

****ALTERATION IN POLICIES- RULES & EXAMPLES****

The contract of insurance is completed on the basis of mutually agreed terms between the proposer & the insurer. The policy document which is treated as evidence of contract, contains the terms & conditions of contract between the insurer & policyholder. No change will be permissible unless both the parties to the contract agree. Keeping in view the basic principles of insurance & administrative convenience, L.I.C. permits some alterations.

Following are some general rules which should be taken into account before effecting alterations.

- (1) Policy should be in force & not fully paid up.
- (2) After alteration, if Tabular premium rate (not instalment premium) is lower than original one, then alteration is not allowed. However, exception is - alteration from with profit limited payment policy (Plan - 5) to Endowment Assurance with Profit (Plan - 14).
- (3) Alteration is not allowed if L.A.'s age is 70 years or above.
- (4) Alteration is not allowed if there is increase in term of policy or premium paying term.
- (5) Alteration for increase in Sum Assured is not allowed. After reducing Sum Assured once, further reduction in sum assured is not allowed, if it is less than minimum for that particular plan of assurance.
- (6) Alteration from with profit plan to without profit plan is not allowed. If the outstanding term after alteration is less than 5 years, then alteration from without profit to with profit is also not allowed. Now the period will be 3 years, because for vesting of bonus the years were reduced from 5 years to 3 years.
- (7) Alteration from policy with any mode of payment to a single premium policy is not allowed. Similarly from single premium to any other mode is not allowed.
- (8) No Quotation nor alteration fee should be charged on the policies issued on the lives of employees of Corporation while effecting alteration only ONCE in respect of each policy.
- (9) Alterations whereby the instalment premium would come to less than Rs. 10/- or specified for each mode of payment. i.e. MLY & SSS Rs. 50/-, Qly. - Rs. 200/-, Hly. - Rs. 400/-, Yly. Rs. 800/- (for policies issued from 15-01-1999 refer CO/Act/1666/4) dt, 07-12-1998.
- (10) Reduction in deferment period under Jeevan Dhara policy, New Jeevan Dhara, Jeevan Suraksha should not be allowed if as a result of alteration, annuity commence within 5 years from the date of alteration.
- (11) **For alterations mentioned below, the same will be effected by canceling the existing policies & issuing new policies at the const of policyholders. The alterations are :-**
 - (a) Alteration in plan Whole Life (1 & 2), Limited Payment Life Policy (Plan 3 & 5) to Convertible Whole Life Policy (Plan 27).
 - (b) Under all Money Back Policies, Jeevan Suraksha etc. if alteration in plan whereby reduction in term. - Under Money Back Plan, any alteration in plan to another Money Back Plan group having less term is allowed provided 1st S.B. instalment have not paid or it will not become due within 1 year from date of alteration.
 - (c) Alteration from Whole Life / Endowment to M.W.P. Act policies.

For other alterations, effect will be given by passing the endorsement in proper format.

(12) w.e.f. 01-04-2000 as per C.O. circular ref : Act/1710/4 dt. 16-02-2000, consideration amount for alteration in Plan and /or Term will be higher of the (a) difference in premium with interest @ 9 % or 10.5% from inception (except for policies converted from without profit to with profit) (b) OR difference in Surrender Value before & after alteration for all permissible alterations in Plan / Term. (w.e.f. 10-04-2005 rate of alteration is 8%).

Kindly note that interest charged on difference in premium will be compounding with the same frequency at which the premium is paid. The charts are enclosed. (Revival charts should not be used ,since they are compounding half yearly).

(13) Alterations from any existing plan to Money Back Plan, Cash & Cover Plan, Progressive Protection Plan, Anticipated Whole Life Plan, Jan Raksha Plan, Jeevan Mitra, Jeevan Sathi, Marriage Endowment, Education Annuity Plan i.e. high risk plan are NOT allowed.

(14) Alterations from Jeevan Mitra to Money Back is also not allowed.

(15) Alteration from Jeevan Asha I (Plan 129) to Jeevan Asha II (Plan 131) is not allowed.

(16) Alteration Fee of Rs. 50/- w.e.f. 01-04-2006 (CO/Mktg./CRM/SSS dt. 18-02-2006) is required in following cases of Alteration: -

- Reduction in Sum Assured.
- Change in mode of payment of premiums to higher frequency i.e. from Yearly to Half yearly, Qly. To Mly. (ordinary). But not required from any mode to SSS.
- Where DAB / EPDB is desired after the issue of policy & such benefit is not granted from the date of commencement of policy.
- Where premium waiver benefit is desired under CDA Plans after its issue & such benefit is not granted from date of eligibility.
- Supplementary benefits under Multi-purpose Policy.
- As per CO/Act/1734/4 dt. 30-11-2000, if PWB & Term Rider Benefits are granted under Plan 113,102,109,159 after issue of policies, alteration fee of Rs. 50/- will be required.
- As per CO/Mktg/cs/475/23 dt. 18-10-2001, alteration fee of Rs. 50/- is required for alteration from Plan 105 to Plan 133 Jeevan Mitra.(alteration was allowed within 3 years from issue of plan no 105)
- Alteration Fee of Rs. 50/- from Plan 94 / 111 to Plan 14 is required as per CO/Mktg./cs/471/23 dt. 27.07.2001.
- Under Jeevan Dhara & other Annuity Plan alteration fee of Rs. 50/- is charged (Also quotation fee Rs. 50/-).
- Under Plan 90 - Marriage Endowment Education Policy alteration fee Rs. 50/- required (Also quotation fee Rs. 50/-).
- Vide CO/Mktg./CRM/555 dt. 18-02-2006 w.e.f. 01-04-2006 alteration fee for change of Nomination will also be charged. However, first change of Nomination will be without any charge. Also if change of nomination is being done due to death of original nominee, then alteration fee is not required.

(17) Quotation fee of Rs. 50/- w.e.f. 01-04-2006 (CO/CRM/SSS dt. 18-02-2006) is required under following alterations : -

- Reduction in the term of Policy.
- Alteration in Plan i.e. class of Assurance.
- Further reduction in Endowment Term of Definite Convertible Whole Life Policy i.e. after exercising 5 years conversion option & then further reduction.
- Under Jeevan Dhara & other annuity Plan, Quotation fee of Rs. 50/- is charged. (also alteration fee Rs. 50/-).

(18) No Fee is required in following Alteration : -

- Alteration whereby premium paying term is reduced but policy term remains same. For example - under Jeevan Shree Plan no. 112-25-16 to 112-25-12.
- Change in mode of payment of premiums to lower frequency i.e. from Qly. To Yearly.
- All compulsory alterations required through age at entry having been understated or overstated.
- Imposition / Reduction / Removal of extra premium.
- Correction in Policy.
- Conversion of mode of payment into SSS.
- All optional & automatic alterations.
- EPDB / PWB Benefits granted from inception of policy.
- First alteration in policies of CEIS cases.
- Conversion of Policy into MWP Act & vice versa.
- Revocation or charge in trustees under MWP.

19) **Following are the types of “ Automatic Alterations” where Branche has to take action through AFM List :-**

- Under Progressive Protection Policy Plan 79, Sum Assured will be increased by 1.5 times & 2 times of the initial Sum Assured from 6th & 11th policy year. Premium will also increase taking in to consideration revised sum assured.
- Under Plan 27, 28 Convertible Whole Life Plan, if option of conversion is exercised at the time of inception of policy, premium will be increased.
- Dropping the extra premium for Accident Benefit from Policy anniversary before L.A. attains the age 60 / 65 or 70 years.
- Dropping the PWB (Premium Waiver Benefit) premium from policy anniversary on which L.A. attains age 18 years.
- Dropping of avation extra from policy anniversary on which L.A. attains age N.B.D. is 70 years.
- Reversion to original premium after revival amount under instalment Revival Scheme is fully recovered.
- Vesting of policies in favour of L.A. & dropping the name of proposer's name.
- Under Bhavishya Jeevan Plan No. 95, instalment premium is reduced after 5 years of DOC.

(20) **Following are some “Optional Alterations” whereby L.A. have option to exercise the same.**

- Under Plan 27, 28 i.e. Convertible Whole Life Policy to Endowment option to convert the policy into Endowment Assurance with or without profit after 5 years premiums paid but within 6 months after due date of 6th year premium.
- Convertible Term Assurance Plan No. 58, option to get the policy under Endowment Assurance or Limited Payment Whole Life Policy without getting any medical examination before 2 years of the expiry of premium paying term.
- Under Multipurpose & GTB Policies, option to get fully paid up life policy (payable after death) for increased Sum Assured in lieu of Maturity Benefit before 3 years of maturity.
- Under Plan no. 112-JeevanShree, payment of Maturity claim by instalments not exceeding 5, to be applied before date of Maturity.

(21) **Following types of extra premium charged for reasons of Health, Occupation or Sex, which can be removed subsequently on production of requirement - alterations -**

- a) **Cataract** - Successful operation certificate of cure from either operating surgeon or LIC authorized doctor. Extra will be removed from renewal date immediately subsequent to the operation.
- b) **Hernia** - Successful operation certificate of cure from operating surgeon stating that scar is firm, healthy & there is no recurrence. Extra will be removed from renewal date immediately after 2 years from the date of operation.
- c) **Hydrocele** - As above, but extra will be removed from renewal date immediately after 3 months from the date of operation.
- d) **Piles** - After receiving certificate of successful operation or cured by injection, from next renewal date subsequent to operation extra will be removed.
- e) **Lack of Teeth** - Certificate from LIC's authorized doctor & application from L.A. that he is wearing well fitted denture. Extra will be removed from next renewal date after certificate.
- f) **Occupation** - If Life Assured has changed to non hazardous occupation or he disabled to carry on with the hazardous occupation & after receipt of declaration from him, extra will be removed from next renewal date subsequent to receipt of letter.

Under all above cases of alterations, from (a) to (f) endorsement as per F.No. 3555 will be passed & letter to Life Assured as per F.No. 3737.

(22) If the alteration can be effected by an endorsement & the policy stands assigned, the assignee's consent is also necessary. If the alteration can be effected by issuing new policy & the policy stands assigned, it should first be reassigned by the assignee in favour of the assured.

(23) As per Act/1815/4 dated 17/07/2002, rate of interest charged on alteration is revised from 12% to 10.5% under Plan 112, 151, & 113.

(24) In case of reduction in Term / Plan, difference between commission paid to agents & to be payable after alteration, is required to be recovered. Dev. Officer's credit will also be revised.

Alterations which are permissible

The alterations which are permissible are dealt hereunder by taking every item of the schedule of the policy.

(1) Policy Number →

Alteration in policy no. is not allowed.

However, in case of splitting of Policy, new policy numbers are allotted. Splitting of policy is desired with a view to making one policy paid up or making nominations in favour of different policies. After splitting of policy, Sum Assured under each policy should not be less than the minimum required under plan of Assurance.

Splitting up of a policy into 2 or more policies can be done by endorsing the original policy & in respect of Balance Sum Assured, new policy/ies will be issued after allotting policy numbers from respective policy series of Branch in which year the original policy no was allotted. It is practice that for each financial year Branch is leaving some policy nos as unallotted policy nos are left before start of new financial year. On original policy document, endorsement as per F.No. 3554 should be passed. The action will be taken as if sum assured is reduced under original policy. Altered premiums under all premiums are payable from next policy anniversary & no difference on the premiums paid in the past, should be called. No surrender value should be paid.

Splitting of policy charges Rs. 75/- + policy preparation charges Rs. 75/- per policy + stamp fee + alteration fee Rs. 50/- will be collected. A consent letter should be obtained from Life Assured for such alteration & declaration should contain that due to splitting of policies, he will get less amount of Final additional Bonus which is explained to him.

Kindly ensure that I.T. Masters are correctly built under each policy & policy document of new policies are properly issued. At present masters are build at Divisional level only.

(2) Date of Commencement of Policy →

If age is not admitted, then Dating back of policy during first year of the policy & during the same financial year for giving benefit of lower age is allowed.

DOC cannot be forwarded except in case of policy is revived under special revival scheme, where date of commencement is post-dated. Endorsement as per F.No. 3553 will be passed.

(3) Alteration in Plan or class of insurance → Alteration is allowed in following cases :

- From Whole Life without profit (Table 1) to Table No. 2, 3, 5, 11, 14, 27.
- From Whole Life with profit (Table 2) to 5 & 14 Table only.
- From Limited Payment life policy without profit (Table 3) to Table no. 5, 11, 14, 27.
- From Limited Payment life policy with profit (Table 5) to Table no. 14 - Endowment Assurance with profit only.
- From Endowment Assurance without profit (Table 11) to Table 14 - with profit.
- From Multi purpose policies without profit (Table 33, 83) to Multi purpose policies with profit (Table 34, 84).
- Endowment Assurance Policy by limited payment without profit (Table 47) to Endowment Assurance ltd. payment Table 48 provided outstanding premium paying term is not less than 5 years & outstanding term is not less than 10 years.
- Endowment Assurance without profit (Table 11) to Multi purpose policy table 33 & 34 or 83 & 84 provided the Life Assured is eligible to get a fresh multipurpose policy as per rules in force at the time of alteration.
- Convertible Whole Life without profit (Table 27) - within 5 years from DOC, no alteration into with profit is allowed, but after 5 years, policy can be converted into endowment assurance with or without profit or can be continued as limited payment whole life without profit.

- Under Asha Deep Policy Table 110 & 121 - if any contingency i.e. illness covered under the policy, is arised within 1 year from date of risk or from date of revival, then policy will be altered to endowment assurance with profit (Table 14). CO/Act/1738/4 dated 06/01/2001.
- Under Jeevan Asha policy Table 129 & 131 - if Life Assured undergoes any surgical procedure or meets with any contingency as explained in plan during 1 year from date of risk or from date of revival, then policy will be altered to Endowment Assurance with profit plan Table 14 from the next policy anniversary.
- Alteration from Plan 105-Jeevan Grih to Plan 133-Jeevan Mitra Tripal Cover. CO/Mktg/CS/475/23 dated 18/10/2001. This alteration is allowed within 3 years from DOC & for policies having DOC on & after 01/05/1998. since plan 105 is withdrawn w.e.f. 14/11/2002, this alteration will have academic value only.
- Alteration from Plan 94 / 111 to Endowment Assurance with profit (Table 14). CO/Mktg/CS/471/23 dated 27/07/2001 minimum outstanding term of policy should be 10 years.
- Alteration from Table 112 / 151 to Table 14 is allowed subject to condition that Term under Table 14 should not exceed PPT under original Plan 112 & 151. (CO/Act/PS dated 14/11/2003).
- Alteration From Table 109 to 102 is allowed. (CO/Act/PS dated 14/11/2003).
- Alteration From Table 149 to Table 14 is not allowed.
- GUIDELINES FOR ALTERATION UNDER NEW PLANS → As per co/crm/592/23 dt 1/8/2007, Central office have issued guidelines for alteration from one plan to another under new plans are given. Under following cases, ALTERATION FROM ONE PLAN TO ANOTHER IS NOT ALLOWED.
 1. Alteration from one plan to a withdrawn plan will not be allowed.
 2. Alteration from a plan which was taken prior to the date of introduction of a new plan to which alteration is sought will not be allowed.
 3. ULIP plans, Annuity plans, Children plans- any alteration from or to these plans will not be allowed.

ALTERATION IS ALLOWED UNDER FOLLOWING PLANS:

I) TERM ASSURANCE TYPE PLANS→

FROM	TO	REMARKS
1) Bima sandesh (94)	Endowment Assurance (14)	
2) Bima Kiran(111)	Limited payment End Ass(48)	Within PPT
3) New bima kiran(150)	New Jeevan shree(162)	Within PPT
4) Anmol Jeevan(153)	Jeevan pramukh(167)	Within PPT
5) Amulya Jeevan(177)	Money Back(75,93)	Alteration into mentioned plans is allowed before 1 st survival Benefit has fallen due under these plans
	Jeevan surbhi(106,107,108)	
	Jeevan Anurag (168)	
	New Bima gold(179)	

II) ENDOWMENT ASSURANCE TYPE OF PLANS→

FROM	TO	REMARKS
<u>Endowment assurance plan no 14</u>	Limited payment End Ass(48)	Within PPT
	New Jeevan shree(162)	Within PPT
	Jeevan pramukh(167)	Within PPT
	Money Back(75,93)	Alteration into mentioned plans is allowed before 1 st survival Benefit has fallen due under these plans
	Jeevan surbhi(106,107,108)	
	New Bima gold(179)	

III) MONEY BACK TYPE PLANS→ * alteration is allowed under plans mentioned in 'from' before first survival benefit has fallen due.

FROM *	TO	REMARKS
Money back(75,93)*	Endowment assurance(14)	
Jeevan surbhi(106,107,108)*	LTD payment end ass(48)	Within PPT
Bima gold(174) *	New jeevan shree(162)	Within PPT
New Bima gold (179) *	Jeevan pramukh(167)	Within PPT
	Money Back(75,93)	Alteration into mentioned plans is allowed before 1 st survival Benefit has fallen due under these plans
	Jeevan surbhi(106,107,108)	
	New Bima gold(179)	

IV) WHOLE LIFE TYPE POLICIES→

FROM	TO	REMARKS
Whole life plan(2)	Endowment assurance(14)	
LTD payment whole life (5)	LTD payment end ass(48)	
Jeevan Anand (149)	New jeevan shree(162)	
Jeevan Rekha (152)	Jeevan pramukh(167)	
	Money Back(75,93)	Alteration into mentioned plans is allowed before 1 st survival Benefit has fallen due under these plans
	Jeevan surbhi(106,107,108)	
	New Bima gold(179)	

The above alterations from one plan to another is to be allowed on observing the usual conditions of alteration , some are as follows:-

- 1) If due to alteration, the maturity date is after 5 years, then the consideration amount will be the ' difference in premium and interest over it since inception.
- 2) If due to alteration , maturity due date falls within 5 years from date of alteration, then consideration amount will be ' difference in premium and interest over it since inception OR difference in surrender value of existing and altered plan on the alteration date, whichever is more.
- 3) The alteration as permitted above can be done to any one of the plans shown in group table and not only to the plan shown against each plan.
- 4) The policyholder should be otherwise eligible for the plan to which alteration is sought i.e. minimum/maximum age at entry, maximum age at maturity etc.
- 5) Usual conditions of alteration such as no increase in term/ premium paying term, no increase in sum assured, no decrease in tabular premium shall apply in these cases also.
- 6) Policy preparation charge/ alteration charge may be borne by the policyholder.
- 7) Agents commisiion etc. shall be paid /recovered as the case may be. Also development officer's credit shall be allowed /withdrawn.
- 8) Bonuses attached under the old plan shall be cancelled and instead the bonus declared under the altered plan shall be payable since inception of the policy. It will be irrespective of whether higher or lower bonus is available under the new altered plan policy.
- 9) Consent of life assured should be taken before actual alteration.
- 10)As per co/crm/727/23 dt 30/1/2009, permissible alteration from any plan to a money back plan can only be allowed provided the first survival benefit do not fall due within 1 year from the date of alteration.

As per co/crm/727/23 dt 30/1/2009, alteration from Jeevan Tarang plan-178 to plan 149- Jeevan Anand will be allowed during the premium paying term only. However, maximum accident benefit cover available under plan 149 will be Rs. 5 lakh only.

As per said circular, alteration from Jeevan Tarang plan-178 to money back plan 75-20 is allowed during the first 4 years of jeevan tarang plan. This means after alteration, the first survival benefit will not fall due within 1 year from date of alteration.

Following are the requirements for effecting alteration

- (1) An application in writing from the policyholder stating the nature of alteration desired.
- (2) Quotation fee, alteration fee as the case may be. If alteration in plan is with reduction in Sum Assured & Term then both will be required.
- (3) Consideration amount i.e. difference between interest along with interest @ 9% or 10.5% or as per prevalent rate of interest or difference between surrender value of before & after alteration whichever is more. (applicable upto 31/7/2007)
- (4) Policy for endorsement or cancellation. If new policy is going to be issued then policy preparation charge + stamp fee.
- (5) Evidence of health if necessary.
- (6) Letter from policyholder agreeing to the terms & conditions.
- (7) In policy master, correction through RFM should be done.
- (8) Endorsement as per F.No. 3897 should be done as follows :

Place :	Date :
At the request of the Life Assured the following alterations are hereby made in the Policy : -	
Plan of Assurance : -from----- to-----	
..... Premium Fromto inclusive at Rs.....	
Date of Maturity	
Table No. Bonus Rs.	
Received Rs..... being the amount required to give effect to the alteration.	
For LIC of India	
Branch Manager	

(4) Alteration From without profit to with profit plan →

Alteration from without profit to with profit plan may be allowed from the first policy anniversary falling in the valuation period current on the date on which the request for alteration is received.

For example : DOC 20/02/1980 P & T : 11-20 S.A. 10,000

Date of request for alteration 01/10/1986 for with profit.

--- Alteration can be given effect to from 20/02/1987. The policy anniversary falling in the inter valuation period 01/04/1986 to 31/03/1987.

Requirements are as follows : (1) Request letter from L.A. (2) Policy for endorsement (3) Quotation fee Rs. 50/- (4) Use endorsement as per F.No. 3561 (5) effect changes in policy master through RFM.

Place :	Date :
Re : Policy No.:	
At the request of the Life Assured, the policy is altered to with profit plan & in consequence the following alterations are hereby made in the policy.	
Altered to with profit from	
..... Premiums from @ Rs,	
To participate in profits for the valuation year commencing on Table no..... (New)	
Received Rs. being the amount required to give effect to the alteration.	
For LIC of India	

(5) **Reduction in Term of Policy** → Alteration for increase in term is not allowed; except under Jeevan Dhara Plan. Reduction in term is allowed except under Fixed Term policies e.g. Money Back policies, other plan 77, 78, 79, 52.

- (1) Reduction in term is allowed from next policy anniversary.
- (2) Quotation fee of Rs. 50/- will be required.
- (3) Consideration amount as explained earlier
- (4) policy for endorsement.
- (5) letter from policyholders agreeing terms
- (6) In policy master correction should be made through RFM
- (7) Pass endorsement as per F.No. 3546 or F.No. 3897.

(6) **Reduction in Sum Assured** →

Increase in Sum Assured is not allowed. Reduction in sum assured is allowed subject to the minimum Sum Assured permissible under the Plan of assurance. This is allowed from the due date of next policy anniversary under the policy.

If the policy has acquired a surrender value, the proportionate surrender value in respect of portion of Sum Assured to be dropped may be refunded in cash, together with cash value of the vested bonus relating to sum assured to be dropped. Kindly, calculate the bonus for reduced sum assured taking into account rate of bonus. If loan is outstanding under the policy, said refund of surrender value with cash value of bonus should be adjusted towards part repayment of loan. Balance outstanding loan should be within surrender value of altered S.A. otherwise, alteration will not be allowed, unless loan is repaid by life assured.

If the policy has not acquired surrender value, the assured is not entitled to any refund in respect of the portion of Sum Assured to be dropped.

- (1) Request & consent letter from Life Assured.
- (2) S.V. discharge form for surrender value on dropped S.A.
- (3) Alteration fee of Rs. 50/-
- (4) policy document for endorsement.
- (5) call overdue premium
- (6) policy master should be corrected.
- (7) endorsement as per F.No. 3543 / 3544 & covering letter 3737.

Place :	Date :
Re : Policy No.....	
At the request of the Life Assured the following alterations are hereby made in the policy.	
Sum Assured reduced to Rs.....	
From the premium due Premiums	
From @ Rs. are payable.	
The sum of Rs. has been paid as surrender value inclusive of cash value of Bonus in respect of the portion of the sum assured dropped.	
For LIC of India	

(7) **Mode of payment of premium** →

Alteration in mode of payment is allowed except under certain plans where only yearly & half-yearly mode are allowed. If alteration in mode of payment is from lower frequency to higher frequency i.e. from yearly or half-yearly to Quarterly then alteration fee will be charged. Otherwise, alteration fee is not required.

Alteration in the mode of payment of premium from higher frequency to lower frequency i.e. from Quarterly To Half-yearly can be allowed from the next renewal date of premium under the proposed mode of payment.

As per Mktg/cs/480/23 dated 02/02/2002, it has been allowed to alter mode of payment of premium from the previous due date also if such alteration is from higher frequency to lower frequency.

Endorsement as per F. No. 3546

Place :	Date :
Re : Policy no.:	
At the request of the Life Assured, the following alteration are hereby made in the policy.	
Nature of Alteration	
Date of Commencement	
Due date of Premium	
.....Premiums from to	
inclusive at Rs.	
Date of Maturity	
For LIC of India	

(8) Accident Benefit → The accident benefit now includes benefits payable on disability of the Life Assured & on death of the Life Assured as a result of accident as defined in policy documents.

If at the time of taking policy, the Life Assured has not availed the benefit, but after issue of policy, request for granting Accident Benefit, if the policy holder is eligible for it, may be granted, provided age N.B.D. of L.A. is not more than 55 years. If accident benefit is not asked from Date of Commencement of policy, then alteration fee of Rs. 50/- is required.

The benefit may be granted from the due date of policy anniversary following immediately after the date of application. However, if the application is received within 3 months after the anniversary which immediately preceded the application, Accident Benefit may be granted from preceding anniversary and if the application is received after expiry of the period of 3 months but before the expiry of 9 months from the date of preceding anniversary, then an option may be allowed to the assured to avail of the benefit either from immediately preceding anniversary or from next following anniversary.

Application for grant of accident benefit, alteration fee, form of declaration of health & risk for accident benefit (F.No. 3772) will be the requirements. If total sum assured under all eligible (inclusive) policies do not exceed 25 lakhs, now Rs. 50 lakh & if there is no any adverse information in declaration regarding L.A.'s health or occupation, accident benefit can be granted.

Endorsement as per F. No. 3773 (Revised) will be placed.

For policies issued upto 31/03/1978, accident benefit cover is available upto policy anniversary before attaining the age 60 & for policies issued from 01/04/1978 to 13/03/1987, accident benefit is allowed upto 65 years. If such policyholders applies for extension of benefit before attaining age 60 or 65 along with declaration form as per F. No. 3772, then same can be granted.

As per CO/Actl/1920/4 dated 08/12/2003, it has been decided to allow accident benefit cover if eligible from a date on which a decision to allow the same is taken provided EPDB premium from start of policy anniversary in the policy year in which such benefit is being granted. This is applicable to those policies where we charge Rs. 1.00 % for Accident Benefit.

INTEREST CHART FOR ALTERATION - RATE OF INTEREST 9%

As per CO/Act/1359/4 dated 19/01/1987

Calculation of consideration amount :- rate of interest on difference of premium @ 9% p.a. compounding with the same frequency as mode of payment - cumulative chart for difference for a difference of Rs. 1/- (applicable to all plans except 96, 116, 112, 113 & 151 & other plans having interest rate 10.50%)

No. of Instalments	Mode of payment			
	Quarterly	Half yearly	Yearly	Monthly & SSS
1	1.00000	1.00000	1.00000	1.00000
2	2.02250	2.04500	2.09000	2.00750
3	3.06801	3.13703	3.27810	3.02256
4	4.13704	4.27819	4.57313	4.04523
5	5.23012	5.47071	5.98471	5.07556
6	6.34780	6.71689	7.52333	6.11363
7	7.49062	8.01915	9.20043	7.15948
8	8.65916	9.38001	11.02847	8.21318
9	9.85399	10.80211	13.02104	9.27478
10	11.07571	12.28821	15.19293	10.34434
11	12.32491	13.84118	17.56029	11.42192
12	13.60222	15.46403	20.14072	12.50759
13	14.90827	17.15991	22.95338	13.60139
14	16.24371	18.93211	26.01919	14.70340
15	17.60919	20.78405	29.36092	15.81368
16	19.00540	22.71934	33.00340	16.93228
17	20.43302	24.74171	36.97370	18.05527
18	21.89276	26.85508	41.30134	19.19472
19	23.38535	29.05356	46.01846	20.33868
20	24.91152	31.37142	51.16012	21.49122
21	26.47203	33.78313	56.76453	22.65240
22	28.06795	36.30337	62.87334	23.82229
23	29.69917	38.93702	69.53194	25.00096
24	31.36740	41.68919	76.78981	26.18847
25	33.07317	44.56520	84.70090	27.38488
26	34.81732	47.57063	93.32398	28.59026
27	36.60071	50.71130	102.72313	29.80470
28	38.42422	53.99332	112.96822	31.02823
29	40.28877	57.42302	124.13536	32.26094
30	42.19526	61.00706	136.30754	33.50290
31	44.1466	64.75239	149.57522	34.75417
32	46.13791	68.66625	164.03699	36.01483
33	48.17602	72.75623	179.80032	37.28494
34	50.25998	77.03026	196.98234	38.56458
35	52.39083	81.49662	215.71075	39.85381
36	54.56962	86.16397	236.12472	41.15272

Interest chart for alterations @ 10.50%

CO/ACT/1359/4 dated 19/01/1987

For Plan - 112, 151 & 113

For calculation of consideration amount - rate of interest on difference of premium @ 10.50% p.a. compounding with same frequency as mode of payment of Rs. 1/- per premium.

No. of Installments	Mode of Payment			
	Quarterly	Half yearly	Yearly	SSS & Monthly
1	1.00000	1.00000	1.00000	1.00000
2	2.02625	2.05250	2.10500	2.00875
3	3.07944	3.16025	3.32603	3.02632
4	4.160274	4.32617	4.67525	4.05281
5	5.26948	5.55329	6.16615	5.08827
6	6.40781	6.84484	7.81361	6.13279
7	7.57601	8.20420	9.63404	7.18645
8	8.77488	9.63492	11.64561	8.24933
9	10.00522	11.14075	13.86840	9.32152
10	11.26786	12.72564	16.32458	10.40308
11	12.56364	14.39374	19.03866	11.49411
12	13.89344	16.14941	22.03772	12.59468
13	15.25814	17.99725	25.35168	13.70488
14	16.65866	19.94211	29.01361	14.82480
15	18.09595	21.98907	33.06004	15.95452
16	19.57097	24.14350	37.53134	17.09412
17	21.08471	26.41103	42.47213	18.24369
18	22.63818	28.79761	47.93170	19.40332
19	24.23244	31.30948	53.96453	20.57311
20	25.86854	33.95323	60.63080	21.75312
21	27.54759	36.73578	67.99704	22.94346
22	29.27071	39.66440	76.13673	24.14421
23	31.03907	42.74679	85.13109	25.35548
24	32.85384	45.99093	95.06985	26.57734
25	34.71626	49.40552	106.05219	27.80989
26	36.62756	52.99931	118.18767	29.05323
27	38.58903	56.78177	131.59737	30.30744
28	39.60199	60.76282	146.41510	31.57263
29	41.64155	64.95286	162.78868	32.84889
30	43.73464	69.36289		34.13632
31	45.88267	74.00444		35.43501
32	48.08709	78.88968		36.74507
33	50.34938	84.03138		38.06659
34	52.67105	89.44303		39.39967
35	55.05366	95.13879		40.74442
36	57.49882	101.13358		42.10093
37	60.00817	107.44309		43.46931

Interest chart for alterations @8% (w.e.f. 10/04/2005)

ALTERATION CHART (8%) - A1							
Factors for difference of premiums							
No. of Monthly instalment	Factor	No. of Quarterly Instalment	Factor	No. of Hly. Instalment	Factor	No. of Yearly Instalment	Factor
1	1.00000	1	1.00000	1	1.00000	1	1.00000
2	2.00667	2	2.02000	2	2.04000	2	2.08000
3	3.02001	3	3.06040	3	3.12160	3	3.24640
4	4.404018	4	4.12161	4	4.24646	4	4.50611
5	5.06711	5	5.20404	5	5.41632	5	5.86660
6	6.10089	6	6.30812	6	6.63298	6	7.33593
7	7.14157	7	7.43428	7	7.89829		
8	8.18918	8	8.58297	8	9.21423		
9	9.24377	9	9.75463	9	10.58280		
10	10.30540	10	10.94972	10	12.00611		
11	11.37410	11	12.16872	11	13.48835		
12	12.44993	12	13.41209	12	15.02581		
13	13.53293	13	14.68033				
14	14.62315	14	15.97394				
15	15.72063	15	17.29342				
16	16.82544	16	18.63929				
17	17.93761	17	20.01207				
18	19.05719	18	21.41231				
19	20.18424	19	22.84056				
20	21.31880	20	24.29737				
21	22.46093	21	25.78332				
22	23.61066	22	27.29898				
23	24.76807	23	28.84496				
24	25.93319	24	30.42186				
25	27.10608						
26	28.28678						
27	29.47536						
28	30.67187						
29	31.87634						
30	33.08885						
31	34.30945						
32	35.53818						
33	36.77510						
34	38.02026						
35	39.27373						
36	40.53556						
37	41.80579						
38	43.08450						
39	44.37173						
40	45.66754						
41	46.97199						
42	48.28514						
43	49.60704						
44	50.93775						
45	52.27734						
46	53.62585						
47	54.98336						
48	56.34992						
49	57.72558						

THIS CHART IS APPLICABLE TO ALL PLANS IRRESPECTIVE OF DATE OF COMMENCEMENT OR IRRESPECTIVE OF PLAN.

ALTERATION CHART (8%)							
Factor for difference of premiums							
No. of Monthly Instalment	factor						
50	59.11042						
51	60.50449						
52	61.90785						
53	63.32057						
54	64.74271						
55	66.17433						
56	67.61549						
57	69.06626						
58	70.52670						
59	71.99688						
60	73.47686						
61	74.96670						
62	76.46648						
63	77.97626						
64	79.49610						
65	81.02607						
66	82.56625						
67	84.11669						
68	85.67747						
69	87.24865						
70	88.83031						
71	90.42251						
72	92.02533						

ALTERATION CHART (8%) - A2	
Factors for difference of premiums - Broken period	
Month	Factor
1	1.00667
2	1.01333
3	1.02000
4	1.02667
5	1.03333
6	1.04000
7	1.04667
8	1.05333
9	1.06000
10	1.06667
11	1.07333
12	1.08000

Eg.

<u>Diff. of Premium</u>	<u>Mode</u>	<u>No. of instalments for Which diff. is calculated</u>	<u>Broken period (months)</u>
Rs. 18.60	Qly.	3	2

The total amount to be collected = Diff. of premium x A1 X A2
= 18.60 X 3.06040 X 1.01333
= Rs. 57.68

Examples on Alteration

(A) Alteration in Class & Term of Policy - Alteration from Plan 111 to Plan No. 14

Policy No.: P & T = 111-30 S.A. = 3,00,000/-
 Risk date :28/03/1996 FUP : 28/03/2000 Age at Entry : 28 years.
 Quarterly installment premium Rs. 810/- Present age : 32 years
 Date of Quotation : 11/12/1999.

Answer → Kindly refer CO/Mktg/cs/471 dated 27/7/2001.

While making alteration from Plan 111 to 14, premium will remain fix & from said premium amount, calculation will be done to ascertain how much sum assured can be purchased for balance O/S term.

For present age 32 years O/S term of original term will be 26 years. We will calculate tabular premium for 14-26, age 32 years.

T.P.	40.10				Total Annualized premium is Rs. 810 X 4 = Rs. 3240/-
- Qly. Rebate	<u>Nil</u>				
	40.10				
- S.A. Rebate	<u>2.00</u>	<u>Premium</u>	<u>S.A.</u>		
	38.10	39.10	1000	=	$\frac{3240}{39.10} \times 1000$
+ D.A.B.	<u>1.00</u>	3240	?	=	Rs. 82860/-
	= 39.10				

Sum Assured can be purchased from premium in thousand will be Rs. 82000

Hence for S.A. of Rs. 82000 premium will be $39.10 \times 82 = 3206.20 / 4 = 801.55$

Quarterly premium will be Rs. 802/-.

For S.A. of Rs. 83000/- Qly. Premium will be Rs. 811/- which is more than original premium, hence not allowed.

(1) Quotation fee of Rs. 5/- . (2) Original Policy will be called & cancelled. Policy preparation charges Rs. 75/- + stamp fee Rs. 33/- (3) The alteration will be allowed from next policy anniversary i.e. 28/03/2000 for new S.A. 82000, P & T 14-26, Qly. Premium Rs. 802/- . (4) No credit for the premiums paid from 28/03/1996 to 28/12/1999.

(5) Consent letter from Life Assured for alteration quoting new terms.

AS PER NEW CIRCULAR ISSUED BY CRM DEPT DT 1/8/2007 REF: CO/CRM/592/23, THE ABOVE CALCULATION WILL BE DONE BY KEEPING DEATH SUM ASSURED UNDER PLAN 111 AS BASE AND ALSO KEEPING ORIGINAL TERM OF PLAN 111 AS 30 YRS AS FIXED.

First calculate Qly premium for 14-30 sum assured 3,00,000 , age at entry 28 yrs

Quarterly premium will be Rs.2460/-

No of years premiums paid (3/2000 - 3/1996) = 4 yrs. i.e no of Qly instalments 16 qly

Difference of premium (2460- 810)= 1650 x 16 = 26400

Interest over difference in premium will be =

Factor for 16 Qly instalments @ 8% interest chart = 18.63929 x 1650 = 30754.82

Net interest will be (30755-26400)= 4355/-

Total consideration amount will be Rs.30755/-

Since, there is no maturity claim within 5 years from date of alteration, no need to calculate difference in surrender value before and after alteration.

Hence after collecting consideration amount of Rs. 30755/- + alteration fee of Rs.50/- + policy preparation charge of Rs. 75/- + stamp fee Rs.60/-, alteration can be effected.

Policy will participate in bonus from date of commencement of policy and not from policy anniversary following the date of alteration.

(B) Simultaneous Reduction in Sum Assured & Term of Policy →

Example 1 → Policy no. : Sum Assured : 50,000
 Mode : Half Yearly Plan / Term : 90-15 Risk Date or DOC : 28/03/1989
 Date of Birth : 09/06/1954 Age at entry : 35 years
 Last premium paid : 09/1990 FUP : 03/1991

Proposed alteration → NEW Sum Assured Rs. 10,000, New Term 5 years,
 Alteration to be effective w.e.f. 28/03/1991.
 Date of calculation of Quotation : 20/12/1990.

Answer →

1. Policy has not acquired paid up value, as such surrender value on dropped sum assured is not payable.
2. We will calculate premium for reduced sum assured i.e. first we will reduce Sum Assured.
3. This means, we will calculate premium for reduced sum assured on original term and reduced term of policy.

P & T = 90-15 Age = 35	S.A. = 10,000 Mode = Half Yearly	P & T = 90-05 Age = 35	S.A. = 10,000 Mode = Half Yearly
Tab. Premium	70.00		217.15
Less (-) mode rebate 1.5%	(-) 1.05		(-) 3.2572
	68.95		213.893
Add (+) DAB Premium	(+) 1.00		(+) 1.00
	69.95		214.893
	x 10		x 10
	699.50		2148.93
Half yearly premium = Rs.	349.80		= Rs. 1074.50

Difference in premium (1074.50 - 349.80) = Rs.724.70

Total Difference in premium of 4 Half yearly due 03/1989, 09/1989, 03/1990 & 09/1990 will be 724.70 x 4 = Rs. 2898.40.

Interest to be charged @ 9% compounding in the same frequency for the difference of premium. It may be monthly, quarterly, Half yearly & yearly. Kindly refer interest chart for alteration & not revival.

From interest chart of alteration - factor for 4 half yearly will be 4.27819 x 724.70 = 3100.40.

Interest on above from 28/09/1990 to 21/12/1990 @ 9%

20/12/1990

28/09/1990

22/02/00 i.e. 3 months factor from revival chart

of 9% for 3 months simple interest = 1.0225 x 3100.40 = 3170.16

Less : - Actual difference in premium = 2898.80
 271.35

Hence Life Assured will pay consideration amount as follows :

Difference in premium : 2898.80
 + Interest : 271.40
 3170.20
 + Alteration fee 50.00
 + New premium @ Hly. 1074.50
 Rate on 03/1991 4299.70

Requirements : (1) Consent letter for new term, S.A. & Premium from L.A.
 (2) Consideration amount
 (3) Policy document for proposer endorsement as per F. No. 3543. Text of endorsement to be amended for effecting both alteration.

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Example 2 → Policy no. 945811661 DOC 14/12/1996 P & T : 14-30
 Sum Assured : 1,50,000 Mode : Half Yearly Premium : 2918/-
 Accepted at O.R. with 5.40 (phy.) FUP : 12/2002
 Quotation valid upto 13/08/2002

L.A. requested for reduction in Sum Assured to Rs. 75,000/- & Term to 15 years.

Answer → Since policy has acquired paid up value, we have to calculate surrender value on dropped sum assured, which will be adjusted in consideration amount.

Calculation of Sum Assured		Calculation of Surrender Value	
T. P. for 14-30 For S.A. 75,000	T.P. for 14-15 S.A. 75,000	(1) <u>Special Surrender Value</u> for S.A. 75000 P & T = 14-30 for duration 5.5 years.	
Tab. Premium 36.05	71.40	6 x 75000 = 15000	
Rebate Hly. X 0.985	x 0.985	30	
35.50925	70.329	Vested Bonus = 377 (5)	
S.A. Rebate (-) 2.00	(-) 2.00	Interim Bonus = 78 (1)	
33.50925	68.329	455 x 75 = 34125	
Extra (+) 5.40	(+) 5.40	S.V. factor 0.1743	
38.90925	73.729	S.V. = (15000 + 34125) X .1743	
S.A. x 75	X 75	= 49125 X .1743 = 8562.48	
2918.1937	5529.675	= Rs. 8563/-	
2	2	(2) <u>GSV</u> will be 30% of premiums paid excluding 1 st year & extra for 14-30 & 75000 S.A.	
Half Yearly Inst. = 1459.09	2764.84	= 1257 X 10 = 12570 X 30% = 3771/-	
= 1459/-	2765/-	No. of years premiums paid 6 years	
Difference in premium		Cash value of Bonus	
2765 - 1459 = Rs. 1306/-		34125 x .1743 = 5947.98	
12 Half yearly premiums from 12/1996 to 06/2002 will be 1306 x 12 = 15672/-		GSV = 3771 = 5947.98 = 9718.99 = 9719/-	

Factor for 12 Half yearly instalments = 15.46403 x 1306 = 20196.02

Interest on above from 14/06/2002 to 13/08/2002

i.e. 2 month simple interest @ 9% = 1.015 x 20196.02 = 20498.96

Hence, actual interest will be (20498.96 - 15672.00 = 4826.96) i.e. 4827/-

Hence consideration amount will be		Also calculate Surrender Value before & after alteration for Sum Assured of Rs. 75000/- (not for Rs. 1,50,000/-) then consideration amount will be difference between SSV or Premium with interest whichever is more.
Difference in premium	15672.00	
+ interest upto 13/08/2002	4827.00	
+ alteration fee	5.00	
	20504.00	
- SSV or GSV which ever is more i.e. GSV	9719.00	
Net Amount =	10785.00	

Requirements - (1) Consent letter from Life Assured for new term, S.A. & premium
(2) Surrender Value discharge receipt for dropped S.A. (3) Consideration amount
(4) Policy document for endorsement as F.No. 3543 with text of endorsement to be amended.

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Example 3 → Only reduction in Sum Assured

Policy No. : DOC : 28/12/1973 S.A. : 15000/-
Mode : Quarterly Age at Entry : 30 years FUP : 03/1980 Alteration to be effective from 28/03/1980, valid upto 10/02/1980.

Alteration → L.A. requested to reduce Sum Assured to Rs. 10,000/-

Answer → Since policy has acquired paid up value, we will calculate S.V. for dropped S.A. of Rs. 5000/-

$$\begin{array}{r} \text{Paid up value} = 03/1980 \\ (-) \frac{12/1973}{03/06} \end{array} \quad \frac{6.25 \times 5000}{25} = 1250/-$$

Vested Bonus as on 31/03/1979 $124.80 \times 5 = 672/-$

S.V. factor for duration 6 years, term 25 years will be .372

Hence, S.V. = $(1250 + 672) \times 0.372 = 714.98$ i.e. 715/-

<p>Now calculate premium for reduced S.A. Age = 30, P & T = 14-25 S.A. = 10,000 Tabular Premium 42.56 - S.A. Rebate (-) <u>0.75</u> 41.81 x <u>10</u> 418.10 / 4 New Qly. Premium will be Rs. 104.50</p>	<p>Requirements : (1) Consent letter from L.A. (2) Alteration fee Rs. 50/- & new premium due 03/1980. (3) S.V. Discharge Form. (4) Policy for endorsement.</p>
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Example 4 → Reduction in Term of Policy

Policy no. DOC : 14/12/1996 P & T : 14-30 S.A. : 1,50,000
Mode : Hly. Premium : Rs. 2918/- Accpted O.R. + with 5.40%
FUP : 12/2002 Quotation valid upto : 14/08/2002

Life Assured requested for reduction in term of policy from 14-30 to 14-15 years.

Answer → As per CO/Actl/1710/4 dated 16/02/2000 while effecting alteration for Plan & Term, consideration amount will be higher of the (1) difference in premium with interest from inception (2) or difference in surrender value before & after alteration.

<p>Calculation of difference in premium Tabular premium (T.B.) for S.A. 1,50,000 P & T <u>14-30</u> <u>14-15</u> T.B. 36.05 71.40 Hly. Rebate x <u>.985</u> x <u>.985</u> 35.50925 70.329 S.A. Rebate - <u>2.00</u> - <u>2.00</u> 33.50925 68.329 Add extra + <u>5.40</u> + <u>10.40</u> 38.90925 78.729 x <u>150</u> x <u>150</u> 5836.3875 / 2 11809.35 / 2 Half Yearly = 2918.19 = 5904.67 = 2918/- = 5905/- Difference (5905 - 2918) = 2987/- 12 Hly. Premium 12/1996 to 06/2002 12 x 2987 = 35844 Interest factor for 12 Hly. From Alteration chart = 15.46406 X 2987 = 46191.06 Interest on above from 14/06/2002 to 14/08/2002 i.e. for 2 months simple interest 1.015 x 46191.06 = 46883.92 Hence, actual interest (46883.92 - 35844) = 11039.92 Hence, consideration amount (1) Difference in premium = Rs. 35844/- (2) Interest upto 14/08/2002 = Rs. 11039.90 (3) Quotation fee = Rs. 5.00 Rs. 46888.90</p>	<p>Surrender Value before alteration Paid up value 12/2002 - 12/1996 = 6 Years = $\frac{6}{30} \times 150000 = 30,000$ 30 Vested Bonus 377 (5) Interim Bonus 78(1) = 68250 S.V. = 14/08/2002 (-) <u>14/12/1996</u> 0 / 8 / 5 S.V. factor 5.5 years, Term 30 years = 0.1743 S.V. = $(30000 + 68250) \times .1743 = 17124.97$ = 17125/- GSV = 5026 X 5 X 30% excluding 1st years extra premium = 7539/- Cash value of vested bonus = 68250 x .1743 = 11895.98 GSV = 7539 + 11895.98 = 19434.98 = 19435 Out of SSV & GSV, amount of GSV is more, Surrender value before alteration will be Rs. 19435/-</p> <p>Now we will calculate surrender value after alteration. P & T : 14-15 S.A. : 1.50 Lakh Paid up value = $\frac{6}{15} \times 150000 = 60,000$ Vested Bonus = 335 (5), Interim Bonus = 65(1) = 400 x 150 = 60000 S.V. factor 5.5 years & term 15 is .4814 = 57768.00 - (A) GSV = 10249.00 (excluding extra) X 5</p>
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	(excluding 1 st Year) X 30% = 15373.50 Cash value of bonus 60000 x .4814 = 28884 GSV = 15373.50 + 28884 = 44257.50 = 44258/- (B) Out of SSV & GSV, amount of SSV is more, hence surrender value after alteration will be Rs. 57768/- (**).
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(**) Hence, consideration amount higher of (1) or (2)

(1) Difference in premium from inception Rs. 46888.90 OR

(2) Difference in S.V. before & after alteration (57768 - 19435) = Rs. 38333/-

Hence Rs. 46888.90 will be consideration amount.

Requirements :

(1) Consent letter from Life Assured regarding change

(2) Consideration amount of Rs. 46888.90 before 14/08/2002

(3) call policy document for endorsement as F.No. 3546.

(4) RFM for updating Master is in Front end.

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In above example had this policy accepted at ordinary rates i.e. without extra, and then difference between surrender value will be more than difference in premium. Hence, consideration amount will be difference in surrender value before & after alteration.

Example 5 → Simultaneous Reduction in Sum Assured, Term, alteration from without profit to with profit & change in mode of payment

Policy no. Risk date 28/04/1997 S.A. - 50,000 P & T : 11-45
 Mode : Quarterly Instalment premium : Rs. 127/-, DOB : 05/01/1982
 Age at entry : 15 years FUP : 04/1998.

Alterations : (1) Reduction in Sum Assured to 25,000. (2) Change in Plan & Term from without profit to with profit 11-45 to 14-20. (3) Mode from Qly. To Hly.

Quotation valid upto 28/04/1998.

Answer → Since policy has not acquired paid up value, surrender value is not payable on dropped Sum Assured.

First we calculate reduction in Sum Assured with altered term.

P & T : 11-45	S.A. :25000	P & T : 11-20	S.A. : 25000
Age : 15 years	Mode : Qly.	Age : 15 years	Mode : Qly.
Table Premium :	12.15	32.35	
No mode rebate only S.A. rebate	- 1.00	- 1.00	
	11.15	31.35	
	x 25	x 25	
	278.75	783.75	
278.78 / 4 = 70/- (Qly. Premium)		783.75 / 4 = 196/- (Qly. Premium)	

Difference in Premium (196 - 70) = 126/-

Total difference in premium from 4 Quarter = 504/-

Factor from interest chart for alteration for 4 Qly. Premium 4.13704 x 126 = 521.26

Simple interest on above from 28/01/1998 to 28/04/1998 will be 1.0225 x 521.26 = 532.98.

Actual interest (532.98 - 504) = 28.98.

Hence, consideration amount will be

Difference in premium Rs. 504/ + Interest Rs. 29/- + Alteration fee Rs. 5/- = Rs. 538/-

Now, we will calculate alteration from without profit to with profit in Half yearly mode.

Prospective date of alteration will be 28/04/1998.

Age of L.A. on policy anniversary i.e. 28/04/1998 = 16 years

Unexpired term as on 28/04/1998 = 19 years

Tabular premium for age 16 years 14-19 = 53.50

Tabular premium for age 16 years 11-19 = (-) 34.85

This is called as bonus loading 18.65

Original premium for 11-20 Age : 15 years = 32.35
 + Bonus loading = 18.65
New Tabular Premium for 14-20 from 28/04/1998 = 51.00

Now we will calculate Half yearly premium

Tabular Premium = Rs. 51.00

(-) Hly. Rebate = Rs. 0.765

50.235

(-) S.A. Rabate

1.00

49.235 x 25 = 1230.875 / 2 = 615.00

New half yearly premium for P & T 14-20 payable from 28/04/1998 to 28/10/2016 will be Rs. 615/-.

Following are requirements - (1) consent letter for alterations. (2) consideration amount of Rs. 538/- + 1 Hly. Premium Rs. 615/- (3) call policy document for endorsement as per F.No. 3546. (4) RFM for updating master in Front End.

Example 6 → Alteration of Jeevan Suraksha Policy

Policy no. DOC : 15/03/2001 P & T : 122-11 without Life Cover
 Yearly premium Rs. 10,000/- Age at entry : 54 Age at vesting = 65 NCO = 210106.
 Life Assured wish to alter Term as 5 years.

Answer → As per CO/Mktg/CS/370/23 dt. 14/03/1998, reduction in term should not be allowed if the pension commences within 5 years from the date of alteration. Hence, new term of 5 years cannot be allowed.

New calculation is done taking into account new term as 7 years. Under Jeevan Suraksha without life cover, instalment premium will remain unchanged. New term, pension amount, NCO, age at vesting will be changed as per standard rules.

First we will find out new NCO for 7 years term. From NCO group of 1,00,000 to 1,99,999

Tabular premium for 1000 NCO term 7 years will be 100.85 - (Less) 5% rebate due to yearly mode 5.0425 = Rs. 95.8075

<u>For Premium</u>	<u>NCO</u>	
95.8075	1000	= $\frac{10,000 \times 1,000}{95.8075}$ = 104375.96 = New NCO = 104376/-
10,000	?	

Now we will calculate annuity as per option 'D' i.e. 15 years certain & life long thereafter. At the time of vesting, if L.A. exercised any other option, then pension amount will be recalculated. This is required for issuing policy & for policy stamp purpose.

Age at vesting 61 completed. Monthly annuity rate = 103.20 + incentive 4.50 = 107.70

<u>For NCO</u>	<u>Pension</u>	
1000	107.70	= $\frac{104376 \times 107.70}{1000}$ = 11241.2952 will be yearly pension
104376	?	

Since we require monthly pension, divide by 12. i.e. = $\frac{11241.2952}{12}$ = 936.77 i.e. Rs. 937/-

New values will be - (1) Plan & Term = 122-7 (2) DOC = 15/03/2001 (3) Age at vesting = 61 years (4) NCO = 104376/- (5) Date of Last payment = 15/03/2007 (6) Date of vesting = 15/03/2008

Requirements - (1) Quotation fee Rs. 25/- + Alteration fee Rs. 25/- (2) consent letter from L.A. for revised terms of alteration (3) Old policy will be cancelled & new policy at L.A.'s cost. (4) Stamp fee = 937 x 12 x 15 = (168660 / 1000) x 0.20 = Rs. 34/- (5) Alteration w.e.f. 15/03/2002.

Example No. 7 → Simultaneous reduction in Sum Assured & Term of Policy under Jeevan Shree Plan

Policy no. - 891147924 DOC - 15/11/2000 P & T : 112-25-16
 S.A. = 30 Lakh Mode : Yearly premium Rs. 161862/- Age : 36 years
 FUP : 15/11/2003. Accepted with extra class - I (1.50 per thousand)
 Life Assured wish to altered premium paying term to 4 years (policy term 25 years) & S.A. to be reduced to Rs. 7 Lakh. Date of Quotation : 15/10/2003.

Answer → Under Jeevan Shree policy, policy will be acquire special surrender value after paying atleast 1 year premium, provided 1/10 of premium paying term is also paid. Hence, we have to calculate surrender value for dropped S.A. of Rs. 23 Lakh & will be adjusted towards consideration amount.

First we will reduce Sum Assured i.e. we will calculate premium for reduced S.A. & New premium paying term.

Original Calculation	Revised Calculation	
P & T = 112-25 (16) S.A. = 30 lakh Age : 36 years Mode = Yearly	P&T : 112-25(16) S.A. : 7 Lakh Age : 36 Mode : yearly	P&T : 112-25 (4) S.A. : 7 Lakh
Tabular Premium(T.P.) = 58.20 (-) Mode rebate 3% = 1.746 56.454 (-) S.A. rebate = 4.000 52.454 + Class I extra = 1.50 53.954 x 3000 Yearly premium = 1,61,862/-	T.P. = 58.20 - Mode r.3% = - 1.746 56.454 - S.A. Rebate = 3.00 53.454 + Class I extra = 1.50 (112-25-16) 54.954 x 700 38467.80 i.e. Rs. 38468/-	130.85 (-) 3.9255 126.9245 (-) 3.00 123.9245 class I extra + 2.80 (112-25-4) 126.7245 x 700 88707.15 i.e. Rs. 88707/-

Difference in Premium (88707 - 38468) = 50239/- . Total difference in premium for 3 yearly due 11/2000, 11/2001 & 11/2002 will be 50239 x 3 = 150717/-.

Interest is to be charged @ 10.50% compounding in the same frequency for the difference of premium i.e. yearly. Kindly refer chart for alteration & not of revival.

Factor for 3 yearly premiums will be 3.32603 x 50239 = 167096.42

Interest over the same from 15/11/2002 to 15/10/2003 i.e. for 11 months will be (see factor for 11 months from revival chart of 11 months simple interest) = 1.10056 x 167096.42 = 183899.64 i.e. 183900.00 (total difference in premium with interest to be called).

Now, we will calculate surrender value of before & after alteration.

Surrender Value before alteration	Surrender Value after alteration
DOC : 15/11/2000 P & T : 112-25-16 S.A.:7Lakh, Date of calculation:15/10/2003 Mode : Yearly, FUP : 11/2003 11 / 2003 (-) 11 / 2000 3 years Paid up value : $\frac{3}{16}$ x 7,00,000 = 1,31,250 Guaranteed Addition for 2 years only = 2 x 75 x 700 = 1,05,000/- S.V. factor for 3 years duration & 25 years term policy is → 0.1983 S.V. = (131,250 + 105,000) x 0.1983 = 46848.40	DOC : 15/11/2000 P & T : 112-25-4 S.A. : 7 Lakh, Date of Cal. = 15/10/2003 Mode : Yearly FUP : 11/2003 15 / 10 / 2003 (-) 15 / 11 / 2000 11 / 2 Paid up value : $\frac{3}{4}$ x 7,00,000 = 5,25,000 Guaranteed Addition for 3 years only = 3 x 75 x 700 = 1,57,500 S.V. factor for 3 years duration & 25 years term of policy is → 0.1983 S.V. = (525,000 + 157500) X 0.1983 = 135339.75/-

Since 3 years has not completed on the date of quotation, GSV is not available under the policy. Hence, difference between S.V. = (135340 - 46,848) = 88492/-
 Now, we will calculate surrender value for Dropped S.A. of Rs. 23,00,000 under P & T : 112-25-16

$$\text{Paid up value} = \frac{3}{16} \times 23,00,000 = 4,31,250$$

$$\text{Guaranteed Addition for 3 years} = 3 \times 75 \times 2300 = 517500$$

S.V. factor for 3 years duration & 25 years term will be 0.1983

$$(4,31,250 + 517500) \times 0.1983 = 188137.12 \text{ i.e. } 188137 \text{ which will be adjusted towards consideration amount.}$$

Since difference in premium with interest of Rs. 183900/- is more than difference in before & after alteration S.V. i.e. 78081/- consideration amount will be :

Difference in premium with interest = Rs. 1,83,900.00

+ Alteration fee = Rs. 50.00

- S.V. of dropped S.A. = (-) Rs. 188137.00

Net consideration amount nil since surrender on dropped sum assured is more than required considered amount, consideration will be nil, but amount of Rs.4187 will be refunded to life assured.

+ New yearly premium due 11 / 2003 = Rs. 88,707.00

Requirements → (1) Consent letter for new term, S.A. & Premium. (2) Consideration amount. (3) Policy document for proper endorsement as F.No. 3543. Text of endorsement to be amended for both alteration. (4) Recovery advice for commission paid to agent Rs. 70730/- + Dev. Officer credit for 1st year.

Commission Recovery	Paid	Payable	Difference
1 st Year	(25%) 40465.50	(5%) 4435	= 36030.50
Bonus Commission	(40%) 16186.20	(40%) 1774	= 14412.20
2 nd & 3 rd year	(7.5%) 24279.30	(2.25%) 3992	= 20287.30
		TOTAL	= 70730.00

Example 8 → **On Reduction of Term**

Policy no. : 920988287, DOC : 17/09/1999, P & T : 90-16, Mode : Yearly
 Premium : Rs. 4596/-, FUP : 09/2003, Date of Quotation : 30/09/2003.

Proposed alteration from 90-16 to 90-11, Age at entry : 21 years

Answer → First we will calculate difference in premium for Reduced Term.

Age 21 years	90-16	90-11
Tabular Premium	64.20	95.90
(-) Mode rebate 3%	<u>(-) 1.926</u>	<u>(-) 2.877</u>
	62.274	93.023
(-) S.A. Rabate	<u>2.00</u>	<u>(-) 2.00</u>
	60.274	91.023
	<u>x 75</u>	<u>X 75</u>
	4520.55	6826.725
DAB	<u>+ 75.00</u>	<u>+ 75.00</u>
	4595.55 i.e. 4596/-	6901.725 i.e. 6902/-

Difference in premium Rs. 2306/- (6902 - 4596). For 4 yearly premiums refer chart of 9% - factor will be 4.57313.

4.57313 x 2306 = 10545.64 since this is for the period 09/1999 to 09/2002.

Further interest from 17/09/2002 to 30/09/2003 for 1 year 13 days will be

$$\text{Factor for 1 year} = 1.09203. = 1.09203 \times 10545.64 = 11516.15$$

Now we will calculate Surrender Value Before & After alteration.

Surrender Value Before Alteration	Surrender Value After Alteration
Paid up value = 09 / 2003 (-) 09 / 1999 4 = $\frac{4}{16} \times 75000 = 18750$ Vested Bonus = 207 x 75 = 15525 Interim Bonus = 65 x 75 = <u>4875</u> 20400 S.V. Factor = 30 / 09 / 2003 (-) 17 / 09 / 1999 13 / 00 / 4 years Factor for 4 years duration & 16 years term from S.V. Table of Plan 90 will be 0.3971 S.V. = (18750 + 20400) X 0.3971 = 15546.50 GSV = 4596 X 3 X 30% = 4136.40 Cash value = 20400 x 0.3971 = <u>8100.84</u> of bonus <u>12237.24</u> GSV = 12237.30 Out of SSV & GSV, which ever is more SSV = 15546.50 -----(A)	Paid up value = $\frac{4}{11} \times 75000 = 27273$ Vested Bonus (3 years) = 188 x 75 = 14100 Interim Bonus = 58 x 75 = <u>4350</u> 18450 S.V. Factor for duration 4 years & policy term 11 years = 0.5167 = (27273 + 18450) x 0.5167 = 23625.10 GSV = 6902 X 3 X 30% = 6211.80 Cash value = 18450 x 0.5167 = <u>9533.12</u> Of Bonus <u>15744.92</u> i.e. GSV = 15745/- Out of SSV & GSV whichever is more SSV = 23625.10 -----(B)

Hence consideration amount will be

(1) Difference in premium for 4 yearly premium from 09/1999 to 09/2002 with interest Rs. 11516.15 + Quotation fee Rs. 10/- = Rs. **11526.15**.

As per rule, consideration amount will be higher of (1) or (2)

(1) Difference between premium with interest = Rs. 11516.15

(2) Difference in Surrender Value before & after alteration = (23625.10 - 15546.50) = 8078.60

Requirements : (1) Consideration amount 11516.15 + Quotation fee Rs. 10/- + 1 yearly premium due 17/09/2003 at new rate Rs. 6902/-.

(2) Consent letter for revised change. (3) Policy document for endorsement as per F. No. 3546.

(4) RFM action to be taken.

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