Future Generali Group Leave Encashment Plan (Non Linked Variable Insurance Plan)

An Overview

In today's time many of the employers are providing Leave Encashment benefit in addition to other retirement benefits to their employees which is a lump sum amount payable to the employees. The actual amount payable depends on the number of encashable leave an employee has at retirement or other exit as per scheme rules and the per day salary at retirement or other exit as per scheme rules. Future Generali Group Leave Encashment Plan has been designed to provide funding for these liabilities of all employers. The scheme is generally administered by the employer.

Future Generali Group Leave Encashment Plan

Future Generali Group Leave Encashment Plan is a variable non-linked non-participating group leave encashment product offering fund management. This plan offers a minimum floor rate (guaranteed rate of return) of 1% p.a. which will be credited quarterly in advance. This floor guaranteed rate of return will be guaranteed for the entire term of policy accumulating on the balance of the policy account. However, an additional earnings over and above minimum floor rate (guaranteed rate of return), if any, will be shared through non-zero positive additional interest rate which will be declared in advance at the beginning of each quarter.

This Product offers Fund Management of employers' liability and life cover to the employees.

The liability of Future Generali India Life Insurance Company Limited (FGILICL) at any time will be limited the balance in the policy account.

Basket of Benefits

- We offer you value by providing a platform of a large pooled fund providing smooth returns and safety through diversification backed by our in-house investment expertise.
- Flexibility in payment of contribution: you can pay annual contributions yearly, half-yearly or quarterly.
- Minimum Floor Rate (Guaranteed rate of return) of 1% per annum which will be credited quarterly in advance.
- Minimum Floor Rate (Guaranteed rate of return) will be guaranteed for the entire term of policy accumulating on the balance of policy account.
- Non-zero positive additional interest rate which is over and above the minimum floor rate will be declared in advance at the beginning of each quarter.
- The plan has a uniform life cover of Rs. 1000 per member

Tax Benefits

As per the applicable tax laws. Tax benefit is subject to change in tax laws from time to time.

Eligibility Criteria

- Minimum Group Size: All groups with a minimum size of 10 members.

- Entry Age :
  - Minimum : 18 years (as on last birthday)
  - Maximum : 69 years (as on last birthday)

- Maximum Maturity Age : 70 years (as on last birthday)
- Policy Term: It is a yearly renewable plan
- Sum Assured:
  - Minimum : Rs. 1,000 per member
  - Maximum : Rs. 1,000 per member
- Minimum contribution at inception: Rs. 500,000/-. On scheme level.

Contributions

The contributions made towards the Leave Encashment Liability will depend on the 'actuarial valuation'. Actuarial valuation will be carried out at the time of inception and at regular periodic intervals to asses the leave encashment liability and recommend the required rate of contribution. Master policy holder is expected to pay the annual contribution over the policy year.

For a newly set up fund, the Past Service Liability (initial contribution) can be paid at the outset or in installments over the period up to 5 years.

Minimum Floor Rate (Guaranteed Rate of Return)

Enjoy the minimum floor rate (guaranteed rate of return) of 1%p.a.which will be credited quarterly in advance. This minimum floor rate of return will be guaranteed for the entire term of the policy accumulating on the balance of the policy account.

Non-Zero Positive Additional Interest Rate

Non-zero positive additional interest rate which is over and above the minimum floor rate will be declared in advance at the beginning of each quarter. The interest rate will be declared on 31st March, 30th June, 30th September and 31st December for the following quarters falling between 1st April to 30th June, 1st July to 30th September, 1st October to 31st December and 1st January to 31st March respectively.

Non Zero positive Residual Additions

Non zero positive residual additions, if any, shall be credited (after crediting minimum floor rate & non zero positive additional interest rate) to the policy account at the end of the each year starting from policy year 5 in order to comply with maximum reduction in yield criteria as per IRDA guidelines.

Charges applicable under the policy

- **Mortality Charge**

These are annual charges. Mortality charges will be deducted at the start of every month from the policy account. Monthly charge would be 1/12th of annual charge.

Below mentioned are the sample mortality charges for various age groups for Rs.1000 sum assured for Life Cover

Age as on last birthday (years)	25	35	45	55
Mortality Charge (Rs.)	1.00	1.32	2.99	8.02

These charges will be subject to applicable service tax, if any.

- **Surrender Charge (Penalty)**

Master Policy Holder can surrender the policy any time by giving written request to FGILICL. The surrender penalty will be equal to 0.05% of the total policy account value subject to maximum of Rs. 500,000 /- if the policy is surrendered within the third renewal of the policy. Hence the surrender value will be equal to the policy account value less the surrender penalty, if any.

If the policy is surrendered after the third renewal, then there will be no surrender penalty. This charge will be subject to applicable service tax, if any.

Once the policy is surrendered and the surrender value is paid, the Company shall cease to be liable for any benefit payable under the policy and the policy cannot be reinstated.

Except for exits as mentioned in the scheme rules, no other withdrawals shall be permitted.

- **Market Value Adjustment**

Market Value Adjustment (MVA) will be imposed in case of bulk exits and complete surrender of the policy. 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 be as per scheme rules. Exit shall mean exit of the member from the group. The MVA factor is given by the formula.

MVA = 1 – (Market Value/Policy Account Value)

MVA will not be applicable for amounts below the amount which represents the bulk exits and shall be applied only to the amount which is over and above the amount representing bulk exits.

Policy Account Value

The policy account value depicts the accrual to the policyholder account. The minimum floor (guaranteed) rate, non zero positive additional interest rate and non zero positive residual additions (if any) shall be applicable to the balance of the policy account.

The Company shall maintain a Policy Account of the policy to which will be credited:

- All the contributions net of allocation charges, if any, received from the employer / trustees on the date when such contributions were received by the Company;
- Amounts transferred in from a former leave encashment scheme with effect from the date such amounts were received by the Company; and
- Minimum floor rate, non zero positive additional interest rate & non zero positive residual additions, if any, as stated above.

Further, the policy account will be debited with:

- All benefits as defined in the scheme rules paid in respect of members as on the date when paid by the Company;
- taxes, duties or surcharges of whatever description levied by any statutory authority;
- interest or late fee, if any, payable on the benefits
- surrender penalty & MVA if any

Classification | Public

- Mortality charges for life cover

Termination

The Policyholder should maintain a minimum balance of Rs 1 lakh in the policy account.

The company will send a notice to the Policyholder if the policy account value falls below Rs 1 lakh. The Policyholder can get a valuation done as per Accounting Standard 15 (Revised) to see if the scheme is underfunded or not.

If the scheme is not underfunded, the policy will continue as it is.

If the scheme is underfunded, then the company will give the Policyholder 30 day's period to pay additional contributions to address the underfunding of the scheme. If additional contributions are not received within the stated period, then the company will terminate the policy and refund the entire amount available in the policy account to the Policyholder. Thereafter the Company shall cease to be liable for any benefit payable under the policy. Once policy is terminated, it cannot be reinstated.

Variability of Charges

- The surrender charge (penalty) and mortality charge is guaranteed

Any change in amount or rate of charges as stated above will be subject to IRDA approval.

Nomination

Nomination will be allowed as per section 39 of the Insurance Act, 1938 for receipt of leave encashment benefits in the event of the death of the member. Any nomination or change of nomination of the beneficiaries will be maintained by the Employer or Policyholder. In the event of death of the member, the Company will pay the leave encashment benefits to the Employer or Policyholder. In case the leave encashment benefits are to be paid directly to the member's beneficiary, the Employer or Policyholder should advise the Company in writing of this request alongwith the beneficiary details.

Grace Period

Not available under this plan

Revival

Not available under this plan

Loan

Loans are not available for this plan

Free Look Period

In case the Policyholder disagree with any of the terms and conditions of the policy, then the policy can be returned to the Company within 15 days of its receipt for cancellation, stating the objections. Future Generali will refund the policy account value after the deduction of the policy stamp charges and the cost of insurance for the period on cover up to the date of cancellation.

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Section 41 of 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 rebates 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.

Section 45 of Insurance Act, 1938:

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 statement made in the proposal 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 policy-holder and that the policy-holder 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 insured was incorrectly stated in the proposal.

Insurance is a subject matter of the solicitation

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