

INSURANCE ON FEMALE ADULT LIVES

Female lives, in India, experience a higher mortality than males, at least upto a certain age. Apart from this, in certain sections of society females experience Moral Hazard (e.g. dowry death). Generally this Moral Hazard would operate in inverse proportion with the genuine need for insurance. The need for insurance is a financial transaction, which can be measured by the financial loss to the beneficiary resulting from cessation of the income earned by the life assured, due to the death of the life assured. It may be noted that this "need for insurance" element operates even in the case of male lives. Need for insurance would, for example, cover a person who applies for insurance to obtain tax advantages. However, when there is no genuine need for insurance, especially in the case of female lives, the contract of insurance becomes speculative in nature thereby effectively involving the operation of moral hazard. The mortality experience, can, then be expected to be more than that of normal lives wherein this 'moral hazard' or anti selection is not operating.

Hence, keeping the above things in mind and also the socio-economic status of the family, education level of the life to be insured and income, females have been classified into three broad categories, for granting of insurance as under:

CATEGORY I:

The following sections of women are taken as category I females for the purpose of insurance:

- i. Women with earned income by virtue of employment in institutions eligible for insurance cover under Non-Medical (Special) Scheme and employed with Government, Quasi Government, reputed commercial institutions even if NMS is not introduced.
- ii. Notwithstanding what is stated in sub-clause (i) above, females employed in commercial institutions will now be considered as Female Cat. I for the purpose of granting insurance cover subject to submission of Addendum to the proposal duly signed by the proposer and fulfillment of the following conditions:
 - a. Minimum educational qualification –SSC equivalent examination passed.
 - b. Standard age proof
 - c. Evidence of employment in the prescribed Addendum
 - d. Minimum service with present employer – one year
 - e. Firm/company /financial institution – established more than 3 years ago
- iii. Professional such as Doctors, Lawyers, Chartered Accountant, Architects, Engineers, etc., and any insurance agent or carrying on any agency provided she satisfies condition stated at ii (a) & (b) above.

For this category of females the rules regarding financial underwriting will be as applicable to adult males as mentioned earlier.

CATAGORY II

Women with unearned income attracting income tax, and having sizable personal properties and / or investments yielding income attracting income tax are treated as Category II females.

Proof of income for this category of women will be copies of ITRs for last three years. A certificate from Chartered Accountant can be accepted only if PAN number has been allotted and the same is mentioned in the certificate. The income shown should exclude income of other family members, income from capital gains and one time income such as those arising from sale of properties/ ornaments etc.

In the case of female category II, the rules regarding financial underwriting will be as applicable to adult males as mentioned earlier, subject to a maximum total risk cover of Rs. 1 crore.

In addition to the above, while considering insurance on female category II, the following conditions are required to be met with :

- i. Other members of the family are adequately insured.
- ii. The female life to be assured has good educational and social background
- iii. MHR by the competent authority should clearly indicate the source of income and social status of the life proposed.

CATEGORY III

Women not covered by category I or category II above are treated as Category III females is as under :

a. Single Women

On Consideration of insurance need, a maximum total risk cover of Rs.5 lakhs Can be granted. The actual amount of insurance cover that can be granted would depend on her independent income, need for insurance financial status of the family and the family and the amount of insurance for which the father, mother and other insurable members of the family are covered.

b. Married Women

Total insurance cover up to a maximum of Rs. 10 lakhs, but not exceeding husband's insurance in force for full sum assured may be granted. The underwriter should however examine whether the income of her husband can support the total insurance on his own life as well as on his wife's life and on the lives of his dependent children, and also have regard to other aspects such as social status of the family, moral hazard etc before deciding the amount of insurance that can be granted on such a proposal.

Insurance in excess of Rs. 10 lakhs up to maximum of Rs. 30 lakhs but not exceeding husband's insurance can be considered on merit at the Zonal Office level if the proposer is a graduate and can produce proof of possessing either passport or mediclaim cover or credit card or driving license.

c. Widows:

On consideration of insurance need as revealed by the special MHR

- No. Income – no insurance cover
- Widows with income but not attracting income tax- 7 times of average annual income subject to maximum of Rs. 1 lakh
- A further cover of Rs. 1 lakh will be allowed at Zonal Office level if income is adequate
- For other conditions as per C.O. circular No.,Act/1892/4dated 09.08.2003 – see notes in the chapter on “Insurance on the Lives of Women”.

d. Self – employed women:

For self employed women like vegetable vendors, fisher-women, agriculture labourers, milk maids, etc., maximum total risk cover allowable is 5 times the average annual income staged in the MHR or Rs. One Lakh whichever is less.

e. Female students:

- Minor female students – see item no. 8 (iii) below
- Major female students – see item no. 9 below.

For all the above sections of the Category III women the Moral Hazard Report in Form No. 3251 by Development Officer/ ABM (s) should be submitted for consideration of insurance.

5. CREDIT FROM PARENT’S INCOME

In view of Income tax provision to allow rebate to parents effecting insurance on the lives of their children, additional insurance cover will be allowed to the proposer on the basis of income of his father and/or mother. Credit from parents income will be as follows: (vide C.O. Circular No. 1854/4 dated 14.02.2003)

Age of the life assured	Amount of credit from parents income
Up to 25 years	Insurance allowed on the basis parents income, i.e. i. to minors lives – upto Rs. 50 lakhs ii. to major children upto age 25 to Rs. One crore
26 to 35 years	50% of the life assured’s own eligibility
36 to 45 years	30 % of the life assured’s own eligibility
More than 45 years	No credit from parents income

Note:

- a) Additional cover as above will depend on the adequacy of income of father and mother. Total insurance that can be funded by them will be 10 times of their three year’s average annual income. Duly reduced by the total rated up

insurance on their own lives and insurance if any on the lives of other family members which is already being financed out of their income.

- b) A separate addendum in the form of a letter to be signed by the proponent which will form the basis of insurance contract furnishing the details of insurance on the life of all the members of the family and amount of premium financed by parents in respect of each individual should be submitted.
- c) Copies of ITRs acknowledgement slips in respect of parent's income for preceding 3 years must be attached with the proposal.

6. FUNDING FROM WIFE'S INCOME

Wives can fund insurance on the lives of their husbands subject to the following restrictions :

- a. Wife belong to Female Category I or II and copies of ITRs or ITOs for last three years of wife's income are submitted alongwith the proposal.
- b. Wife should be the proposer under the proposal being considered on the life of her husband and proposal. Form No. 340 to be completed.
- c. Husband should be insured fully based on his own income.
- d. Additional cover to be funded by wife's income will be upto the amount of insurance on her life (duly rated up) and the additional cover to husband and her own insurance should be within the maximum permissible limit to wife as per present rules applicable to Category I and II.

7. FUNDING FROM HUSBAND'S INCOME IN RESPECT OF MARRIED WOMEN FALLING UNDER FEMALE CATEGORY I & II

Funding from husband's income to married women falling under female category I & II is allowed subject to following conditions:

- a. Calculate maximum cover allowable to women falling under female category II & I on the basis of their own income as per the existing rules.
- b. If the maximum allowable cover is less than Rs. 40 lakhs, the shortfall can be funded from husband's income.
- c. The amount of cover to be funded from husband's income will not exceed the insurance on his own life.
- d. Income of husband should be adequate for total rated up insurance on his own life, insurance funded on the lives of his children from his income and the cover to be funded on wife's life.
- e. No funding from husband's income will be allowed if the women falling under female category I & II are eligible for cover for Rs. 40 lakhs or more on the basis of their own income.

8. INSURANCE ON MINOR LIVES

- i.** Insurance up to Rs. Two Lacs
 - a) Insurance on the lives of children up to Rs. 2 lack can be granted without insisting on the proposer's (father or mother) insurance.
 - b) Insurance on the lives of minor children upto Rs. 5 lacs can be granted without insisting on the parents insurance subject to certain condition vide c.o. Circular No. 1874/4 dated 23/05/2003.
- ii.** C.D.A. Plans (Table 41,50, & 101)

Maximum permissible sum assured of Rs. One Crore, with clause 76 subject to twice the proposer's insurance (father or mother).

- iii.** Risk Plans- Minors

Maximum permissible rated – up sum Assured upto Rs. 50 lack, but not exceeding the insurance duly rated upon the proposer's (father or mother) Life, subject to total insurance on the lives of parents and children under all plans put together does not exceed to maximum permissible limit admissible to the person paying premium.

(The maximum permissible limit admissible is the age related multiple of income that is taken for financial underwriting on the adult life.)

- iv.** For other details: Please see the chapter on "Insurance on Minor Lives"

9. INSURANCE TO MAJOR CHILDREN UPTO AGE 25 ON THE BASIS OF PARENT'S INCOME

Maximum permissible rated up Sum Assured upto Rs. One crore but not exceeding the insurance duly rated up to the proposer's (father and mother) life, subject to total insurance on the lives of parent sand children under all plans put together does not exceed the maximum permissible limit admissible to the person paying the premium.

(The maximum permissible limit admissible will be 10 times of their there year's average annual income duly reduced by the total rated up insurance on their own lives and insurance if any. On the lives of other family members which is already being financed out of their income) vide C.O. Circular No. 1854/4 dated 14.02.2003.

If the major children up to age 25 have their own income they can be allowed cover on the basis of their own eligibility as per the existing rules, in addition to insurance allowed on the basis of parents income.

While allowing insurance to children on the basis of parents income it should be ensure that all members of the family are adequately insured. As far as possible, parents should propose on the lives of all their children and not on the life of any particular child. Vide c.o. circular Ref.: Actl/1916/4 dated 24/11/2003, it is clarified that if there is more than one minor/major child, each son/daughter can be allowed a maximum insurance cover which will be equal to insurance on the life of the

proposer/father/mother funding the cover, provided the income of the father/ mother is adequate.

10. INSURANCE COVER AGAINST EDUCATIONAL LOANS

Notwithstanding anything stated in item No. 9 above, proposal under risk plans on the lives of major children pursuing professional studies or higher education in any of the faculty, where loan has been raised for this purpose from a bank or from reputed financial institutions can be considered on merits without insisting upon insurance in force on the life of proposer (father or mother), provided.

- i. Insurance is intended as a collateral security against the loan being raised;
- ii. Amount of insurance has a relation with the amount of loan as prescribed by the lender;
- iii. Certified copies of loan papers and copies of evidences as to higher studies/ education are submitted; and
- iv. Social and financial status of the family revealed in a special MHR by an official ABM (S) & above found satisfactory by Manager (NB). (Official giving special MHR will be depend upon the Sum assured. However, special MHR at least by ABM (S) / BM will be necessary in all cases.)