

Group Leave Encashment Scheme

1. **Introduction:**

LIC's New Group Leave Encashment Plan is a non-linked non-participating, fund based Variable Insurance Product. This plan helps to meet the employer's Liability for providing Leave Encashment facility to their employees. The Plan also offers Life Cover Benefit so that in case of death of a group member an amount equal to sum assured in respect of that member will be paid. The amount of life cover in respect of each member shall be guided by the scheme rules of the employer.

2. **Contribution:**

Each policy year a Policyholder shall pay Contributions to secure Leave Encashment Benefit as per Scheme Rules and also to provide Life Cover Benefit.

The Contributions received under the scheme may include Contributions towards the past service liability and the Contributions in respect of that year. The employer/trustees may pay the Contributions at any time during the year.

All the Contributions paid by employer/ trustees will be credited to the Policy Account maintained in the name of employer/trustees.

3. **Policy Account:**

A single Policy Account shall be maintained in respect of all Contributions received from policyholder.

For a new scheme, a Policy Account will be created in respect of a scheme as soon as the Policyholder pays the first Contribution. The Policyholder's Account shall be credited with interest amount by providing the following types of interest rates:

- **Minimum Floor Rate (MFR):** MFR is a guaranteed interest rate that Policy Account shall earn during the entire policy term. This plan offers a Minimum Floor Rate (MFR) of 0.5% p.a.
- **Additional Interest Rate (AIR):** In addition to MFR, the Corporation shall also declare a non zero-positive Additional Interest Rate (AIR) at the beginning of each financial quarter on the Policy Account. This AIR shall remain guaranteed for that quarter.
- **Residual Addition (RA):** Starting from the fifth policy anniversary, in addition to MFR and AIR, the Corporation may also declare a non zero- positive Residual Addition (RA) on Policy Account at the end of each policy year.

The Residual Addition shall be determined as below:

- » Gross Investment Yield earned in the shadow policy account at the end of each policy year less
- » Actual yield earned in the policy account, at the end of each policy year less
- » Yield referred in the maximum reduction in yield at that duration (stipulated by the regulator, IRDA) in accordance with the table below:

Number of years elapsed since inception	Maximum Reduction in Yield (Difference between Gross and Net Yield (% p.a.))
5	4.00 %
6	3.75 %
7	3.50 %
8	3.30 %
9	3.15 %
10	3.00 %
11 and 12	2.75 %
13 and 14	2.50 %

15 and thereafter	2.25 %
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Note:

- » A Shadow Policy Account shall be maintained on a daily basis and shall be computed based on the actual accruals of all income elements for the Corporation like contributions, income from investments as and when received and all actual debits i.e. partial withdrawals to the policy account value as and when debited, to arrive at the actual gross investment return and reduction in yield to the policy account value, at the end of each year starting from policy year 5.
- » The yield earned on each of the policy account shall be calculated using the money weighted rate of return method at end of each policy year.

The interest amount earned by way of MFR and AIR will be credited to the Policy Account at the end of each financial quarter/at the time of exit. The interest amount earned by way of RA, if any, will be credited to the Policy Account at the end of each policy year starting from policy year 5.

Benefits:

Benefits payable on death of a member while in service: The benefit payable will be equal to the sum of following:

Sum assured and

Leave Encashment Benefit as per the scheme rules.

Benefits payable on retirement / leaving service before Retirement: The Leave Encashment Benefits shall be payable as specified in the scheme rules.

Charges:

- Mortality Charges:** Mortality Charge is the amount required to secure the Life Cover Benefits to the members from year to year as per scheme rules. Mortality Charges will be deducted from Policy Account Value on monthly basis in advance.

The total Mortality Charge to be deducted from Policy Account Value shall be the sum of Mortality Charges in respect of each member covered under the policy.

The Mortality Charge Table to be applied to a group will depend on the size, mortality experience and risk profile including occupation of the group.

- Policy Administration Charges:** The Policy Administration Charge per year shall be Rs. 0.15 per Rs.1000/- of total Life Cover Benefit under the policy at the time of deduction of the charge. This charge will be a deducted from Policy Account on monthly basis in advance.
- Fund Management Charge:** The Fund Management Charge (FMC) shall be deducted from Policy Account Value at the end of each quarter/ at the time of exit based on daily Policy Account Value during that quarter. This percentage of the Fund Management Charge shall vary depending on the size of Policy Account Value of the scheme and are as under:

Fund Management Charge: (per annum)	
Size of Policy Account Value of the Scheme	Fund Management Charge(FMC) (p.a.)
Initial amount upto 1 crore	0.50%
On subsequent amount above 1 crore but less than or equal to 5 crores	0.45%
On subsequent amount above 5 crores but less than or equal to 25 crores	0.40%
On subsequent amount above 25 crores but less than or equal to 100 crores	0.35%
On subsequent amount above 100 crores but less than or equal to 200 crores	0.30%
On subsequent amount above 200 crores but less than or equal to 400 crores	0.25%
On subsequent amount above 400 crores but less than or equal to 800 crores	0.20%
On subsequent amount above 800 crores but less than or equal to 2000 crores	0.15%
On subsequent amount above 2000 crores	0.10%

For example, in case of Policy Account Value of Rs. 1.5 crores the charges that would apply would be Rs. 72,500, being 50,000 (0.5%) on the first one crore of the Policy Account Value and Rs 22,500 (0.45%) on the balance 50 lacs of the Policy Account Value.

- **Market Value Adjustment:** A Market Value Adjustment (MVA) will be applicable on Bulk Exits and complete surrender of the policy. The MVA will be applicable on withdrawal amount which is over and above 25% of the Policy Account Value. The MVA amount shall be derived at the time of exit using the following formula.

MVA amount = [Maximum (0, Policy Account Value – Market Value) / Policy Account Value] * (Net amount which is over and above the amount representing Bulk Exit)

Where, Market Value is derived from the revaluation of assets at the time when MVA is carried out. The assets will be earmarked separately for this product. The MVA amount, if any, will be deducted from the Policy Account Value.

- **Surrender Charges:** If the policy is surrendered within three policy years from the date of commencement, the surrender charge shall be 0.05% of the Policy Account Value subject to maximum of Rs.500,000/-.

No surrender charge will be levied if a policy is surrendered after completion of third policy anniversary.

- **Service Tax Charge:** Service tax, if any, shall be as per the Service Tax laws and the rate of service tax as applicable from time to time.
- **Right to revise charges:** The Corporation reserves the right to revise the Fund Management Charges and Policy Administration Charges. The modification in Fund Management Charges and Policy Administration Charges will be done prospectively with effect from next Annual Renewal Date with the prior approval from IRDA after giving the Policyholder a notice of one month. However the maximum Fund Management Charges shall not exceed 1% p.a. The Policy Administration Charges shall not exceed Rs. 0.30 p.a. per thousand of Life Cover Benefit, subject to a maximum of Rs. 500 per annum per member.

In case the Policyholder does not agree with the revision of charges the Policyholder shall have the option to withdraw the Policy Account Value. However such withdrawal shall not be treated as surrender.

- **Bulk Exits:** If the amount to be paid on total exits in any event exceeds 25% of the total fund of the scheme at the beginning of the year, such transactions shall be treated as bulk exits, where exits shall mean exit of the member from the group. If the withdrawal amount exceeds 25% of the total Policy Account Value of the scheme at the beginning of that policy year then it will be considered as Bulk Exit. Market Value Adjustment (MVA) will be applicable on such Bulk Exits.
- **Surrender Value:** The Policy can be surrendered by the Policyholder at any time by giving an advance notice of 3 months. The benefit available on surrender shall be Guaranteed Surrender Value. The Corporation may, however, pay Special Surrender Value if it is favourable to the policyholder.

The Life Cover Benefit will not acquire any surrender value.

Guaranteed Surrender Value:
The Guaranteed Surrender Value shall be equal to the 90% of the total Contributions (net of Mortality Charges and Policy Administration Charges already deducted till date) paid less all the benefits paid since the inception of the policy.

Special Surrender Value:
The Special Surrender Value shall be equal to the Policy Account Value on the day of surrender less the applicable surrender charges less Market Value Adjustment, if any.

- **Compulsory Termination:** If at any point of time, the Policyholder's Account Value is not sufficient to cover the relevant charges as given in Para 5, the policy shall be compulsorily terminated. In such a case, the balance in the Policyholder's Account, if any, shall be refunded to the Policyholder.

Eligibility Criteria:

Minimum Entry Age:	18 years (completed)
Maximum Entry Age	75 years
Maximum Age at Renewal:	80 years
Minimum Contribution	The total amount required to provide Leave Encashment Benefit as per AS-15 (Revised) (subject to a minimum of Rs.10000/- at the time of inception of the policy) along with total mortality charges and other

	applicable charges to be deducted during the policy year
Maximum Contribution	No limit. The maximum contribution shall be the amount required to provide Leave Encashment benefit as per AS-15 (Revised) along with total mortality charges and other applicable charges to be deducted during the policy year
Minimum Group Size for existing scheme	No restriction
Minimum Group Size for new scheme	10
Maximum Group Size	No restriction
Minimum Sum Assured	Rs.1000
Maximum Sum Assured	No restriction
Policy Term	Annually renewable

Cooling-off period:

The Policyholder may review the terms and conditions of the Master Policy and choose to return the Master Policy within 15 days to the Corporation in case of any objection with a written communication stating the reasons of their objection. The period of 15 days shall be reckoned from the date of receipt of Master Policy by the Policyholder.

On receipt of such a communication, the Master Policy shall be cancelled and the amounts received shall be refunded to Policyholder after deduction in respect of following.

- » Stamp duty expenses.
- » Proportionate Mortality Charges for the period on cover .

Loan:

No loan will be available under the policy.

Benefit Illustration:

Statutory warning

“Some benefits are guaranteed and some benefits are variable with returns based on the future performance of your life insurance company. If your policy offers guaranteed returns then these will be clearly marked “guaranteed” in the illustration table on this page. If your policy offers variable returns then the illustrations on this page will show two different rates of assumed investment returns. These assumed rates of return are not guaranteed and they are not upper or lower limits of what you might get back as the value of your policy is dependant on a number of factors including future investment performance.”

Notes:

- » The above illustration is applicable to a non-smoker male/female standard (from medical, life style and occupation point of view) life.
- » The bonuses/non-guaranteed benefits in above illustration are calculated so that they are consistent with the Projected Investment Rate of Return assumption of 4% p.a and 8% p.a. respectively. In other words, in preparing this benefit illustration, it is assumed that the Projected Investment Rate of Return that LIC will be able to earn **throughout the term of the policy** will be 4% p.a. or 8% p.a., as the case may be.
- » The main objective of the illustration is that the client is able to appreciate the features of the product and the flow of benefits in different circumstances with some level of quantification.

SECTION 45 OF INSURANCE ACT, 1938:

No policy of life insurance 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.

Provided that nothing in this section shall prevent the insurer from calling for proof of age at any time if he is entitled to do so, and no policy shall be deemed to be called in question merely because the terms of the policy are adjusted on subsequent proof that the age of the life assured was incorrectly stated in the proposal.

Prohibition of Rebates (Section 41 of Insurance Act, 1938) :

(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: provided that acceptance by an insurance agent of commission in connection with a policy of life insurance taken out by himself on his own life shall not be deemed to be acceptance of a rebate of premium within the meaning of this sub-section if at the time of such acceptance the insurance agent satisfies the prescribed conditions establishing that he is a bona fide insurance agent employed by the insurer.

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

Note: "Conditions apply" for which please refer to the Policy document or contact our nearest Branch Office.