5

POLICY CONDITIONS

5.0 INTRODUCTION

Life Insurance is a contract between two parties i.e. insurer and the insured. This contract is governed by certain rules and regulations which is must for an enforceable contract. In this lesson we shall discuss the various policy conditions that apply to contracts of life insurance. Policy conditions must be strictly adhered to. Here both parties must follow the principle of utmost good faith. The policy conditions apply at the time of taking the policy, continues during the duration of the cover and ends with the final settlement of claim under the policy. If the policy conditions are not followed either at the time of taking the policy or some material fact is not disclosed or some information is suppressed at the time of making a claim the insurance company may not honour the claim under the policy.

5.1 OBJECTIVE

After going through this lesson you will be able to

- To learn the various conditions applicable to life insurance contract
- Recall the procedures to be followed to adhere to the conditions.
- Understand the regulation in vogue.

5.2 POLICY CONDITIONS

5.1.1 Age proof and dating back

Age is the basis for determining premium. Lower age means less premium and higher age means higher premium.

Therefore, the proposer must submit reliable proof of age to the insurer at the time of the proposal itself. Normally the following age proofs are considered reliable :-

1. School & transfer certificate or its certified extract.
2. Certified extract from municipal record.
3. Certificate of Baptism or extract from family bible.
4. Extract from service of Govt. quasi-government or reputed public limited companies where age is recorded on the basis of some standard age proof.
5. Passport.
6. Identity Card of defence personnel.
7. Marriage certificate in case of Roman Catholics.

Extracts of the original certificate has to be signed by the proposer himself. As a general rule, in the plans where the risk element is high, standard proof is insisted upon and so also for children's insurance where without age proof, proposal cannot be completed.

5.1.2 Sub-standard age proofs

Substandard age proofs are service records where age is recorded by declaration, ESI cards, marriage certificate of Muslims, elder's declaration, self declaration etc. which are scarcely accepted and if and when accepted, the insurer restricts the plan and/or term, sum assured and may charge an extra premium to compensate for any probable understatement of age.

5.1.3 Dating back

The commencement of a policy can be dated back within the financial year to give the benefit of lower age. In dating back , the insurer has nothing to lose, for no risk can extend backwards, dating back of children deferred assurance sometimes becomes necessary so that the child attains majority on the date of vesting, i.e., when the child owns the policy. If the policy is dated back within 3 months, no interest is charged. So also dating back to lean months like April and May are allowed interest free. But in the plans which promise to pay high rate of guaranteed addition, interest may be charged on date backing at a high rate. However these details depend upon each insurer and they may devise their own set of rules in this regard.

Sometimes proposals are accepted with an undertaking to submit proof of age at a later date.

5.3 DAYS OF GRACE

Premium is required to be paid on the due date but insurer allows a period of grace and if the payment is made within this period it will be considered as having been paid on the due date.

The days of grace are one month but not less than 30 days in all modes of payment except monthly where the days of grace are reduced to 15 days. During the days of grace, the policy remains in force and the claim is payable if the death occurs even if the due premium has not yet been paid. If the premium is not paid during the days of grace the policy lapses.

This grace period constitutes a privilege to the policyholder. The grace period may be allowed depending upon the discretion of the insurer.

5.4 REVIVAL OF DISCONTINUED OR LAPSED POLICIES

A policy lapses in the event of non-payment of the premium by the insured. Usually a lapsed policy can be revived within a period of 5 years. The amount of arrear premium along with the compounded interest over a period of 5 years becomes so exorbitant that it becomes financially preferable to go for a new policy instead of reviving the old policy.

If the period lapsed is within six months, the policy can be revived by payment of arrear premium with interest only.

After a period of six months, but within 5 years, the policy can be revived by payment of arrear premium with due interest with such other evidence of health and habits as required by the insurer.

The revival conditions may differ depending upon the policies of the insurers.

5.5 REVIVALS

A life insurance policy is a long term contract. The insured is obliged to continue to pay the instalment of premium on the due date to keep the policy in force. There is a grace period for each mode of payment, say of 30 days for all modes except monthly mode where the grace period is reduced to 15 days.

If the due premium is not paid on the due date or even during the grace period, the policy is said to have lapsed. Lapse of a policy means cessation of coverage. However it is possible to revive the policy with total coverage within a certain period.

Revival of a policy means reviewing the policy *de novo* by the insurer. Every insurer will have its own rules in respect of revival of policy.

Revival is a renovation of a policy half-way. Supposing a policy is for 20 years and it has lapsed say after paying 10 years of premium, it is understandable that half the sum assured has already been paid for. Revival of this policy effectively means reviving the risk of only of balance 50% of the sum assured. This revived sum assured is always less than original sum assured and higher by the paid up sum assured. The paid up sum assured is arrived at by dividing the original sum assured by the term of the policy and multiplying it by the period for which the premium stands paid. Say the term of a policy is 20 years, the sum assured, Rs. 10,000 and 10 years premium have been paid, the paid up value is Rs. 10,000 x 10/20 = Rs. 5,000. Thus the sum assured to be revived is Rs. 5,000.

This sum to be revived is important, because being less than the original sum assured, the requirements for medical report etc. may be much less than what was required while taking the original policy. It is also true that age has increased in the meantime and, therefore, some requirements may be still needed.

To cite an example of procedure of revival of policies we shall discuss hereunder the schemes for revival offered by LIC taking into consideration the financial situation of the policyholders :

(1) Ordinary Revival Scheme

The arrear premiums are paid with interest along with other medical requirements, if any.

(2) Special Revival Scheme

It is meant for those policyholders who cannot pay all the

Notes

arrear premiums, but are interested to revive the policy. In this scheme, the date of commencement of the policy is shifted to the date of revival. A necessary condition for this revival is that the policy should not have lapsed for more than two years and it must not have acquired a paid up value.

However, as the date of commencement is advanced, it means a higher age and, therefore, the instalment premium is changed accordingly. The term normally remains the same and the maturity date shifts unless the maturity age goes beyond what is permissible under the plan. In that case, the term is reduced to keep the maturity age within the limit. This privilege of special revival can be allowed only once during the duration of the policy.

The procedure for revival is very simple. The insurer makes all the changes in the policy document by an endorsement. The policyholder however has to pay at least one instalment of premium to cover the risk upto next due date.

(3) Revival by paying arrear premium in instalment :-

This scheme is useful for those who cannot pay arrear premiums in one lump sum and who do not satisfy the basic condition of special revival scheme. For example the policy might have already acquired a paid up value. It is very much like ordinary revival scheme except that in this case, the arrear premium with interest is paid in instalments along with the current premium say-within two years. After having paid the increased premium for the stipulated period the instalment shall be reinstated to its original amount.

(4) Revival with loan Scheme

As is clear from the name this scheme involves two steps -one reviving the policy, two granting a loan. Loan is calculated assuming that the premium has been paid upto the date of revival and thereafter this amount is adjusted towards the arrear premium. However, if this loan amount falls short of the required arrear premium with interest, the balance is payable by the policyholder. Thus while the policy gets revived, it gets loaded with a loan which needs to be repaid with interest or else this is deductible from the claim as and when it arises.

(5) Survival cum Revival :-

As it is known from its name, if the policyholder has taken a

Notes

money back policy and it has lapsed, LIC would revive the policy from the money which was due to the policyholder as survival benefit.

INTEXT QUESTIONS 5.1

1. What is Revival.?
2. Till what period policy can be revived?

5.6 NON-FORFEITURE REGULATION

If the premium has been paid for a minimum period of 3 years and subsequent premium is not paid, the policy does not become totally void. It becomes paid up to a reduced sum assured. This reduction in sum assured is in proportion to the actual period for which premium has been paid compared to the total period for which the premium was payable.

Some insurance companies have a system called automatic premium loan option. If this option is accepted the policy does not get automatically paid up on stoppage of payment of premium. The policy is kept in force by an automatic withdrawal of premium money out of the surrender value of the policy and the outstanding premium gets paid as long the surrender value lasts. As this withdrawal is treated as a loan with interest, in course of time, the loan and interest totally exhausts the present value of the policy and the policy value becomes zero. However this policy can be revived in the meantime.

Another option used by companies to exercise the non–forfeiture clause is the extended term insurance where a term insurance policy is issued against a single payment equivalent to the surrender value for the initial sum insured.

5.7 HAZARDOUS OCCUPATION

As to occupation it is worth noting that though insurer charges extra premium, if the proposer is engaged in hazardous occupation and removes such extra premium, if such occupation is given up, it does not charge any extra premium to such policyholders who after having taken the insurance takes up a hazardous job. In fact, no policyholder is required to keep the insurer informed of the change in occupation during the continuance of any insurance policy.

INTEXT QUESTIONS 5.2

1. What are the ideal age proofs?
2. What do you mean by substandard age proof?
3. What is the usual grace period?

5.8 NOMINATION AND ASSIGNMENT

Nomination

Transfer of property through nomination without the hassle of any other transfer deed, is an important special privilege given to the policyholder under Sec.39 of the Insurance Act. The owner of the policy, when taking an insurance on his life, can nominate a beneficiary to whom the claim amount is payable by the insurer in case the insured is no more. Payment to the nominee as named in the proposal and incorporated in the policy document is a sufficient and valid discharge for the insurer.

It is true that nominee should be a close relative who has an insurable interest in the insured person. In other words, he should stand to gain in his existence and harmed by his death. If a nominee is a person other than a close relative with insurable interest, the insurer may ask for clarification and may refuse to accept the risk, as the moral hazard is suspected in such a case. Of course, it is possible to nominate a charitable institution of one's liking.

Besides the relation between a husband and a wife, insurable interest is not presumed to exist, unless specifically explained. Thus while nomination is a special privilege, it needs to be exercised wisely. Nomination can be changed during the duration of the policy by a specific endorsement on the policy document. It generally becomes necessary if the life insured is not married while taking the policy and, therefore, may nominate his/her parents. After marriage nomination can be changed in favour of the spouse by making a special application.

It shall be clear that in case insurance policy is taken on the life of another person, say a child, nomination is not required immediately, for the proposers can claim the money on the death of the minor life assured. However, after the child attains

Notes

majority, he owns the policy and therefore, he has a right to make a nomination.

When life insurance is taken under Married Women's Property Act 1874 no nomination is required. However in the special addendum, the name of the beneficiary along with the name of the Trustees is mentioned. Similarly in a joint life plan a nominee is not required, as the survivor is entitled to the policy money.

The nominee should be a major, because he alone can give a valid discharge to the insurer on receiving the claim money. If, however, the nominee is a minor, an appointee, who must be a major and a close confident, should be appointed to receive the money on behalf of the child and he should hold this money in trust for the benefit of the ultimate beneficiary. Signature of the appointee is obtained in the proposal form as a proof of his consent.

We shall discuss assignment here and also discuss how assignment is different from nomination.

Life insurance is a property and like any other property it can be transferred, mortgaged or dealt with in any other manner. Assignment is a method by which the owner can transfer the ownership of the property to anybody else for valuable consideration or natural love and affection. Sec 38 of the Insurance Act 1938 provides the rule and conditions for assignment of an insurance policy.

A policy can be transferred by an endorsement on the policy or by a separate deed. A written notice should be given to the insurer about the assignment so that the insurer is aware of the assignment and makes the payment to the assignee as and when any payment becomes due. In the absence of such a notice, the insurer can not be held responsible if it has made the payment to the insured or his nominee. However, if at any time before the actual payment, the fact of assignment comes to the notice of the insurer, he cannot ignore the assignment.

Assignment is a complete transfer of ownership of the policy to the assignee who now acquires the right to dispose off the policy in any manner he likes including surrendering the policy. The assignee must be a major and must not be disqualified by law. There must be a consideration for assignment, e.g., taking a loan. Assignment for love and affection is also considered valid. Assignment should not be against law, e.g. against foreign exchange regulations. Assignment must be in writing, properly signed and witnessed.

Assignment can be conditional with the condition that the policy ownership shall revert to the assured, in case he survives till maturity. A policy can be assigned to a charitable institution and such assignment can be either absolute or conditional.

Assignment once done cannot be cancelled by the assignor. The position can be retrieved only by a re–assignment by the assignee on the policy or on a stamped paper.

Thus nomination and assignments are two simple methods provided by the Insurance Act to deal with the property i.e. Life insurance policy, without going through the hassles of succession certificate and other formalities through court of law.

Let us now consider the points that differentiate a nomination from an assignment.

Nomination

1) Nomination can be done at the time of the proposal
2) Nomination can be done only by an endorsement on the policy — not by a separate deed.
3) Life assured alone can nominate.
4) Nomination does not take away the ownership and therefore, life assured can change the nomination any time he likes.
5) Nomination does not need a consideration.
6) Nomination need not be witnessed.
7) Nomination has to be notified to the insurer so that the nominee's interest is protected.
8) Nominee has no right to the policy money so long the life assured is alive.
9) On the death of the nominee, nomination becomes invalid.
10) A nominee merely receives the money on behalf of the beneficiaries. He does not own it.
11) The creditor can get the policy attached.

12) Nomination is automatically cancelled by a subsequent assignment.

Assignment

1) Assignment is not possible at the time of proposal, as he has not yet acquired any property which can be transferred.
2) Assignment is possible both by endorsement or a separate deed.
3) Assignment is possible by the owner who can be an assignee also.
4) Assignment cannot be cancelled without the assignees consent.
5) Assignment has to be for a consideration unless it is for love and affection.
6) Assignment must be witnessed.
7) Notice of assignment is required so that the latter assignee gets a priority over the earlier assignee.
8) The assignee is the owner of the policy and can give a valid discharge to the insurer even if the assured is alive.
9) On the death of the assignee, his successors inherit the right to the policy.
10) The assignee is the owner of the property which is the insurance policy.
11) A creditor of the life assured has no right to an assigned policy.
12) An assignee can further assign the policy.

5.9 PROHIBITION OF REBATE

Section 41 of the Insurance Act, 1938 states:

1) No person shall allow or offer to allow, either directly or indirectly, as an inducement to any person to take out or renew or continue an insurance in respect of any kind of risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing or continuing a policy accept any rebate, except such rebate as may be allowed in accordance with the published prospectuses or tables of the insurer.

2) Any person making default in complying with the provisions of this section shall be punishable with a fine which may extend to five hundred rupees.

Section 45 of the Insurance Act: No policy of life insurance effected before the commencement of this Act shall after the expiry of two years from the date of commencement of this Act and no policy of life insurance effected after the coming into force of this Act shall after the expiry of two years from the date on which it was effected, be called in question by an insurer on the ground that a statement made in the proposal for insurance or in any report of a medical officer, or referee, or friend of the insured, or in any other document leading to the issue of the policy, was inaccurate or false, unless the insurer shows that such statement was on a material matter or suppressed facts which it was material to disclose and that it was fraudulently made by the policyholder and that the policyholder knew at the time of making it that the statement was false or that it suppressed facts which it was material to disclose.

5.10 PAID UP VALUE & SURRENDER VALUE

When a policyholder due to any reason stops payment of future premium during the term of the policy he certainly loses the cover of life risk for the future. But what happens to the money he has already paid?

Paid up Value

If the premium has been paid for 3 full years, this money as per the terms and conditions of the policy does not get forfeited. The policy is said to get automatically “paid up”. **Paid up** is a technical expression of a position where the money paid is not forfeited. This is the amount which is to be paid on the maturity of the policy or earlier death of the policyholder. This amount is a reduced sum assured exactly in proportion to the term for which premium is paid compared to the term for which premium was payable.

Say for example this policy was for a sum assured of Rupees one lakh for a term of 20 years. If the premium payment has been stopped after payment of 10 years’ of premium the paid up value is equal to Rs. 1 lakh x 10 : 20 = Rs. 50,000. If the premium is paid for 5 years, the paid up value is Rs. 1 lakh x 5 : 20 = Rs. 25,000. This money along with the accrued bonus is payable only on maturity or death, if earlier. If it is with-profit policy, the bonus which has already accrued during the period when the policy was in force remains attached to it and is paid along with the paid- up value. However a policy is not entitled to any bonus after it gets paid up.

Now if the policyholder wants to get out of the contract altogether and wants the refund of the total money, he is not clearly entitled to the total money. A lot of it has already been used to pay the death claim to the people who have died in the meantime. The initial expense incurred by the insurer was quite heavy and while computing the premium, the provision for expense was spread over the entire period of the policy.

All these have to be recovered out of the deposited premium. The bonus declared is payable only on death or maturity and is technically called 'Reversionary Bonus'. Therefore, only the present value of this bonus is now payable.

Surrender Value

The value which is now payable on cancellation of the policy contract is called the Surrender Value. This is much less than the paid up value for the reasons as explained above.

The surrender value is payable provided the policy has acquired a paid up value and the policy acquires a paid up value only if a minimum of three years premium has been paid. This limit of three years has been kept because the initial huge expenses incurred for the procurement of policy and after paying for the deaths, do not leave much to be paid, before three years.

Guaranteed surrender value

The Insurance Act, 1938 provides for a guaranteed surrender value. The guaranteed surrender value has been defined as follows - If the policy premium has been paid for three years, the minimum surrender value allowable under this policy is equal to 30 percent of the total amount of premium paid excluding the premium for the first year and also additional premium for accident benefit etc. The cash value of any existing vested bonus addition will also be allowed.

Though this is the guaranteed amount payable as surrender value as per the Insurance Act 1938 what is actually paid is the special surrender value which is arrived at by multiplying the paid up value by the surrender value factor. The surrender value factor is a schedule of factors or ratios, which is dependent upon the duration of the period elapsed between the date of commencement and the date of payment of surrender value. The larger the period elapsed, larger is the factor. This factor is multiplied with the paid up value amount to arrive at the special surrender value factor.

The special surrender value is more than the guaranteed surrender value.

5.11 COMPUTATION OF PAID-UP VALUE & SURRENDER VALUE

We will explain this with an example :

Sum assured	-	Rs.75,000/-
Plan	-	Endowment with–profits
Term	-	15 years
Date of commencement	-	28.11.1978
Mode	-	Yearly
Due date of last premium paid	-	28.11.84

Date of calculation of surrender value - 1.10.84.

Calculation :

Term of the policy - ‘x’	=	15 years
Sum assured	=	Rs.75000
Number of premiums paid - ‘t’	=	28.11.1984
		28.11.1978
		0.0. 6 years and add
		1 advance premium
Total number of premiums paid	=	7

Paid up value $= \dfrac{Rs.\,75{,}000 \times 7}{15} = Rs.\,35{,}000$

Vested bonus against the policy for the six years on the sum assured of Rs. 75,000 is equal to Rs.11,160/-.

Thus the total paid up value is Rs.35000 + Rs.11160 = Rs.46160/-

This paid up value is payable only on maturity or death of the policyholder, if earlier.

The special surrender value is wanted on	1.10.1984
Therefore the duration which has lapsed on	01.10.1984
	(-) 28.11.1978
	03.10.2005

The surrender value factor as per the special surrender value chart published for duration 5 year and term 15 years is 58%.

Therefore the surrender value

$$= \frac{Rs.\,46{,}160 \times 50}{100} = \text{Rs.}26772.80$$

Thus irrespective of the amount of premium paid by the policyholder, the paid up value is decided by the duration for which premium has been paid compared to the term for which premium was payable. And the surrender value factor is determined by the duration which has lapsed from the date of commencement to the date on which the surrender value payment is demanded compared to the original term of the policy taken by him.

5.12 LOAN UNDER POLICY

Loan is a privilege which is allowed provided it is mentioned in the policy conditions. Generally loan is permissible in all savings oriented polices like endowment plans. But in such plans, where survival benefit is paid during the duration of the policy benefit of loan payment is not permitted as the reserve is depleted due to these payments. That is why in money back plans, loan benefit is not permitted.

Loan amount is generally 90% of the surrender value. This percentage increases gradually during the last 3 years of the policy duration. In case the policy has been paid up, only 85% of the surrender value is available for loan.

Now consider the position where a policy had been made paid up i.e. no more premium is being paid. Now the policyholder has taken a loan against this paid up policy or the policy has been made paid up subsequent to the taking of the loan. Loan carries the obligation to pay interest at a certain rate. It is, therefore, quite likely that this loan amount due to the addition of interest amount which is not being paid over a period of time shall overtake the admissible surrender value particularly because no more premium is being paid against this policy.

Under such a condition, the policy is surrendered to loan. The policyholder has been granted a loan and he is neither paying the premium nor the interest against the loan. The liability against loan has become more than the surrender value. The insurer therefore, takes what is called "fore closure action". Before taking a fore—closure action, the policyholder is notified to the effect that if he does not pay the outstanding interest on or before a specific date, the policy would be written off and the surrender value of the policy shall be adjusted against the loan and the outstanding interest and the balance, if any, shall be paid. However, if the policyholder pays the outstanding interest, the fore closure action can be avoided.

5.13 CLAIM CONCESSION

In death cases where the policyholders expire after continuously paying premium for 3 years the insurance company makes payment of full sum assured, subject to the deduction of unpaid premiums with interest till the date of death and unpaid premiums falling due before the next anniversary of the policy within a period of six months or one year from the date of the first unpaid premium.

For example Mr Santosh took a life insurance policy for Rs.1 lakh on 1.1.2005. After making payment for 3 years he died on 4.3.2008. His premium was due in February. Here Insurance company makes him the payment of Rs. 98500 after deducting the premium amount due from Mr Santosh. The premium was Rs. 1500.

INTEXT QUESTIONS 5.3

1. What is a paid up policy?
2. Define Surrender Value.

5.14 SUMMARY

Age is the basis for determining premium. Lower age means less premium and higher age means higher premium, everything else, like table being the same. Therefore, the proposer must submit reliable proof of age to the insurer at the time of the proposal itself.

The days of grace are are one month but not less than 30 days in all modes of payment except monthly where the days of grace are reduced to 15 days. During the days of grace, the policy remains in force and the claim is payable if the death occurs and the due premium has not yet been paid

Revival is a need whenever the policy has lapsed for non-payment of premium. The process of revival is kept easy subject to necessary caution.

Assignment is a procedure to transfer the ownership of the policy, which is a property, to another for a consideration. It is free of normal hassles usual to transfer of property.

The value which is now payable in cancellation of the policy contract is called the Surrender Value.

Loan can be taken against some life insurance Policies. Policyholder may make the interest payment to the insurer and if he wishes the loan and interest gets deducted from the final benefit payable to him.

5.15 TERMINAL QUESTIONS

1. List the various documents accepted as valid age proofs.
2. What is the procedure of dating back of policies?
3. What are the rules regarding revival of a policy?
4. What is the difference between Nomination and Assignment?
5. Differentiate between paid up and surrender value.
6. What is the procedure for taking loan under a policy?

5.16 OBJECTIVE TYPE QUESTIONS

1. Which one of the following statement is correct?
   a. Age is material information and may affect the terms of underwriting.
   b. If age is found to be different, the only effect is on the premium rate.
   c. Both the above statements are correct.

d. Both the above statement are wrong.

2. Age is material for underwriting because it affects?

   a. The amount of premium.

   b. The decision to call for medical examinations and tests.

   c. The plan that can be offered.

   d. All the three factors above.

3. Which one of the following statement is correct?

   a. Age is important for the underwriting to consider the need for medical tests.

   b. Age is material to decide on the plan that can be offered.

   c. Both (a) and (b) statements are wrong.

   d. Both (a) and (b) statements are correct.

4. Which one of the following statement is correct?

   a. In the case of SSS policies, the grace period is one month.

   b. If the due date is 27th February the grace period ends on 26th March.

   c. Both (a) and (b) statements are correct.

   d. Both (a) and (b) statements are wrong.

5. The premium was due on 15th July and 16th August is a Sunday?

   a. The grace period will end on 14th August (Friday).

   b. The grace period will end on 15th August (Saturday).

   c. The grace period will end on 17th August (Monday).

   d. The grace period will end as per the discretion of the insurer.

6. The monthly premium was due on 24th February in a leap year (Tuesday).

   a. The grace period will end on 9th March (Tuesday).

   b. The grace period will end on 10th March (Wednesday).

   c. The grace period will end on 11th March (Thursday).

   d. The grace period will end on 24th March (Wednesday).

7. Which one of the following statement is correct?
   a. If death occurs in grace period, the premium due is waived.
   b. The date of payment of premium is the date on which the cheque is cleared.
   c. Both (a) and (b) statements are correct.
   d. Both (a) and (b) statement are wrong.
8. Which one of the following statement is correct?
   a. Premium have to be paid by cash or cheque.
   b. Premium can be paid electronically.
   c. Both (a) and (b) statements are correct.
   d. Both (a) and (b) statements are wrong.
9. Which one of the following statement is correct?
   a. A premium paid within the grace period is payment made on the due date.
   b. A policy is not considered to have lapsed during the days of grace.
   c. Both (a) and (b) statements are correct.
   d. Both (a) and (b) statements are wrong.
10. Which one of the following statement is correct?
    a. When a policy lapses, the policyholder loses everything.
    b. When a policy lapses, some benefits are protected.
    c. Both (a) and (b) statements are correct.
    d. Both (a) and (b) statements are wrong.

5.17 ANSWERS TO INTEXT QUESTIONS

5.1

1. Revival means the renew of lapse policy which has been lapsed due to non-payment of premium.
2. With in 5 years the policy can be revived.

5.2

1. Ideal age proof means the proof which is acceptable by the insurer.

2. Substandard age proofs are service records where age is recorded by declaration, ESI cards, marriage certificate of Muslims, elder's declaration, self declaration etc which are scarcely accepted and if and when accepted, the insurer restricts the plan and/or term, sum assured and may charge an extra premium to compensate for any probable understatement of age.

3. It depends upon the mode of payment and varies from 15 days to 30 days

5.3

1. **Paid up** is a technical expression of a position where the money paid under the policy is not forfeited.

2. The immediate payment of paid up value is known as surrender value.

5.18 ANSWERS TO OBJECTIVE TYPE QUESTIONS

1. a
2. a
3. d
4. d
5. c
6. b
7. d
8. c
9. c.
10. b