**Product Analysis – Spot Suraksha**

Spot Suraksha is an 'over the counter' policy providing instant insurance cover. The main unique selling proposition for this policy is the simple and quick issuance procedures leading to an 'on-the-spot' life assurance cover. The policy provides the easiness with which the life cover starts right immediately from the time the proposer submits the duly completed application form and supporting documents.

The point worth noting here is that the insurance company has provided a more or less standardized life assurance cover under this policy. The basis for this view being the fixed policy term of 15 years and the policy sum assured calculated at 5 times the annual premium value.

The policy does not call for any requirements of medical tests so as to contribute to the ease of policy issuance. This has however made the policy conditions stringent to an extent with maximum sum assured limit available under the policy being Rs.5 lacs when age at entry is between 5 years and 45 years. For the entry age ranging between 46 years and 55 years, the maximum sum assured limit is further reduced to Rs.3 lacs.

The guaranteed special addition, equal to 130% of the first year premium value, gets paid along with the policy value at the time of policy maturity. In case of death of the life assured during the policy term, this addition could form part of the death benefit payable to the nominee / beneficiary, when the combined value of the policy fund(s) and the guaranteed special additions is greater than the policy sum assured value. As such, the guaranteed special addition component assists in availability of much higher than usual policy benefits. Moreover, as the maturity benefits are associated with the fund value which is susceptible to the volatility in the capital markets, the guaranteed special addition component helps in bringing stability to the overall policy benefits.

The cover continuation option is a considerate feature of the policy and can be the salvage factor for the policy in case the policy holder is not able to pay the future premium. The option, which can be exercised after the completion of the seven policy years, is very important as it forms the basis for the precious life assurance cover even at a time when the policy holder is no longer able to afford the policy premium. Also, worth appreciating...
is the fact that the guaranteed special addition benefit is available as part of the maturity or death benefit, even when the cover continuation option has been opted for.

The option to pay top up premiums to enhance the value of the investment fund(s) will accelerate the creation of wealth when there is an availability of surplus money with the policy holder.

The policy provides limited choice of three investment funds, something which is as well evident in case of most of the other policies introduced by this insurance company. The availability of just three investment funds limits the scope of customization as per ones unique investment requirements. The availability of the switching option, nevertheless, provides an opportunity to the policy holder to fine tune the investments as per the changing scenario of the capital markets as well as the change in ones investment requirements.

For individuals who look at life insurance policies as potentially good investment avenues, Spot Suraksha can be a good choice. The policy feature that most strongly supports this view is the 100% allocation of premium towards the chosen investment fund(s) as no premium allocation charge is applicable under the policy. Full premium allocation in turn ensures a faster creation of wealth for the policy holder.

A negative score on the policy comes in the form of the policy administration charge which is quite high (Rs.65 or Rs.80 payable every month) and can be a strain on the premium value, particularly when the annualized premium amount is low. Nevertheless, the application of this charge on the basis of segregation of policies with premium payment on an annual and semi-annual basis and the ones with the premium payment on a monthly basis can be appreciated as practically justifiable.

Policy can be surrendered at any time during the policy term. While the surrender value available in the first policy year is nil or negligible (depending on whether the first year premium has been paid in full or not), this value available is quite liberal and ranges from 90% to 98% (for surrender happening from the second year till the fifth year) of the fund value. A surrender happening after the 6th policy year attracts nil surrender charge.

The partial withdrawal facility helps in provision of financial liquidity to the policy holder in times of need. This facility is the same as what is usually available in other unit linked insurance policies.

On the whole, the policy can be recommended as a suitable plan to individuals who have a nominal requirement for a life assurance cover coupled with a requirement for creation of wealth.

A similar policy which can be categorized as a unit linked endowment assurance policy with the benefit of simple and instantaneous life assurance coverage is:

- Saral Jeevan from Birla SunLife Insurance Co. Ltd.
Product Highlights – Spot Suraksha

Policy provides a simple, easy and instant life assurance cover without the requirement for medical tests.

Policy term is fixed for 15 years with sum assured value calculated at the rate of 5 times the annualized premium amount. Policy can be taken by a person aged between 5 years and 55 years.

A ‘guaranteed special addition’ component calculated at the rate of 130% of the first year premium value forms part of the maturity or death benefit.

Cover continuation option facilitates the continuation of the life assurance cover even when the policy holder is unable to pay future premium.

Top up premium can be paid to increase the investment fund value.

Death benefit is higher of the sum assured value or the combined value of the investment funds and the guaranteed special addition component. Maturity benefit includes the investment fund value and the guaranteed special addition component value.

Policy provides 3 investment funds with the option to switch the fund value from one fund to the other.

Main policy charges

- **Premium allocation**: This charge is nil, resulting in a 100% allocation of the premium amount to the investment fund(s) chosen.

- **Policy administration**: This charge is fixed at Rs.65 per month for premium paid annually and semi-annually and Rs.80 per month for premium paid on a monthly basis.

- **Fund management**: This charge ranges between 1.00% p.a. and 1.50% p.a. of fund value.

- **Mortality**: This charge is calculated at sum at risk and will remain constant throughout the policy term.

Partial withdrawal facility is available after initial 5 policy years. Policy surrender can be opted for at any point of time with the surrender value available free-of-charge when surrender happens after 5 policy years.

Usual tax benefits are available under Section 80C and Section 10(10D) of the Income Tax Act.
Spot Suraksha is a unit linked policy from Bharti AXA Life Insurance Company Limited. It is a non participating policy.

Unique features

**Simple and instantaneous insurance coverage:** The policy provides the advantage of an ‘on-the-spot’ insurance coverage. The prospective policy holder, after understanding the policy thoroughly, has to fill up the application form, submit the same with the relevant support documents and instantly a cover note is issued with the life insurance cover starting immediately at that point of time.

**Guaranteed Special Addition:** The first year premium under the policy gets utilized for the provision of a guaranteed special addition. This addition is equivalent to 130% of the first year’s premium value and will form part of the maturity benefits or the death benefits.

**100% premium allocation:** Policy provides for the allocation of the entire premium amount to the investment fund(s) chosen by the policy holder, as no premium allocation charge is applicable under the policy.

**Cover continuance option:** If in case the policy holder is not able to pay the regular premium, the policy will continue based on the existing fund value with the life assurance cover remaining intact. This facility is available when policy has been in force for seven years.

After the submission of the written request by the policy holder to the insurance company for exercising this option, no further regular or top up premiums can be paid by the policy holder, subject to policy conditions.

Here it will be important to mention that, the policy will be in force as long as the fund value is greater than one year’s annual regular premium, failing which the policy will be terminated.

The guaranteed special addition will be available on maturity or on an earlier death of the life assured, even when the cover continuance option is availed.

**Top up premium:** Payment of top up premium can assist in enhancing the investment value under the policy. The minimum amount of a top up premium is Rs.5,000, subject to the total top up premiums amount not exceeding 25% of the total regular premium at any point of time during the policy term. Top up premium does not affect the policy sum assured.

**Policy benefits**

**Death benefit:** In the event of unfortunate death of the life assured during the policy term, the nominee / beneficiary will receive either the sum assured (less the partial withdrawals as applicable) or the investment fund value (plus the guaranteed special addition).

In case of death occurring in the first year, either 50% of the sum assured or market index factor* multiplied with annual premium amount, which ever is higher will be payable as the death benefit.

* Market Index Factor is the ratio of the NSE CNX Nifty Index (closing value) as on the date of intimation of death to the NSE CNX Nifty Index (closing value) as on the date of policy issue.

**Maturity benefit:** The investment fund value, as existing on the date of maturity, and the guaranteed special additions are payable as maturity benefits. This benefit can be withdrawn as a lump sum or in installments over 5 years under the structured settlement option, or as a combination of both.

The policy holder has the option to withdraw the entire maturity proceeds at any time during the settlement option period. Also, during this period, fund management charge will be levied as applicable.

**Eligibility parameters**

**Age at entry:** minimum – 5 years; maximum – 55 years

**Maximum age at maturity:** 70 years

**Policy term:** fixed tenure of 15 years
Minimum annual regular premium: Rs.12,000

Premium payment frequencies: annual, semi-annual and monthly

Sum assured is equivalent to 5 times the annualized premium.

Maximum sum assured limit: Rs.5,00,000 for entry age of 5 years to 45 years; Rs.3,00,000 for entry age of 46 years to 55 years.

Investment fund options

The policy holder can choose from three investment funds, namely Grow Money Fund, Save’n’Grow Money Fund and Steady Money Fund. The details for these funds are:

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Investment Objective</th>
<th>Risk &amp; return profile</th>
<th>Investment allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Listed equity</td>
</tr>
<tr>
<td>Grow Money</td>
<td>To earn high returns</td>
<td>High</td>
<td>80% to 100%</td>
</tr>
<tr>
<td>Save’n’Grow Money</td>
<td>To achieve a balance of growth on investments and steady returns</td>
<td>Moderate</td>
<td>0% to 60%</td>
</tr>
<tr>
<td>Steady Money</td>
<td>To earn steady returns</td>
<td>Low</td>
<td>0%</td>
</tr>
</tbody>
</table>

Policy provides the option for switching the investment value from one fund to the other to match the changed investment objectives and requirements. The minimum value of a switch should be Rs.2,500. 4 fund switches are free-of-charge in a policy year and any subsequent switch will be charged at the rate of Rs.100 per switch.

Policy charges

The first year regular premium being utilized for the provision of the guaranteed special addition and not allocated towards the investment funds, the below charges are levied from the second year onwards.

Premium allocation charge – This charge applicable from the second year is nil for regular premium. For top up premiums, this charge is 1.5% of the premium amount.

Mortality charge: This charge is applicable from the second year onwards for the provision of the life insurance cover and is levied on the sum at risk (i.e. the policy sum assured less the policy fund value). Mortality charge will be guaranteed to remain constant throughout the policy term.

Policy administration charge: This is fixed charge, applicable from the second year onwards. For premium payment done on an annual and semi-annual basis, the charge is Rs.65 per month. For premium payment done on monthly basis, the charge is Rs.80 per month.

Fund management charge: This charge, levied from the second year, ranges between 1.00% and 1.50% per annum of the policy fund value, depending on the choice of the investment fund.

Surrender charge: This charge is applicable if the policy is surrendered within the first five policy years. The charge structure applicable if the policy is surrendered after the first policy year.

<table>
<thead>
<tr>
<th>Policy year</th>
<th>Surrender charge as a percentage of the policy fund value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd year</td>
<td>10%</td>
</tr>
<tr>
<td>3rd year</td>
<td>5%</td>
</tr>
<tr>
<td>4th year</td>
<td>4%</td>
</tr>
<tr>
<td>5th year</td>
<td>2%</td>
</tr>
<tr>
<td>6th year onwards</td>
<td>0%</td>
</tr>
</tbody>
</table>
If the policy is surrendered in the first policy year, with less than one year of premium paid for the same, then surrender charge will be 100% of the first year premium. The surrender value payable will be nil. If in case one year’s premium has been paid, 90% of first year premium will be the charge and only remaining 10% of first year premium will be payable to the policy holder as the surrender value.

**Switching charge:** A subsequent switch after 4 free-of-charge switches will be subject to a charge of Rs.100 per switch.

**Partial withdrawals**

Partial withdrawal facility is available after initial five policy years. Minimum partial withdrawal amount is Rs.5,000 and is subject to maximum 20% of the Policy Fund Value in that policy year. Only two partial withdrawals are allowed in a policy year and are free of charge. If in case the policy fund value becomes less than one year’s annual regular premium after the partial withdrawal, the policy will be terminated.

**Policy surrender**

The surrender value payable will be as per the surrender charge structure discussed above. If the policy surrender is opted for before the completion of three policy years, then the surrender value as applicable will freeze and will be payable only on the completion of the three policy years. Once the policy is surrendered it will cease to exist.

**Tax benefits**

The premium payable under this policy is eligible for deduction under the provisions of Section 80C of the Income Tax Act, 1961. The benefits from the policy are exempt from tax under Section 10(10D) of the Act.

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**Important:** In this policy, the investment risk in the investment portfolio is borne by the policy holder.