that may adversely affect the underwriting decision of the insurer as regards acceptance of the proposal, by making all reasonable enquiries about the prospect;

(h) inform promptly the prospect about the acceptance or rejection of the proposal by the insurer;

(i) obtain the requisite documents at the time of filing the proposal form with the insurer; and other documents subsequently asked for by the insurer for completion of the proposal;

(j) render necessary assistance to the policyholders or claimants or beneficiaries in complying with the requirements for settlement of claims by the insurer;

(k) advise every individual policyholder to effect nomination or assignment or change of address or exercise of options, as the case may be, and offer necessary assistance in this behalf, wherever necessary;

(ii) No insurance agent shall,

(a) solicit or procure insurance business without holding a valid licence;
(b) induce the prospect to omit any material information in the proposal form;
(c) induce the prospect to submit wrong information in the proposal form or documents submitted to the insurer for acceptance of the proposal;
(d) behave in a discourteous manner with the prospect;
(e) interfere with any proposal introduced by any other insurance agent;
(f) offer different rates, advantages, terms and conditions other than those offered by his insurer;
(g) demand or receive a share of proceeds from the beneficiary under an insurance contract;
(h) force a policyholder to terminate the existing policy and to effect a new proposal from him within three years from the date of such termination;
(i) have, in case of a corporate agent, a portfolio of insurance business under which the premium is in excess of fifty percent of total premium procured, in any year, from one person (who is not an individual) or one organisation or one group of organisations;
(j) apply for fresh licence to act as an insurance agent, if his licence was earlier cancelled by the designated person, and a period of five years has not elapsed from the date of such cancellation;
(k) become or remain a director of any insurance company;

(iii) Every insurance agent shall, with a view to conserve the insurance business already procured through him, make every attempt to ensure remittance of the premiums by the policyholders within the stipulated time, by giving notice to the policyholder orally and in writing;

5.4.5. Why Join LIC

Few industries outside of the financial services industry offer the potential for relatively inexperienced professionals to make significant income within their first year of employment. Within the financial services industry itself, few
careers match the opportunity for as quick and large a paycheck as does being a life insurance agent. In fact, a hard-working insurance agent can easily earn more than $100,000 in his or her first year of sales.

But, success as an insurance agent doesn't come without a cost. Insurance agents hear "no" far more than they hear "yes". It's not uncommon for the "no" to come mixed with a fair amount of obscenities and the proverbial door in the face. Additionally, many people hold insurance agents in low regard, with some people equating them to glorified con men. But, for those who can stomach the potential rejection, the paycheck and flexibility are worth the effort.

While the life insurance industry promises great rewards for those who are willing to work hard and put up with a good amount of rejection, there are two other pitfalls an agent needs to be aware of. First, he/she will most likely be expected to market to his/her friends and family. While that might be tempting and seem like a great idea to get started, it can also burn a lot of bridges with people you care about.

**Working Conditions**--Most insurance sales agents are based in small offices, from which they contact clients and provide information on the policies they sell. However, much of their time may be spent outside their offices, travelling locally to meet with clients, close sales, or investigate claims. Agents usually determine their own hours of work and often schedule evening and weekend appointments for the convenience of clients. Although most agents work a 40-hour week, some work 60 hours a week or longer. Commercial sales agents, in particular, may meet with clients during business hours and then spend evenings doing paperwork and preparing presentations to prospective clients.

**Employment**--Although most insurance agents specialize in life or general insurance, a growing number of “multi-line” agents sell all lines of insurance. For insurance sales agent jobs, most companies and independent agencies prefer to hire college graduates-especially those who have majored in business or
economics. High school graduates are occasionally hired if they have proven sales ability or have been successful in other types of work. In fact, many entrants to insurance sales agent jobs transfer from other occupations. In selling commercial insurance, technical experience in a particular field can help sell policies to those in the same profession.

As a result, new agents tend to be older than entrants in many other occupations. College training may help agents grasp the technical aspects of insurance policies and the fundamentals and procedures of selling insurance. Many colleges and universities offer courses in insurance, and a few schools offer a bachelor’s degree in the field. College courses in finance, mathematics, accounting, economics, business law, marketing, and business administration enable insurance sales agents to understand how social and economic conditions relate to the insurance industry. Courses in psychology, sociology, and public speaking can prove useful in improving sales techniques. In addition, because computers provide instantaneous information on a wide variety of financial products and greatly improve agents’ efficiency, familiarity with computers and popular software packages has become very important.

Insurance sales agents must obtain a license in from IRDA. Separate licenses are required for agents to sell life and general insurance. Licenses are issued only to applicants who complete specified pre-licensing courses and who pass IRDA examinations covering insurance fundamentals and insurance laws. A number of organizations offer professional designation programs that certify one’s expertise in specialties such as life, health, and general insurance, as well as financial consulting. Although voluntary, such programs assure clients and employers that an agent has a thorough understanding of the relevant specialty. Agents are usually required to complete a specified number of hours of continuing education to retain their designation.

Employers also are placing greater emphasis on continuing professional
education as the diversity of financial products sold by insurance agents increases. It is important for insurance agents to keep up to date on issues concerning clients. Changes in tax laws, government benefits programs, and other State and Central Government regulations can affect the insurance needs of clients and the way in which agents conduct business. Agents can enhance their selling skills and broaden their knowledge of insurance and other financial services by taking courses at colleges and universities and by attending institutes, conferences, and seminars sponsored by insurance organizations. IRDA also has mandatory continuing education requirements focusing on insurance laws, consumer protection, and the technical details of various insurance policies.

Insurance sales agents should be flexible, enthusiastic, confident, disciplined, hard working, and willing to solve problems. They should communicate effectively and inspire customer confidence. Because they usually work without supervision, sales agents must be able to plan their time well and have the initiative to locate new clients.

An insurance sales agent who shows ability and leadership may become a Development Officer in a Branch Office. A few advance Assistant Branch Manager (Sales) and higher marketing positions. However, many who have built up a good clientele prefer to remain in sales work.

5.5 LIC ONLINE

5.5.1. Registration

For viewing the policy related information, new customers are required to go through a Registration procedure, the details of which are stated in the ensuing paragraph. Login facility is provided on the Home Page for the use of registered users. All new users are required to complete the Registration Form online selecting username and password of their choice. An auto-responder mail would
be sent to the policy holder as confirmation of successful registration. On successful registration; the customer will have access to information regarding status of policy/s, loan, revival, premium due/ policy calendar, maturity calendar etc. Policyholders may use the ‘Feedback’ link to send their queries and valuable suggestions / comments.

There is also option in LIC Online regarding Premium Calculator & Premium Payment. NRI Centre is opened in LIC Online to furnish important features applicable to Non-Resident Indians (NRI) and People of Indian Origin (PIO) having foreign nationality and residing in foreign countries.

5.5.2. Premium Calculator & Premium Payment

Premium can be paid by cash/cheque/dd. at the cash counter of any LIC Branch Office and other alternate channels of premium payment includes- Electronic Clearance System (ECS); Electronic Bill Presentation and Payment (EBPP); ATM (Available with two banks - Corporation Bank and Axis Bank); Online premium payment on LIC website, www.licindia.in with the help of net banking facility of 40 major Banks; premium can also be paid at any of the branch or extension counter of Axis Bank in cash or cheques drawn on Axis Bank. Premiums are also collected through Franchisees, selected Development officers & selected agents. Policy can be anywhere in India. Now LIC Online Payment Gateway is LIC’s initiative to provide consumers with on demand service within a few clicks. Consumers can now have many of the functionalities that were available only at a branch office, online at their fingertips. The payment gateway (PG) initiative is an important component of the offer. It provides for real-time payment of renewal premium-dues through the portal. This functionality is available only to registered customers who have enrolled their policies. Insurers can pay LIC premiums using Net Banking accounts with any of the following banks:-
✓ Bank of India
✓ Union Bank of India
✓ Punjab National Bank
✓ State Bank of India
✓ State Bank of Indore
✓ HDFC Bank
✓ ICICI Bank
✓ Axis Bank
✓ Citibank
✓ IDBI Bank
✓ Centurion Bank of Punjab (erstwhile Centurion Bank)
✓ Centurion Bank of Punjab (erstwhile Bank of Punjab)
✓ IndusInd Bank
✓ ABN AMRO Bank
✓ Kotak Bank
✓ Bank of Baroda
✓ Bank of Baroda - Retail NetBanking
✓ Bank of Baroda - Corporate NetBanking
✓ State Bank of Patiala
✓ State Bank of Bikaner & Jaipur
✓ State Bank of Travancore
✓ City Union Bank
✓ Indian Overseas Bank
✓ Karnataka Bank
✓ Oriental Bank of Commerce
✓ State Bank of Hyderbad
✓ State Bank of Mysore
✓ State Bank of Saurashtra
✓ South Indian Bank
✓ Yes Bank

This facility is available for all non-ULIP policies. Credit card payments are not accepted under this payment facility. And above all there is no charge for customers to avail this service.
Fig 5.1 **Payment through Alternate Channels**

Premium payment through alternate channels

Premiums can be paid through Alternate Channels for inforce policies only which are not under Salary Savings Scheme (SSS). For the year 2011-12, 27% total renewal premium transactions was collected through Alternate Channels.

The various alternate channels for collection of premium are as under:

A. **Offline payment channels where premium receipt is sent by post:**

1. **Electronic Clearance System (ECS):** This facility is presently available at all 89 centers enabled by RBI for ECS. Regional ECS is now available at all
locations in 3 states - Tamil Nadu, Andhra Pradesh and Karnataka. Through ECS, RECS, premium can be collected for ULIP and Health Insurance (HI) policies also.

2. **Electronic Bill Presentation and Payment (EBPP):** Premium can be paid through various Banks like Citi Bank, HDFC, ICICI, Federal Bank, Corporation Bank, Axis Bank, LIC Credit Cards and through Service Providers – Bill Desk and Tech Process throughout the country.

   Premium can be also paid through Credit Card, availing this facility.

3. **ATM:** Premium can be paid through any ATM of these two banks - Corporation Bank and Axis Bank. Through EBPP & ATM, Premium can be collected for in force policies only which are NOT with Monthly /Salary Savings Scheme (SSS) mode or under ULIP or Health Insurance plan.

### B. Online Payment channels, where premium Receipt is issued instantly:

4. **Customers’ Portal Payment Gateway:** Online premium payment on LIC Website, www.licindia.in with the help of Net Banking Facility of 50 major Banks and 26 Debit Cards. Premium can be paid for ULIP policies (excluding Health Insurance plan) also.

5. **Axis Bank:** Premium can be paid at any of the Branch or Extension Counter of Axis Bank and in cash or cheques drawn on Axis Bank.

   **Corporation Bank:** Premium can be paid at any of the Branch or Extension Counter of Corporation Bank in cash or cheques drawn on Corporation Bank.

6. **Premium collection through Franchisees:**
   - Premium can be collected only in CASH.
   - Receipts are issued by the collection center.
   - No service charges are required to be paid to the collection center to avail this facility.
   - Following are the approved Franchisees:
     - **a. APOnline** : website www.aponline.gov.in
b. MPOnline : Website www.mponline.gov.in  
c. Suvidhaa Infoserve Pvt. Ltd. : Toll Free helpline number :9223225225  
d. Easy Bill Limited : www.easybillindia.com /Toll free No 1800-11-75-75

7. **Senior Business Associate:** Selected Development officers are authorized to collect the premium on line and issue receipt instantly. Premium can be collected for conventional and ULIP (other than Health Insurance) policies.

8. **Empowered Agents:** Keeping pace with increasing customer expectation for more conveniences in policy servicing, Corporation has empowered select Agents to collect renewal premium. At present, there are more than 23378 authorised Agents across the country, who can collect the premium (including ULIP but excluding HI Policies) in CASH or CHEQUE and issue a valid receipt instantly.

9. **Retired Employees Collection Payment:** Some Retired Employees are also authorized to collect the premium on line and issue receipt instantly. Premium can be collected for conventional and ULIP (other than Health Insurance) policies.

In short premium can be paid in following ways:

a) By cash, local cheque (subject to realization of cheque), Demand Draft at Branch Office.

b) The DD and cheques or Money Order may be sent by post.

c) You can pay your premiums at any of our Branches as 99% of our Branches are networked.

d) Many Banks do accept standing instructions to remit the premiums. So by providing a standing instruction to your Bank to debit your account for the premium amount and send it vide a banker’s cheque to LIC, on the due dates and months mentioned on your policy bond.
e) Through Internet: Payment of premiums can be made through Internet through Service Providers viz. HDFC Bank, ICICI Bank, Times of Money, Bill Junction, UTI Bank, Bank of Punjab, Citibank, Corporation Bank, Federal Bank and BillDesk.

f) Premium payment can also be made through ATMs of Corporation Bank and UTI Bank.

g) Premium payment can also be made through Electronic Clearing Service (ECS) which has been launched at Mumbai, Hyderabad, Chennai, Kolkata, New Delhi, Kanpur, Bangalore, Vijaywada, Patna, Jaipur, Chandigarh, Trivandrum, Ahmedabad, Pune, Goa and Nagpur, Secunderabad & Visakhapatnam. A policyholder having an account in any Bank which is a Member of the local Clearing House can opt for ECS debit to pay premiums. The policyholders wishing to use this system would have to fill up a Mandate Form available at our Branches/DO and get it certified by the Bank. The certified Mandate Forms are to be submitted to our BO/DO.

h) Citibank Kiosks at Industrial Assurance Building, Churchgate, New India Building, Santacruz, Jeevan Shikha Building, Borivili are dedicated for collection of premiums through cheques.

5.5.3. NRI Centre

NRI Centre furnishes important features applicable to Non-Resident Indians (NRI) and People of Indian Origin (PIO) having foreign nationality and residing in foreign countries.

NON-RESIDENT INDIAN:
1. A non-resident Indian is a citizen of India temporarily residing in the country of his/her present residence and holding a valid passport issued by the Government of India.
2. NRI should not be a green card holder. He/She should not have applied for or planning to apply in the near future for acquiring citizenship of his/her present country of residence or any other country.

3. People of Indian Origin having foreign nationality and residing in foreign countries (PIO) are not considered as NRIs for the purpose of allowing insurance.

4. Policies are issued in Indian Rupees only. LIC Branches and Joint Venture Companies issue policies in their local currencies. e.g. U.K. Branch issues policies in Sterling Pound currency.

5. NRIs are allowed insurance on their visit to India where all formalities are completed during their stay in India. In such cases they would be treated on par with Indian Lives for the purpose of allowing insurance.

6. NRIs may also obtain insurance cover from their present country of residence where all formalities are completed in their present country of residence and this process is called ‘Mail Order Business’.

7. Minimum Sum Assured allowed would be `2 lakhs and maximum would depend on conditions of insurability. However, under mail order business, maximum sum assured would be limited to `One Crore only.

8. Personal Financial Questionnaire (PFQ) and/or Proof of income in the form of income tax returns, copy of employment contract where emoluments are mentioned, Certificate from Chartered Accountant, etc. would be required if the sum assured is high or if the proposal is submitted through Mail Order Business.

9. All types of plans are allowed subject to the conditions that
   a) Critical Illness Benefit is not granted.
   b) Term Rider Benefit would be restricted to certain limit of Sum assured
c) Sum Assured would be restricted in respect of term insurance plans.

10. NRIs may obtain insurance cover under our Non-Medical (Special) scheme subject to certain restrictions, some of which are listed below:
   a) Applicable if insurance is obtained during visit to India or through Mail Order Business when LIC Agents visits the country of residence of NRI for completing the necessary formalities.
   b) Maximum age at entry would be 45 years
   c) Plans with high risk cover and term rider benefits would not be allowed.
   d) The proposer should be employed in Government or reputed commercial firm or should be a professional such as Chartered Accountant, Doctor, Teacher, Lawyer, Accountant, Engineer, etc.
   e) This scheme is applicable to those NRIs who are residing in Group VI, VII and VIII countries only. (See Annexure-V for group details).

11. Rules regarding insurance under medical scheme through ‘Mail Order Business’ are as follows:
   i. Proposal form may please be filled completely and precisely leaving no question unanswered.
   ii. The signature of the proposer on the proposal form must be witnessed by one of the following after due verification of proposer’s passport.
      i) Designated Official of the local Indian Embassy
      ii) Other Indian Diplomatic Representative
      iii) Notary Public or Justice of Peace
      iv) Medical Examiner
      v) In case of students, by the Dean/Principal of his/her college.
   iii. The witness must affix his Office Seal below his signature.
iv. Photocopy of the first page of the Passport should be got attested by the witnessing authorities mentioned above and should be produced along with the proposal form. Any fees payable for getting witness or attestation would be borne by the proposer.

v. Medical examination would be done by a qualified doctor as per details given below:

Table No. 5.3 Medical Examination in LIC

<table>
<thead>
<tr>
<th>SUM PROPOSED</th>
<th>MEDICAL REPORT FROM</th>
</tr>
</thead>
<tbody>
<tr>
<td><code>2 lakhs to</code> 5 lakhs</td>
<td>Graduate Doctor with 5 years standing</td>
</tr>
<tr>
<td>Above <code>5 lakhs up to</code> 10 lakhs</td>
<td>Graduate Doctor with 10 years standing</td>
</tr>
<tr>
<td>Above <code>10 lakhs up to</code> 24 lakhs</td>
<td>Post Graduate Doctor with 5 years standing</td>
</tr>
<tr>
<td>` 25 lakhs and above</td>
<td>Post Graduate Doctor with 10 years standing</td>
</tr>
</tbody>
</table>

vi. Female lives should be examined by a lady doctor only.

vii. The proposer would approach the doctor for medical examination along with completed proposal form, NRI Questionnaire, Passport and its copy, Special Questionnaire, Special reports, if any and a stamped envelope with the address of the LIC Branch Office in India. The doctor would examine the proposer, obtain signature of the proposer on bottom portion of the proposal form, sign the proposal form and forward all papers directly to LIC Branch Office along with his report. The doctor would return original passport to the proposer after verification and attestation of its copy. Proposed medical fee would be ` 400/- and would be reimbursed sub. to certain limits if the proposal results in to policy.

13. The rules regarding granting insurance cover to NRIs during their visit to India would be similar to those applicable to Indian Lives.

14. The main papers required to obtain insurance cover would be:
a) Prescribed proposal form depending on the type of policy selected.
b) NRI Questionnaire.
c) Medical Report (not applicable if the proposal is under non-medical scheme)
d) Special questionnaire (if proposal is under ‘Mail Order Business’ and if the agent does not visit the country of residence of proposer)
e) Special Medical Reports, if called for.
f) Attested copy of Passport.
g) Proof of age and income.
h) Initial Deposit equivalent to Installment Premium under the proposed plan of insurance.

People of Indian Origin (POI) having Foreign Nationality and residing in Foreign Countries dealt under following rules of medical:
1. Proposal would be under medical scheme only.
2. Policy in Indian Currency would be issued, only during their stay in India.
3. Report by designated LIC agents is compulsory.
4. Claim would be paid in India in Indian Currency only.
5. Maximum sum assured would be ` 50 lakhs and high risk plans and joint life plans are not allowed.

Existing policies taken while in India will continue in Indian Currency even after moving to foreign countries as NRI. It is the duty of NRIs to keep the concerned servicing branch of LIC informed about their new status i.e. NRI and their new address. Also submit NRI questionnaire form duly filled and signed. Premiums can be paid through various approved channels to LIC.
5.5.4. Phone Helpline

LIC also provides Phone Helpline for its customers regarding their problems related to payment of premium & other related issues. There is also a section called Policy Guidelines & Helpline to guide policyholders to customer service section. The section will guide the various intricacies of a life insurance contract & the facts that make the best out of life insurance policy.

5.5.5. Policy Guidelines & Help Line

LIC provides online policy guidelines & Helpline to its policy holders as prospective customer to their customer service section. This section will help policy holders through the various intricacies of a life insurance contract and the facts that they must know to make the best out of their life insurance policy. The facts related are:

a) Policy Bond And Its Safety

The policy bond is the document that is given to policy holder after LIC accept the proposal for insurance. The risk coverage commences after acceptance of the proposal and the conditions and privileges of the policy are mentioned in the policy bond. This is an important document which would be referred to for various servicing interactions with policy holder. Keep the policy bond safe. It will be required at the time of settlement of claims on the policy. Policy holder will also require it if they are availing a loan or want to assign the policy. They must inform their spouse/Parents/Children as to where the policy is kept. In case policy holder is handing over the policy bond to any person or office, it is better to take a written acknowledgement and it is better to keep a Photostat copy of the policy for future reference.
b) **Policy Number**

The policy number is consisting of nine digits and can be found at the top left hand corner of the schedule of the policy bond. This is a unique identification number that distinguishes ones policies from other policies and will remain unchanged throughout the lifetime of the policy. Remember to quote the policy number every time in correspondence with LIC, as it helps to locate the records for reference.

c) **Policy Conditions**

Every policy is taken for different types of needs; therefore the conditions of the policy will vary according to the Plan and Term of the policy. The policy schedule contains on the first page of the policy, like the ones mentioned above as well as other information like nominee, address etc. It also shows the date of commencement of the policy, date of birth, date of maturity, due dates and months in which the renewal premiums are to be paid etc.

The second page onwards carries the various policy conditions like risk coverage, additional risks coverage if opted for, standard benefits that are available for all policies, accident benefit if opted for, exclusion of risks if any and other conditions that govern the contract of insurance. Apart from death benefits there are other standard benefits opted by the policyholder. The various types of policy conditions and their implications are:

(i) **Payment of Premiums**: A grace period of one month but not less than 30 days is allowed where the mode of payment is yearly, half-yearly or quarterly and 15 days for monthly payments. If death occurs within this period, the life assured is covered for full sum assured.

(ii) **Non-forfeiture regulations**: If the policy has run for at least 3 full years and subsequent premiums have not been paid the policy shall not be void but the sum assured will be reduced to a sum which will bear the
same ratio as to the number of premiums paid bear to the total number of premiums payable.

(iii) **Forfeiture in certain events**: In case of untrue or incorrect statement contained in the proposal, personal statement, declaration and connected documents or any material information with held, subject to the provision of Section 45 of the Insurance Act 1938, wherever applicable, the policy shall be declared void and all claims to any benefits in virtue thereof shall cease.

(iv) **Suicide**: The policy shall be void, if the Life Assured commits suicide (whether sane or insane at the time) at any time or after the date on which the risk under the policy has commenced but before the expiry of one year from the date of commencement of the policy.

(v) **Guaranteed Surrender Value**: After payment of premiums for at least three years, the Surrender Value allowed under the policy is equal to 30% of the total premiums paid excluding premiums for the 1st year and all extra premiums.

(vi) **Salary Saving Scheme**: The rate of installment premium shown in the schedule of the policy will remain constant as long as the employee continues with the employer given in the proposal. On leaving the employment of said employer the policyholder should intimate the Corporation. In case of the Salary Saving Scheme being withdrawn by the said employer, the Corporation will intimate the same to the policyholder. Thereafter the 5% rebate given under Salary Saving Scheme will be withdrawn.

(d) **Alterations in Policy**

After the policy is issued, the policyholder in a number of cases finds the terms not suitable to him and desires to change them. There may be instances when the policy holder like to make alterations in their policy like
change of premium payment mode, reduction in premium paying term etc. They may give their applications in writing to the branch that services their policy for further action. There are different types of alterations that are allowed on life insurance policy i.e. LIC allows certain types of alterations during the lifetime of the policy. However, no alteration is permitted within one year of the commencement of the policy with some exceptions.

The following alterations are allowed.

- Alteration in class or term.
- Reduction in the Sum Assured
- Alteration in the mode of payment of premiums
- Removal of an extra premium
- Alteration from without profit plan to with profit plan
- Alternation in name
- Correction in policies
- Settlement option of payment of sum assured by installments
- Grant of accident benefit
- Grant of premium waiver benefit under CDA policies
- Alteration in currency and place of payment of policy monies
- A fee for the change or alteration in the policy is charged by the Corporation called quotation fee and no additional fee is charged for giving effect to the alteration.

(e) **Contact Address**
Address of policy holder is very important. Without the latest address of the policy holder LIC would not be in a position to contact them for any service offering. So, it is necessary that whenever there is a shift in residence of policy holder they should inform the new address to LIC. Otherwise any communication sent by LIC, like premium notices,
discharge vouchers for maturity and survival benefits etc. will get delayed in reaching policy holder.

LIC provides for change of addresses, inclusion of telephone numbers, mobile numbers and email addresses in contact addresses information. Policy holders should inform their servicing branch to incorporate the same in their policy records.

(f) Assignment
In case policy holder is raising a loan against his policy from LIC or any other financial institution, his policy would have to be assigned to LIC or the financial institution. When the policy is assigned to LIC the title of the policy is shifted from the name of policy holder to that of the institution. The policy would be reassigned to policy holder on the repayment of the loan. A fresh nomination should be done after reassignment of the policy. Assignment of policies can be done even when a loan is not required or for some special purposes. An assignment has an effect of directly transferring the rights of the transferor in respect of the property transferred. Immediately on execution of an assignment of the Policy of life assurance the assignor forgoes all his rights, title and interest in the Policy to the assignee. The premium/loan interest notices etc. in such cases will be sent to the assignee. In case the assignment is made in favor of public bodies, institutions, trust etc., premium notices/receipts will be addressed to the official who has been designated by the institutions as a person to receive such notice. An assignment of a life insurance policy once validly executed, cannot be cancelled or rendered in effectual by the assignor. Scoring of such assignments or super scribing words like 'cancelled' on such assignment does not annul the assignment. And the only way to cancel such assignment would be to get it re-assigned by the assignee in favor of the assignor.
There are two types of assignments:

1. **Conditional Assignment** whereby the assignor and the assignee may agree that on the happening of a specified event which does not depend on the will of the assignor, the assignment will be suspended or revoked wholly or in part.

2. **Absolute Assignment** whereby all the rights, title and interest which the assignor has in the policy passes on to the assignee without reversion to the assignor or his estate in any event.

(g) Revival of Lapsed Policies

If the policy has lapsed due to non-payment of premiums within the due date, the terms and conditions of the policy contract are rendered void, till it is revived. A lapsed policy has to be revived by payment of the accumulated premiums with interest as well as giving the health requirements as required. If the premium under a policy is not paid within the days of grace the policy lapses. Revival is a fresh contract wherein the insurer can impose fresh terms and conditions. A policy can be revived under the following types of revival:

1. **Ordinary Revival** -- If a revival of the policy is effected within 6 months from the due of first unpaid premium no personal statement regarding health is required and the policy is revived on collection of delayed premium plus interest. The rate of interest to be charged for such delayed premium will depend on the date of commencement of the policy.

2. **Revival on non-medical basis** -- For revival of the policy on non-medical basis the amount to be revived should not exceed the prescribed limit for non-medical assurance taken by the life assured.

3. **Revival on medical basis** -- If a policy cannot be revived under ordinary revival or revival on non-medical basis it can be revived with medical
requirements. The medical requirements will depend upon the amount to be revived.

4. The other schemes for revival are:
   A. Special Revival Scheme
   B. Revival by installment
   C. Loan- cum- revival
   D. Survival Benefit- cum- revival

(h) Claims settlement procedure:
The settlement of claims is a very important aspect of service to the policyholders. Hence, the Corporation has laid great emphasis on expeditious settlement of Maturity as well as Death Claims. The procedure for settlement of maturity and death claims is detailed below:

Maturity Claims:-
1) In case of Endowment type of Policies, amount is payable at the end of the policy period. The Branch Office which services the policy sends out a letter informing the date on which the policy monies are payable to the policyholder at least two months before the due date of payment. The policyholder is requested to return the Discharge Form duly completed along with the Policy Document. On receipt of these two documents post dated cheque is sent by post so as to reach the policyholder before the due date.

2) Some Plans like Money Back Policies provide for periodical payments to the policyholders provided premium due under the policies are paid up to the anniversary due for Survival Benefit. In these cases where amount payable is less than up to ` 60,000/-, cheques are released without calling for the Discharge Receipt or Policy Document. However, in case of higher amounts these two requirements are insisted upon.
**Death Claims:-** The death claim amount is payable in case of policies where premiums are paid up-to-date or where the death occurs within the days of grace. On receipt of intimation of death of the Life Assured the Branch Office calls for the following requirements:

a) Claim form A – Claimant’s Statement giving details of the deceased and the claimant.

b) Certified extract from Death Register

c) Documentary proof of age, if age is not admitted

d) Evidence of title to the deceased’s estate if the policy is not nominated, assigned or issued under M.W.P. Act.

e) Original Policy Document--The following additional forms are called for if death occurs within three years from the date of risk or from date of revival/reinstatement.

a) Claim Form B – Medical Attendant’s Certificate to be completed by the Medical Attendant of the deceased during his/her last illness.

b) Claim Form B1 – if the life assured received treatment in a hospital.

c) Claim form B2 – to be completed by the Medical Attendant who treated the deceased life assured prior to his last illness.

d) Claim Form C – Certificate of Identity and burial or cremation to be completed and signed by a person of known character and responsibility.

e) Claim form E – Certificate by Employer if the assured was employed person.

f) Certified copies of the First Information Report, the Post-mortem report and Police Investigation Report if death was due to accident or unnatural cause.

These additional forms are required to satisfy LIC on the genuineness of the claim, i.e., no material information that would have
affected the acceptance of proposal has been withheld by the deceased at the time of proposal. Further, these forms also help at the time of investigation by the officials of the Corporation.

**Double Accident Benefit Claims**: Double Accident Benefit is provided as an inject to the life insurance cover. For this purpose an extra premium of `1/- per `1000/- S.A is charged. For claiming the benefits under the Accident Benefit the claimant has to produce the proof to the satisfaction of the Corporation that the accident is defined as per the policy conditions. Normally for claiming this benefit documents like FIR, Post-mortem Report are insisted upon.

**Disability Benefit Claims**: Disability benefit claims consist of waiver of future premiums under the policy and extended disability benefit consisting in addition of a monthly benefit payment as per policy conditions. The essential condition for claiming this benefit is that the disability is total and permanent so as to preclude him from earning any wage/compensation or profit as a result of the accident.

**Claims Review Committees**: The Corporation settles a large number of Death Claims every year. Only in case of fraudulent suppression of material information is the liability repudiated. This is to ensure that claims are not paid to fraudulent persons at the cost of honest policyholders. The number of Death Claims repudiated is, however, very small. Even in these cases, an opportunity is given to the claimant to make a representation for consideration by the Review Committees of the Zonal office and the Central Office. As a result of such review, depending on the merits of each case, appropriate decisions are taken. The Claims Review Committees of the Central and Zonal Offices have
among their Members, a retired High Court/District Court Judge. This provides transparency and confidence in operations and has resulted in greater satisfaction among claimants, policyholders and public.

(i) **Insurance Ombudsman:**
The Grievance Redressal Machinery has been further expanded with the appointment of Insurance Ombudsman at different centers by the Government of India. At present there are 12 centers operating all over the country. Following type of complaints fall within the purview of the Ombudsman:

a) Any partial or total repudiation of claims by an insurer;
b) Any dispute in regard to premiums paid if payable in terms of the policy;
c) Any dispute on the legal construction of the policies in so far as such disputes relate to claims;
d) Delay in settlement of claims;
e) Non-issue of any insurance document to customers after receipt of premium.

Policyholder can approach the Insurance Ombudsman for the redressal of their complaints free of cost.

(j) *When To Pay The Premiums:*
LIC usually sends premium notices one month in advance to the due month of the premium. The months in which premiums are due are given on the first page of the Policy bond.

(k) *Grace Period For Premium Payment:*
In case the policy holder does not paid the premium within the due date there is still time to make the payments without payment of interest on the premium. This period is called the grace period. (With the exception of some plans). The grace period for policies where the premium payment
mode is monthly is 15 days from the due date. The grace period for policies where the premium payment mode is quarterly, half-yearly or yearly is one month but not less than 30 days.

*(l)* Policy Status

Status of the policy indicates that the policy is in force or has lapsed due to non-payment of premium. It also provides other important information with respect to any policy, for future & further reference. The status of the policy is available at the branch that services the policies. It is also available through Interactive Voice Response Systems in select cities. In cities connected by computerized networks the status will be available in any of the branches. Now the policy status of policies being serviced in the cities connected by network are also available through Internet. In select cities online touch screen kiosks are also provided where policy holder can view their policy status.

*(m)* Availing Loans On Policies

Many of LIC plans are of endowment type and policy holders are allowed to raise a loan against their policy whenever they require funds. Policy holder may repay the loan with interest or continue paying the interest and allow the loan to be deducted at the time of the claim payments. Further loans on policies are also allowed after deduction of earlier out standings. Most financial institutions allow loans against LIC policies based on the value LIC quotes.

*(n)* Surrender Value:

This is the value which is the amount payable to policy holder when they decide to discontinue the policy and encash the same from LIC. Surrender value is payable only after three full years premiums are paid to LIC. More over if it is a participating policy the Bonus get attached to it as per prevalent rules. Surrender of policy is not recommended since
the surrender value would always be proportionately low. If anyone wants to go in for another insurance at this stage further insurance would be available at a much higher premium because the age would have advanced since taking out the earlier policy. Therefore retention of earlier policies and continuation of all policies without allowing them to lapse is the best strategy for continuing life insurance protection.

**Policies Under Salary Savings Scheme:**

If the policy holder has taken the policy under salary Saving Scheme the following conditions apply:

(i) For each Salary Savings Scheme Policy the employer deducts the premium from the salary of the policy holder and sends a consolidated cheque for all the policies of the employees to a designated Branch of LIC, where all the policy files are maintained.

(ii) The policy holder can find out which Branch of LIC their policy file will be serviced either from their Agent or from the pay roll department of their employer.

(iii) One need to know which branch of LIC services their policy is in as it will help in getting their Maturity/Survival Benefits, for any alterations like change of address and for availing loans etc.

(iv) In case policy holder is in a transferable job then they should inform the designated Branch of LIC about their new place of posting. After joining new place of posting they must ask their employer the LIC Branch where the premiums are being remitted by their office and inform the LIC Branch which was servicing them earlier so that your policy files can be transferred.

(v) Always ensure the continuity of premium payments to avoid frequent revivals of policy.
(vi) Policyholder should not send any installments directly to LIC. The premium must go through their employer only. LIC do not have systems to adjust single installments received from their policy holder. Otherwise they should convert the mode into quarterly, half yearly or yearly and pay directly. This also enables to get a discount on the premium payable.

(vii) Policyholder should leave a permanent local address with LIC so that LIC can reach them wherever even after many years.

5.5.5.2 Helpline

To ensure the best out of LIC policies policy holder should read the following guidelines provided by the LIC:

1. Keep the policy bond safe. It will be required at the time of maturity or Survival Benefit. It will also be required while availing a loan or want to assign a policy.

2. Information to spouse/Parents/Children as to where the policy is kept.

3. When you shift residences, please inform the new address to us. Otherwise any communication we send to you, like premium notices, discharge vouchers, etc., will get delayed in reaching you.

4. Ensure that the nominees name is correctly incorporated in the policy bond.

5. Remember to pay your premium in time, even if our notices do not reach you. There may be a postal delay. The months in which premium are due are given in the Policy bond.

6. You may pay the premium by Cheque, DD or Money Order. Remember to quote the policy number every time in your correspondence. The policy number is consisting of nine digits and can be found at the top left hand corner of the policy bond.
7. When your Survival Benefits (For Money back policies) or maturity benefits are due, we send intimations to your three months in advance. If such intimations have not come to your even within one month of the due date kindly inform us so that we may take necessary action.

8. Check your policy bond and see if your date of birth is correctly given therein.

9. In case you are handing over the policy bond to any person or office, including the LIC office please take a written acknowledgement.

10. When in doubt call your agent or the Branch from where you took the policy.

Our Branches are our Operating Units. Hence, for any servicing matter, contact the Servicing Branch of your policy. However, for obtaining general information, you can contact any of the Branches of LIC.

5.5.6. Tax Benefit

Income-tax and tax benefits from life insurance:

**Income-Tax Rates For Financial Year 2012-2013 (Assessment Year 2013-2014)**

<table>
<thead>
<tr>
<th>Income Slabs</th>
<th>Tax Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual &amp; HUF below age of 60 years</strong></td>
<td><strong>Individual 60 years of age and more but less than 80 years</strong></td>
</tr>
<tr>
<td>Income up to `2,00,000</td>
<td>Income up to `2,50,000</td>
</tr>
<tr>
<td><code>2,00,001 to </code>5,00,000</td>
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<td><code>5,00,001 to </code>10,00,000</td>
<td><code>5,00,001 to </code>10,00,000</td>
</tr>
<tr>
<td>Above `10,00,001</td>
<td>Above `10,00,001</td>
</tr>
</tbody>
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Table No. 5.4
Income tax benefits available under various plans of life insurance are highlighted below:

1) **Deduction allowable from Income for payment of Life Insurance Premium (Sec. 80C).** ---(a) Life Insurance premium paid in order to effect or to keep in force an insurance on the life of the assessee or on the life of the spouse or any child of assessee & in the case of HUF, premium paid on the life of any member thereof, deduction allowed upto 20% of capital sum assured during any financial year.

(b) Contribution to deferred annuity Plans 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 of such individual, provided such contract does not contain a provision to exercise an option by the insured to receive a cash payment in lieu of the payment of annuity is eligible for deduction.

(c) **Contribution to Pension/Annuity Plans - Jeevan Dhara-I & Jeevan Akshaya- VI**

2) **Jeevan Nidhi Plan & New Jeevan Suraksha - I 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 plans for receiving pension (from the fund set up by the Corporation under the Pension Scheme) is allowed.

3) **Investment under long-term infrastructure bonds notified by the Central Government. (Sec.80CCF)**---A deduction up to ` 20000/- is available to individuals and HUF for amount paid or deposited as subscription to long-term infrastructure bonds notified by the Central Government. This is in addition to ` 100000 lakh deduction available under section 80C.

4) **Deduction under section 80D---**

1. Deduction allowable upto ` 15,000/- if an amount is paid to keep in force an insurance on health of assessee or his family (i.e. Spouse & children)
2. Additional deduction upto `15,000/- if an amount is paid to keep in force an insurance on health of parents

3. In case of HUF, deduction allowable upto `15,000/- if an amount is paid to keep in force an insurance on health of any member of that HUF.

5) Jeevan Aadhar Plan (Sec.80DD) ---Deduction from total income upto `50000/- allowable on amount deposited with LIC under Jeevan Aadhar Plan for maintenance of an handicapped dependent ( `1,00,000/- where handicapped dependent is suffering from severe disability)

6) Exemption in respect of commutation of pension under Jeevan Suraksha & Jeevan Nidhi Plans ---Under Section 10(10A) (iii) of the Income-tax Act, any payment received by way of commutations of pension out of the Jeevan Suraksha & Jeevan Nidhi Annuity plans is exempt from tax under clause (23AAB).

7) Income tax exemption on Maturity/Death Claims proceeds under Section 10(10D)---Under the provisions of section 10(10D) of the Income-tax Act, 1961, Maturity/Death claims proceeds of life insurance policy, including the sum allocated by way of bonus on such policy (other than amount to be refunded under Jeevan Aadhar Insurance Plan in case of handicapped dependent predeceases the individual or amount received under a Keyman Insurance Plan) is exempted from income-tax. However any sum (not including the premium paid by the assesses) received under an insurance policy issued on or after the 1st day of April, 2003 in respect of which the premium payable for 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.