

Evidence of Income and Financial Underwriting

1. Proof of Income

Total Rated up Sum Assured (TRSA) (Existing + Proposed)	Proof of Income Required
Total Rated up SA does not exceed Rs. 15 lacs	The proposal can be considered on the basis of income shown in the proposal form and MHR
Total Rated up Sum Assured exceeds Rs. 15 lacs but is upto Rs. 25 lacs	Copy of employment contract mentioning salary Or A chartered Accountant's (CA) certificate showing income for last 3 years giving PAN duly countersigned by the proponent Or Personal Financial Questionnaire (PFQ), copy enclosed, dully filled in and signed by the proposer and countersigned by the official filling in the special MHR
Total Rated up Sum Assured exceeds Rs.. 25 lacs	Copies of ITRs/IT Orders in the country of residence with Computation of Income statement for last 3 years duly attested by LA and his signature witnessed by DO/Agent/ABM(S) Of If tax returns are not file, then copy of employment contract mentioning salary or a certificate from CA regarding business/other income

The total rated up sum assured mentioned above for the purpose of calling for proof of income will be calculated as under

Total rated up Sum Assured on the life of the proposer
 + Total rated up insurance on the lives of all children aged upto 25 (financed by parents)
 + Total rated up insurance on the life of wife (financed by husband upto a maximum of Rs. 40 lacs)/ total rated up Insurance on the life of husband (proposed and financed by wife) + total rated up credit given to sons and unmarried daughters aged more than 25 years

2. Proof of Income in respect of Female Category- II

Proof of income for this category of women will be copies of ITRs for last 3 years (2 years if just started filling returns) or certificate from CA only if PAN has been allotted & same mentioned in the certificate. Income from other family members, capital gains & one time income such as those arising from sale of properties/ornaments be excluded.

Relaxations

Often, the quantum of insurance sought is much more than the income can cover as per the above rules. In such cases, to provide further scope for insurance Corporation has brought out some relaxations, as under –

1. Addl. Insurance to applicant on basis of income of father/ mother (Actl./ 1854/ 4 dt. 14/ 2/ 2003).

<u>Age of LA</u>	<u>Amt. of credit from Parent's Income</u>
Upto 25 yrs	i) Minor lives—upto 50 lacs
26 – 35 yrs	ii) Major children upto 25 yrs – 1 Crore
36 – 45 yrs	50% of LA's own eligibility
more than 45 yrs	30% of LA's own eligibility
	No credit from parent's income

NB: Total credit from parent's income will be = (Parent's avg. income of last three yrs x 10 – total rated up insurance funded by his income).
Requirements – i) ITRs of parents of last three yrs ii) details of insurance of all members of family funded by parents.

2. Additional insurance to applicant on basis of wife's income (Actl/ 1762/ 4 dt. 9/ 11/ 2001)

The conditions are –

- I. should be female cat 1 or 11
- II. wife's ITRs of last 3 yrs should be submitted
- III. wife should propose in form 340
- IV. husband should be fully insured based on his own income
- V. additional cover based on wife's income will be limited to her own insurance duly rated up.

3. Additional insurance based on Special MHR by MM/ SDM (Actl. / 1832/ 4 dt. 29/ 10/ 2002)

An increase in the allowable SA as per rules upto a maximum of 20% of the eligibility can be considered based on special MHR (Form 3251—Annexures A & B) by MM/SDM, in which he should clearly state reasons for recommending the addl. SA, based on his enquiries about the social standing of the proponent, his life style and capacity to pay the premium.

4. Canvassing High SA Cases based on PFQ (where sufficient income proof is not available) (Actl/ 1890/ 4 dt. 31/ 7/ 2003).

Sometimes people do not disclose their full income in the ITRs or worse, do not file any returns at all. However, they are apparently very well off and could very well afford to pay large premiums. In the absence of any income proof, it becomes very difficult for the field force to canvass & complete big cases.

In such cases, Special MHR with Annexure A& B should be given by MM/SDM indicating along with other things the lifestyle of the proposer. Also, PFQ should be filled up by the proposer and countered by MM/SDM.

Addl. Proof to be given with PFQ could be –

- Value of land/buildings—71/2 extract or Tehsildar's certificate
- Value of vehicles
- Amt. of fixed deposits/ NSC/KVP/RBI bonds etc.
- Value of Shares
- Value of showroom/ stock of goods etc

Examples of lifestyle could be –

- Value of club membership
- Amt of school fees of children
- Amt of expenses on employees
- Amt of expenses on travel etc.

Minor Lives

Upto 2 lacs – No parents' insurance need be insisted on (Actl/1854/4 dt. 14/2/2003)

Upto 5 lacs – Parents' insurance may not be insisted on (Actl./1874/4 dt.23/5/2003) provided if PWB opted and plan under plan 41, 50,102,159,184,185

- Proposals will be decided at ZUS
 - Proposals should be accompanied with special MHR by MM/SDM giving genuine reasons with evidence as to why parents' cannot take insurance (such as advanced age /adverse health)
 - If more than one child then all should be covered for equal amt. Also all children should be school going.
 - Parents should have adequate income and fairly good social standing
- CDA plan – max. Insurance -- 1 crore subject to twice proposer's insurance
Risk plans – max. rated up 50 lacs – not exceeding insurance of proposer (father/mother) duly rated up

Major Children (18 – 25 yrs)

Max. insurance – 1 crore duly rated up but not exceeding insurance duly rated up of proposer (father/mother).

- Form 300 required to be signed by LA
- Insurance on educational loans –(Actl./1791/4 dt. 28/2/2002)
- Insurance is intended as collateral security
- Amt. of insurance has relation to amt. of loan
- Certified copies of loan papers & evidences of higher studies
MHR by ABM(S) giving social and financial status of family.

Female Lives (Actl/ 1994/ 4 dt. 1/ 3/ 2005)

Category 1

- At par with male lives
- Upto 40 lacs, shortfall can be funded from husband's income (Actl/1854/4 dt.14/2/2003) provided–
 - i) Amt. of cover funded by husband will not exceed insurance on his life
 - ii) Income of husband should be adequate to cover his own life as well as the lives of his wife and children.

Category 11

- Max. Insurance – 1 crore
- For shortfall same rules as for Cat. 1 apply

Category 111

Female Cat 111 is now divided into three sub categories

- Married Women
- Single Women (aged 25 yrs. and above)
Widows

Married Women

- i) without income
 - total insurance cover upto a max. of 15 lacs but not exceeding husband's insurance
 - can be increased upto 40 lacs provided proposer produces proof of being a graduate & possessing either passport/credit card/driving licence/mediclaim
- ii) with income
 - self-employed/unearned income & married women not filing ITRs/employed but not coming under Cat 1
 - max. cover equal to 7 times of avg. annual income subject to an upper ceiling of --
 - i. 1 lac if illiterate or educated upto 8th std.
 - ii. 5 lacs if educated upto 9th std or above

Restrictions

- Max. age at entry restricted to 60 yrs.
- Table Nos. 43,52,58,88,133,164, term rider & CI rider are not allowed
- Max. SA under T – 89 2 lacs (15 lacs if graduate & having either passport/driving licence/credit card etc.)
- Beyond 10 lacs TRSA to be underwritten at ZUS (Actl/1854/4 dt. 14/2/2003)
- Max SA under T- Nos. 106,107,108 – 5 lacs (15 lacs if graduate & having passport/driving licence/ etc.)

Single women (aged 25 yrs & 50 yrs)

- self-employed but not coming under Cat 1 or 11
- same conditions as applicable for self- employed married women
- special MHR by DO/DM Club agent/ ABM(S) for direct agent
- table nos. 43,52,58,88,133, 164, term rider & CI rider not allowed

Widows

- without any income – no insurance
- widows receiving compensation from employers or insurance claim on life of deceased husband or lump sum from any other source –
 - max. cover of 10 lacs under T Nos. 48, 140,152,162,166 & 168 on single premium basis
- widows getting family pension
 - max. cover of 2 lacs under plans other than T Nos. 43,52, 58,88,133,150,164,177, term & CI rider
 - no restrictions for minor children/age at entry & educational qualification for widows under ii) & iii) above
- widows having own income(self-employed/unearned income but not filing ITRs, employed)
 - max. cover equal to 7 times of avg. annual income subject to –
 1. 1 lac at BO level
 2. a further amt. of 1 lac at DO level

Restrictions –

- spl. MHR by DO/DM Club Agent/ABM (S)
- age at entry less than 50 yrs. & age proof std. and educated up to 9th std.
- LA has no minor children
- T Nos. 43,52, 58,88,133,150,164,177, term & CI rider not allowed
Female Students (below 25 yrs)
- Not included in female Cat 111 but classified as a separate group
- At par with male students/children & equal to proposers' insurance
- Equivalent cover for all children especially male children

NRI s

- at par with Indian lives
- Xerox copy (all pages) of passport & NRI Q is a must
- Service contract or appointment letter if ITRs are not available
- Country specific extra will be applicable as per Actl/2005/4 dt. 19/3/2005
- For barred countries, single premium mode, max. term 15 yrs & max SA 10 lacs under T- 48, 152, 162, 166, 171 & 167

Foreign Nationals of Indian Origin (CO/ LO/ SR278(A) dt. 28/ 8/ 2000)

- Max. insurance 50 lacs (Actl/1751/4 dt. 21/5/2001)
- Mail order business not allowed
- Term insurance & high risk plans not allowed
- Also refer Actl/1580/4 dt.31/7/96 & Actl/1587/4 dt. 14/10/96

3. Income Excluded from ITR

Income derived from capital gains & speculative income should be reduced from the total income showed in the ITRs.

Income added back to ITRs

1. Interest on housing loan should be added back to the total income shown in the ITRs, wherever deduction has been allowed.
2. Agricultural income which is tax-free is not included in the total income in the ITRs, but appears separately two rows below the total income shown in the ITRs. Wherever the same is Mentioned in the ITR, it should be added to the total income.
3. Exempt income by its very name is income, which is tax-free. This income is not included in the total income in the ITRs and appears three rows below the total income shown in the ITRs. Whenever the same is mentioned in the ITR, it should be added to the total income.

Computation of income

Whenever ITRs of last three yrs. are called, computation of income may also be called, if it is apprehended that the income may fall short of the requirements. This is so, because computation of income reveals the following—

1. Standard Deduction, Professionan Tax, Medclaim Premium for which deduction is allowed from the total salary and is therefore not reflected in the total income shown in the ITRs.
2. Exempt incomes like dividend income, interest on PPF, export income, interest on tax free bonds, agricultural income, income from partnership firms, if they are mentioned either in the ITR or the computation of income, then they may be added back to the total income shown in the ITRs.

Matters of practice – Sometimes, exempt incomes are neither shown in the ITRs, nor shown in the computation of income. However, the same appears under the Capital A/C of the proposer. Such income may also be added to the total income shown in the ITRs, provided the Capital A/C is certified by a CA and countersigned by the proposer.

Other Sources

Sometimes people open a separate income tax file in the name of HUF to save tax. In such cases, we may call for –

1. HUF ITRs of last three yrs
2. HUF addendum giving details of other members of HUF & previous insurance if any under HUF.

Separate proposal under HUF.

Maximum Insurance Shall be Permissible as under:-

Age of Proposer	How many times Insurance permissible against last 3 years average Income
Upto 30 years	22 times
31 to 40 years	17 times
41 to 50 years	12 times
Above 50 years	10 times

HUF Insurance:

1. 10 times of the average income of HUF maximum Insurance permissible
2. For Co-Parceners their share of HUF income can be considered
3. For Karta, full HUF income can be considered
4. HUF addendum & particulars of all the policies taken under HUF required
5. Last 3 years HUF ITRs required

Finance by Parents :

Parents can finance Insurance on their children life subject to following conditions

1. ITRs of Parents must.
2. Particulars of Family members and details of premium financed.
3. Max. 10 times of the Average Income of last 3 years. Maximum 50% of the Insurance permissible to children as per their own income, if Standard life otherwise 30 %.

Last Updated on 30th Sep 2008