

Everything you wanted to know – Unit Linked Insurance Plans

1. What is a ULIP?

ULIP is an abbreviation for **Unit Linked Insurance Policy**. A ULIP is a life insurance policy which provides a combination of risk cover and investment. The dynamics of the capital market have a direct bearing on the performance of the ULIPs. In a unit linked policy the investment risk is generally borne by the investor.

2. What is a Unit Fund?

The allocated (invested) portions of the premiums after deducting for all the charges and premium for risk cover under all policies in a particular fund as chosen by the policy holders are pooled together to form a Unit fund.

3. What is a Unit?

It is a component of the Fund in a Unit Linked Policy.

4. What Types of Funds do ULIP Offer?

Most insurers offer a wide range of funds to suit one's investment objectives, risk profile and time horizons. Different funds have different risk profiles. The potential for returns also varies from fund to fund.

General Description	Nature of Investments	Risk Category
Equity Funds	Primarily invested in company stocks with the general aim of capital appreciation	Medium to High
Income, Fixed Interest and Bond Funds	Invested in corporate bonds, government securities and other fixed income instruments	Medium
Cash Funds	Sometimes known as Money Market Funds — invested in cash, bank deposits and money market instruments	Low
Balanced Funds	Combining equity investment with fixed interest instruments	Medium

5. Are Investment Returns Guaranteed in a ULIP?

Investment returns from ULIP may not be guaranteed." In unit linked products/policies, the investment risk in investment portfolio is borne by the policy holder". Depending upon the performance of the unit linked fund(s) chosen; the policy holder may achieve gains or losses on his/her investments. It should also be noted that the past returns of a fund are not necessarily indicative of the future performance of the fund.

6. What are the Charges, fees and deductions in a ULIP?

ULIPs offered by different insurers have varying charging structures. Broadly, the different types of fees and charges are given below. However it may be noted that insurers have the right to revise fees and charges over a period of time:

- **Premium Allocation Charge:** This is a percentage of the premium appropriated towards charges before allocating the units under the policy. This charge normally includes initial and renewal expenses apart from commission expenses.
- **Mortality Charges:** These are charges to provide for the cost of insurance coverage under the plan. Mortality charges depend on number of factors such as age, amount of coverage, state of health etc.
- **Fund Management Fees:** These are **fees levied for management of the fund(s)** and are deducted before arriving at the Net Asset Value (NAV).
- **Policy/ Administration Charges:** These are the fees for administration of the plan and levied by cancellation of units. This could be flat throughout the policy term or vary at a pre-determined rate.
- **Surrender Charges:** A surrender charge may be deducted for premature partial or full encashment of units wherever applicable, as

mentioned in the policy conditions.

- **Fund Switching Charge:** Generally a limited number of fund switches may be allowed each year without charge, with subsequent switches, subject to a charge.
- **Service Tax Deductions:** Before allotment of the units the applicable service tax is deducted from the risk portion of the premium.

Investors may note, that the portion of the premium after deducting for all charges and premium for risk cover is utilized for purchasing units

7. What should one verify before signing the proposal?

One has to verify the **approved sales brochure** for

- all the charges deductible under the policy
- payment on premature surrender
- features and benefits
- limitations and exclusions
- lapsation and its consequences
- other disclosures
- Illustration projecting benefits payable in two scenarios of 6% and 10% returns as prescribed by the life insurance council.

8. How much of the premium is used to purchase units?

The full amount of premium paid is **not** allocated to purchase units. Insurers allot units on the portion of the premium remaining after providing for various charges, fees and deductions. However the quantum of premium used to purchase units varies from product to product.

9. What is Net Asset Value (NAV)?

NAV is the value of each unit of the fund on a given day. The NAV of each fund is displayed on the website of the respective insurers.

10. What is the benefit payable in the event of risk occurring during the term of the policy?

The Sum Assured **and/or** value of the fund units is normally payable to the beneficiaries in the event of risk to the life assured during the term as per the policy conditions.

11. What is the benefit payable on the maturity of the policy?

The value of the fund units with bonuses, if any is payable on maturity of the policy.

12. Is it possible to invest additional contribution above the regular premium?

Yes, one can invest additional contribution over and above the regular premiums as per their choice subject to the feature being available in the product. This facility is known as "**TOP UP**" facility.

13. Whether one can switch the investment fund after taking a ULIP policy?

Yes. "**SWITCH**" option provides for shifting the investments in a policy from one fund to another provided the feature is available in the product. While a specified number of switches are generally effected free of cost, a fee is charged for switches made beyond the specified number.

14. Can a partial encashment/withdrawal be made?

Yes, Products may have the "**Partial Withdrawal**" option which facilitates withdrawal of a portion of the investment in the policy. This is done through cancellation of a part of units.

Life Insurance Plans are the financial tools to safeguard your family's future, even in the event of your sad demise. | **Term Life Insurance** or simply **Term Insurance** is a form of life insurance that covers one's life for a limited period of time, called policy term. | **Financial Planning** is a fundamental activity to plan for one's future needs. Certain financial calculators are of great importance in aiding financial planning. | **ULIP or Unit Linked Insurance Plans** are life insurance plans that are aimed at the twin objective of covering one's life as well as enhancing the value of the underlying assets through investments. | **Retirement & Pension Plans** seek to provide for financial security in the post retirement phase of one's life. | **Endowment Policy** is a life insurance that provides a lump sum on maturity or on the sad event of one's demise.

IRDAI notice: Beware of spurious phone calls and fictitious/fraudulent offers: IRDAI clarifies to public that IRDAI or its officials do not involve in activities like sale of any kind of insurance or financial products nor invest premiums. IRDAI does not announce any bonus, public receiving such phone calls are requested to lodge a police complaint along with details of phone call, number.

Exide Life Insurance Company Limited (Formerly known as ING Vysya Life Insurance Company Limited).

IRDAI Registration number: 114, CIN: U66010KA2000PLC028273, Registered Office: 3rd Floor, JP Techno Park, No. 3/1, Millers Road, Bangalore- 560 001, India. © 2016 Exide Life Insurance Company Limited. All rights reserved. Site credits : Idealake 