Consolidated FAQ Document

Canara HSBC Life Insurance

Q1. What is life insurance and how does it work?

Answer: Life Insurance is an agreement between the insurance company (insurer) and the person buying the policy (policyholder or insured) to provide monetary protection to their family members. The insurer promises the insured to pay a sum of money in exchange for premiums. This amount is paid at a defined time mentioned in the policy document or upon the policyholder's death. The financial protection under life insurance is provided as life cover, also termed as sum assured. Today, there are numerous life insurance plans available that the policyholder can buy to meet their family's needs and requirements, such as pure financial protection, wealth building, retirement, wealth preservation and more.

Q2. Why do I need life insurance?

Answer: Insurance aims to provide financial protection to an individual or one's family from unfortunate eventualities such as death, accident or illness. A classic insurance policy, i.e. a term plan, provides financial assistance to your family in the unfortunate event of your death. In addition to that, modern-day insurance policies have evolved to help you build your corpus of wealth, plan for retirement, etc.

Q3. What are the different types of life insurance policies?

Answer: There are multiple variants of life insurance policy, and listed below are some of the popular forms of life insurance:

Q3(a). What is a term insurance plan?

Answer: This life insurance policy offers economic security for an agreed time, also known as the policy term. If the insured individual dies within this time, the nominee gets a fixed payout (death benefit). A term insurance plan provides a high sum assured at cheap premiums and thus is the most sought-after mode of securing one's family financially.

Q3(b). What is a savings plan?

Answer: These savings products help you grow your money systematically while combining security with investment growth. It is ideal for long-term goals like home buying, education or retirement. Some plans offer insurance coverage, tax benefits and flexible options to suit different financial needs.

Q3(c). What is a child plan?

Answer: A child plan helps you plan for your child's future with regular savings and thoughtful guidance. It provides financial security for important milestones, such as education and higher studies, while preserving steady progress throughout their growth. It is a way to guide their aspirations with certainty and care. Child Plans come with premium protection benefit wherein on death of the Proposer / Life Assured (as applicable) the future premiums shall be waived and the future benefits shall be paid as and when due.

Q3(d). What is a retirement plan?

Answer: These types of plans enable individuals to create a secure income for their retirement years. Through regular investments during their working years, individuals can create a corpus that sustains their lifestyle once they retire.

Q3(e). What is a Unit Linked Insurance Plan?

Answer: A Unit-Linked Insurance Plan is a financial product that merges life insurance and investment. The premium contains a part of life cover, while the balance is invested in equity, debt or balanced funds. ULIPs have the prospect of building wealth in addition to protection through insurance.

Q3(f). What is a Group Insurance Plan?

Answer: Group insurance plans offer protection to a group of individuals under one policy, typically by employers, associations or organizations. The plans usually offer coverage for life, health or accident risks at lower rates than individual policies. Group insurance protects the financial welfare of members and their families, often with additional benefits such as critical illness cover and wellness programmes to support overall employee well-being.

Q4. How much life insurance coverage do I need?

Answer: It depends on your financial obligations, income, lifestyle and future goals. A common rule of thumb is cover equal to 10 to 20 times your annual income, though it is best to assess your own circumstances and consult a financial adviser.

Q5. Can I have multiple life insurance policies?

Answer: Yes. You may hold more than one policy — for example, to layer different amounts or types of cover across your protection and savings needs.

Q6. Who is a proposer?

Answer: The person who proposes to enter into a contract of insurance with a life insurance company to insure himself or another life on whose life he has an insurable interest.

Q7. Who is a life insured?

Answer: The person whose life is covered under the contract of insurance is the life insured.

Q8. Who is a policyholder?

Answer: The person who has entered into a contract of insurance with the insurance company is the policyholder. He is the person who is liable to pay the periodical premium to the insurance company on the policy taken.

Q9. Who is a nominee?

Answer: A nominee is a person or entity you designate to receive the death benefit from your life insurance policy upon your passing. You can choose one or multiple beneficiaries, and you have the flexibility to update or change your beneficiaries throughout the life of the policy.

Q10. What happens if I stop paying my premiums?

Answer: If you stop paying your life insurance premiums, your policy will typically enter a grace period, which is a designated period after the premium due date during which you can make the payment without the policy lapsing. The length of the grace period varies by policy, but it is usually around 30 days. If you fail to pay the premium within the grace period, the policy may lapse, meaning the coverage will end, and you will no longer have the benefits of the policy (applicable for traditional savings plans) For Unit Linked Plans the fund value moves to a discontinuance policy fund. It is important to understand the terms and conditions of your specific policy and discuss any concerns with your insurance provider.

Q11. How do I file a life insurance claim?

Answer: To file a life insurance claim, you typically need to notify the insurance company of the insured person’s death as soon as possible. The insurance company will provide you with the necessary claim forms and instructions. You will likely be required to submit documentation such as the death certificate, completed claim forms and any other supporting documents as requested by the insurer. It is advisable to contact the insurance company's claims department or your insurance agent to guide you through the process and ensure a smooth and timely claim settlement.

Q12. Can I purchase life insurance for someone else?

Answer: In most cases, you can purchase life insurance on another person's life if you have an insurable interest in that person. Insurable interest generally exists when you would suffer a financial loss or have a significant financial relationship with the insured person. Common examples of insurable interest include spouses, immediate family members and business partners. However, it is important to note that the insured person's consent and participation may be required for underwriting and policy approval.

Q13. What is surrender?

Answer: Surrender means the request by the Policyholder (in prescribed format) to the Company, for termination of the Policy in accordance with the provisions of the Policy Document.

Q14. Can I surrender my policy before maturity?

Answer: You can surrender your policy before maturity. Post payout of the Surrender Value, the policy gets terminated. A policy acquires Surrender Value, and payout of the Surrender Value will be dependent on the specific product category and features. Please refer to the policy document for more details.

Q15. What is freelook (policy review period)?

Answer: The freelook feature of life insurance policies is a provision made in the interest of protection of policyholder rights. During this period of 30 days, you can review the policy benefits, terms and conditions of your policy and decide whether to continue or cancel the policy. The free look period commences from the date of receipt of the policy document.

Q16. What is Surrender Value in insurance?

Answer: The surrender value is the payout an insurer provides when you cancel a life insurance contract before its end date. The insurer pays this amount directly to you for the early termination. This payout is a fundamental component of permanent insurance plans built to create cash value. Not all life insurance products have this feature; it is exclusive to certain policy types.

Q17. What are the types of surrender values?

Answer: To properly evaluate a policy's surrender value, one must know its two fundamental types. Insurers structure these payouts as either guaranteed or non-guaranteed.

Guaranteed Surrender Value

A guaranteed surrender value is the minimum amount an insurer is contractually obligated to pay for early policy cancellation. The policy document states this exact figure, calculated from a set formula using your paid premiums and the policy's age. The value is fixed. It does not move with market performance, which gives you a predictable financial floor. This certainty means the guaranteed amount will be more conservative than a non-guaranteed value.

Special Surrender Value

The SSV is generally more generous because it takes into account the paid-up value (the reduced sum assured you are eligible for) plus any bonuses that have accrued over time. Insurers apply a specific surrender value factor to these numbers. Since this factor improves as you get closer to maturity, the special surrender value rewards patience more than the guaranteed version does.

Q18. What are the factors affecting life insurance premiums?

Answer: The key factors that affect life insurance premiums are as follows:

- **Your age:** The older you are at the time of buying a life insurance policy, the more will be the chances of you paying higher premiums. This is because, with age, the chances of passing away also increase.
- **Policy duration:** The longer the duration of your policy, the higher will be your premiums. For example, a policy for 30 years will carry a higher premium than a policy for just 10 years. Also, the sum assured chosen by you impacts the premium.
- **Personal health:** Health-related issues such as high blood pressure, obesity, breathing issues, or more serious ailments such as cancer, heart disease, etc. can increase your premiums significantly.
- **Lifestyle and hobbies:** Regular smoking and drinking attract high premiums. A non-smoker will attract lesser premiums than a smoker due to the health risks associated with it. Also, if you are into hobbies involving a lot of risks such as sky-diving, etc., then this could also lead to higher premiums.
- **Occupation:** High-risk jobs such as working in a chemical factory, working in mines, or being a pilot can considerably increase your premium, as these involve undertaking dangerous activities which increase the chances of your death.
- **Family's health history:** If you have a family history of certain diseases, then this can also increase the cost of your insurance.

Q19. What are the benefits of buying a life insurance plan?

Answer: Here are the reasons that make a life insurance policy beneficial for you:

- **Financial safety:** This is the basic purpose of life insurance. There is a death benefit in the life insurance which is given to your beneficiaries if you die within the term. This ensures that your family is safe financially and can take care of themselves if you are not there.
- **Helps in creating wealth:** Some life insurance policies such as ULIPs allow you to invest your funds that are linked with the market. Investing in equity funds can give you the possibility to earn higher returns.
- **Great instrument for retirement:** Retirement or pension plans allow you to accumulate funds over a period, which helps create an income stream for you in the future. Pension plans are low risk and thus provide good safety.
- **Long-term saving:** Life insurance products are usually for long-term use. The longer your funds are invested, the more time they get to grow and create a large corpus.
- **Tax savings:** Life insurance products are eligible for tax deductions on premiums paid. Also, the maturity proceeds are tax-exempt. Tax benefits are subject to prevailing tax laws and may change from time to time

Q20. What are riders, and what are some types of riders?

Answer: Riders are additional benefits that enhance the scope of your existing life insurance policy. While some policies include riders, some have to be purchased separately. Different riders offered in a life insurance policy are:

- **Critical Illness Rider**

A critical illness rider provides you with a lump sum amount if you are diagnosed with a disease that is critical or terminal. For example, if you are diagnosed with a disease like cancer, heart attack, kidney failure, etc., then you will receive the additional sum assured under this rider.

- **Accidental Death Benefit Rider**

If you have chosen this rider at the time of your purchase, then your family will receive an additional sum assured if you die in an accident. The death benefit in the policy will also be provided besides the accidental death benefit. For example, if you have taken a policy having a sum assured of Rs 50 lakh and also the ADB rider of Rs 20 lakh, then if you die in an accident, you will receive Rs 70 lakh (Rs 50 lakh + Rs 20 lakh ADB sum assured).

- **Accidental Total & Permanent Disability Rider**

The ATPD rider provides you with an additional benefit in case you suffer from a disability from an accident. What constitutes disability varies with different insurance providers. Generally, loss of 2 or more limbs — for example, loss of both hands, or both eyes, etc. — is included in ATPD.

Term Insurance

Q21. What is the main benefit of term insurance?

Answer: Its biggest advantage is the financial protection it gives your dependents if you were to pass away during the policy term. Many plans also allow you to extend cover to advanced ages (in some cases up to around 99 years).

Q22. Is buying term insurance worthwhile?

Answer: It depends on your individual needs, but for most people term insurance is a sound choice. It secures your family's finances against an untimely death and offers a large cover at a relatively low premium.

Q23. What exactly is term insurance?

Answer: Term insurance is a straightforward form of life cover that provides a high sum assured at a comparatively low premium. If the life assured dies during the policy term, the nominee receives the sum assured. A nominee is the person appointed by the policyholder to receive the policy proceeds in the event of the life assured's death.

Q24. What determines the cost of term insurance?

Answer: Premiums depend on factors such as age, health, lifestyle, the policy term chosen and the insurer. Costs tend to rise with age, tobacco use and any pre-existing medical conditions.

Q25. How does term insurance differ from a regular life insurance plan?

Answer: Term insurance provides cover for a fixed period and focuses purely on protection. A regular life plan usually combines steady cover with a savings element and additional long-term benefits.

Q26. What happens if I outlive the policy term?

Answer: With a pure term plan, cover applies only for the policy duration and there is normally no payout on survival. A savings or endowment plan, by contrast, provides a maturity benefit at the end of the term.

Savings / Endowment Plans

Q27. What is a good basic rule for saving money?

Answer: A widely used guideline is the 50/30/20 approach: put roughly 50% of your post-tax income toward essential needs and fixed commitments, 30% toward non-essential wants, and set aside 20% as savings.

Q28. How do I pick the right guaranteed savings plan?

Answer: Compare the available options carefully against factors such as the investment tenure, your risk appetite, premium cost, flexibility, liquidity, withdrawal options and applicable charges before deciding.

Q29. How does a savings plan help me?

Answer: The right savings plan instils a disciplined savings habit. Beyond the financial support it builds, it offers peace of mind that your planned financial goals can be met.

Q30. How is a savings plan different from a regular savings account?

Answer: In a savings plan you pay a fixed premium (monthly or yearly) that provides life cover along with a defined return on survival or maturity. A regular bank savings account simply holds your money for everyday needs and emergencies and can usually be opened online in minutes.

Q31. Can I hold more than one savings plan?

Answer: Yes. You can hold multiple plans/accounts with the same or different providers. This can help you build larger savings, add protection for dependents, and — by moving money aside regularly — reduce impulsive spending.

Q32. Can I surrender or take a loan against my savings plan?

Answer: Usually yes, though it depends on the type of plan. Some allow easy access to funds, while others apply restrictions.

Unit-Linked Insurance Plans (ULIPs)

Q33. What are some common myths about ULIPs?

Answer: A frequent misconception is that ULIPs are risky, expensive and low-return products with hidden charges and little flexibility. In practice, modern ULIPs are relatively cost-efficient, offer diversified investment choices, provide tax benefits along with life cover, and support long-term wealth creation.

Q34. What is the lock-in period for a ULIP?

Answer: ULIPs have a regulatory lock-in period of five years, during which withdrawals are not permitted.

Q35. What is a Unit Linked Fund?

Answer: In a Unit-Linked Insurance Policy, the money you pay as a premium goes into a pool called the Unit Linked Fund. The insurance company manages this fund. It is invested in a range of equity and debt instruments to offer you the dual benefit of a life cover and the potential to get maximum benefits.

Q36. What is the amount that I receive at the end of my policy term?

Answer: The benefit you will receive at the end of the policy term is called the Maturity Benefit. The Maturity Benefit will be equal to the Fund Value at the time of maturity.

Q37. Can I make withdrawals from my policy?

Answer: Yes. You can withdraw a part of your earnings at any time after the completion of five years.

Q38. Can I stop my policy before its entire duration? Will I be charged for it?

Answer: Yes, you can stop your policy by initiating a surrender request. The charges for surrendering your policy vary from product to product. On surrendering your policy, you will receive the Surrender Value, which will be equal to your fund value on the date of surrender. No payment will be made to you before the lock-in period of five years. Under Unit Linked Insurance Plans you can surrender the Policy after 5 years.

Retirement, Pension & Annuity Plans

Q39. What are the different types of retirement plans?

Answer: Common options include annuity plans and pension plans that also provide life cover (ULIP and traditional savings plans). Some pay a fixed income while others grow based on the underlying investments. Choose based on your retirement goals, risk tolerance and income needs.

Q40. What are the types of retirement plans?

Answer: Types of insurance-based retirement plans:

- **Deferred Annuity Plan:** A deferred annuity plan offers you a regular source of income in retirement. When you purchase the plan, you get to choose a future date. When the date arrives, the insurance company starts your regular income based on your chosen frequency, such as monthly or yearly.
- **Immediate Annuity Plan:** An immediate annuity plan is similar to a deferred plan. However, unlike the latter, it offers a regular income immediately after buying the plan. This means you can purchase the plan by paying a lump sum and start receiving regular payments immediately after.

Group Insurance Plan

Q41. What is group insurance & Who is a master policyholder and a member in a group insurance policy?

Answer: Group insurance provides insurance to a defined group of people, such as employees of an organization, members of a professional association, a housing society, or borrowers of a bank/financial institution, grouped under a single contract of an insurance policy. Group insurance offers life cover, health cover, superannuation, gratuity and/or other types of insurance depending on the type of group insurance policy taken.

The two key parties in a group insurance policy are:

- **Master policyholder:** A master policyholder can be a company, institution, bank, Non-Banking Financial Company (NBFC) or any other entity/organization who purchases a group insurance policy for the members of the group.
- **Member:** A member is any individual insured by the group insurance policy (master group policy) taken by a master policyholder. For example, employees of an organization, loan borrowers of a bank and more.