**Product Name:** InvestAssure Optima

**Product Provider:** Tata AIG Life Insurance Co. Ltd.

**Category:** Endowment Assurance Policy

**Traditional / Unit Linked Policy:** Unit Linked Policy

**Main objective:** To provide a life assurance cover as well as the basis for accumulation of wealth with a guaranteed additions component.

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**Product Analysis – InvestAssure Optima**

The main policy highlight is the ‘guaranteed addition’ payable (along with the fund value) as part of the maturity benefits at the end of the policy term. If in case this guaranteed addition (again, coupled with the policy fund value) is greater than the sum assured under the policy at the time of death of the life assured during the policy term, then this addition also comes into picture as part of the death benefit payable to the nominee / beneficiary. The guaranteed addition aims at provision of certain amount of stability to the policy fund value especially in present times when the capital markets are highly volatile.

Further, the percentage of guaranteed additions available is positively co-related to the policy term, which means that greater the policy term, higher is the percentage of guaranteed additions available to the policy holder. This indirectly provides an incentive to the prospective policy holder to opt for the maximum possible policy term. This feature can be in turn looked at promoting the concept of life insurance policy as a long term in nature.

As discussed in the above paragraph, the guaranteed additions component can form the basis for the death benefit under the policy*. This calculation basis for the death benefit, as such ensures a higher than usual benefit payable in case of the eventuality covered against. Thus making the policy a good choice for the prospective policy holders who are looking at relatively higher policy benefits, particularly on the happening of the life contingency insured against.

* On death of the life assured during the policy term, the higher of the policy sum assured or the fund value (coupled with the guaranteed additions component) is payable to nominee / beneficiary.

Policy provides a thoughtful feature in form of the premium holiday option. In case of some unexpected financial problems, the policy holder may find it difficult to pay the policy premium for some years. This inability could particularly arise when the regular premium amount selected is quite high. Under this option, the life assurance cover continues during the premium holiday period, until the time the fund value accumulated under the policy fund(s) can support the usual policy charges that will continue to be levied during the duration of this option.

The provision of the premium holiday option as such helps in preventing the policy from getting lapsed or otherwise possible termination or forfeiture of the policy because of the non-payment of the future premiums.

Policy also provides the policy holder the option of investing any surplus money in form of top up premium. This will help in enhancing the investment fund value under the policy.
Further, utilization of the top up premium in excess of 25% of the total regular premium at any point of time, towards the provision of an additional sum assured (subject to policy conditions and underwriting guidelines and decisions) as calculated in multiples of the excess premium is something worth mentioning. This will in a way rationalize the extent to which a person would look at investing the surplus funds in the policy (as a single investment avenue) and choose some other insurance-cum-savings policies or investment avenues over for investing the funds over the 25% limit.

Policy holder can also increase or decrease the policy sum assured (subject to policy conditions and underwriting guidelines and decisions) during the policy term to match the level of insurance coverage exactly to the extent of the changed requirements in this regard.

The wide range of investment funds available for choice for allocation of the savings component of the policy premium, scores well on facilitating the investments as per the unique financial and risk-&-return profile of the policy holder.

The options for Systematic Transfer Plan and premium re-direction and switching of funds, furthermore facilitate past and future policy investments in keeping pace with the changing investment profile of the policy holder.

The availability of a number of rider options to ensure a comprehensive cover and customize the policy as per ones unique insurance requirements gives an edge to the policy vis-à-vis the competition.

A look at the charge structure, and one cannot help but appreciate the premium allocation charge which provides the incentive for commitment of a high value premium (more than Rs.5,00,000 p.a.) under the policy. The premium allocation charge above Rs.5,00,000 being Nil. Even when the annual regular premium is less than Rs.5,00,000, this (premium allocation) charge structure is quite competitive and eventually becomes nil from the 10th policy year onwards.

On the other hand, the policy administration charge is disappointing as it is on a higher side when compared to other similar ULIPs. Also, different policy administration charge payable on the basis of segregation of the annual premium value as less than and more than Rs.50,000 does not really make sense as this charge is usually associated as on a per policy basis and is not based on the premium value. The minimum charge of Rs.65 per month can be seen as quite a heavy burden on the premium amount, especially when the latter is relatively modest.

The option for policy surrender and partial withdrawals are similar to other ULIPs. The tax benefits are same as applicable in case of any other insurance-cum-savings policy.

Other Similar Policies

Some of the other similar policies coming under the category of unit linked endowment assurance policy with guaranteed benefit component are:

❖ LifeStage Assure from ICICI Prudential Life Insurance Co. Ltd.
❖ Aspire Life from Bharti AXA Life Insurance Co. Ltd.
❖ Kotak Smart Advantage from Kotak Mahindra Old Mutual Life Insurance Co. Ltd.
❖ SaveGuard from Aviva Life Insurance Co. India Ltd.
**Product Highlights – InvestAssure Optima**

‘Guaranteed addition’ calculated as percentage of first year premium forms part of the maturity or death benefit.

Premium holiday option provides for continuation of policy in case of non payment of premium.

Sum assured can be increased / decreased during the policy term.

Death benefit is higher of the sum assured value or combined value of investment fund(s) and guaranteed additions.

Maturity benefit includes the investment fund value (for regular premium and top up premiums, if any) and the guaranteed additions.

Policy can be taken by a person aged 30 days to 55 years (for a 10 year policy).

Minimum sum assured is 5 times the regular annual premium and minimum annual regular premium is Rs.15,000.

7 investment funds are available under the policy with the options for switching of funds and premium re-direction as well as that of Systematic Transfer Plan.

**Main policy charges**

- Premium allocation: ranges between 1% and 8%; nil after 10th years onwards; nil for premium of more than Rs.5 lacs.

- Policy administration: fixed charge; Rs.65 per month for annual regular premium value less than Rs.50,000 and Rs.150 per month for annual regular premium value equal to or more than Rs.50,000.

- Fund management: ranges between 0.65% and 1.20% p.a.

- Mortality: depends on the age, gender and sum assured

Policy surrender and partial withdrawal facilities are available after the completion of 3 and 5 policy years respectively.

Riders available under the policy are: payor benefit, critical illness lump sum benefit, waiver of premium, accidental death benefit and accidental death & dismemberment benefit.
Unique features

Guaranteed additions: The first year regular premium for the policy is utilized for the provision of the 'guaranteed additions' payable either on maturity or on an earlier death of the life assured (as in combination with the policy fund value, if this combination value is greater than the policy sum assured value)*. The details of this addition, expressed as a percentage of the first year regular premium amount, are:

<table>
<thead>
<tr>
<th>Policy term</th>
<th>Guaranteed addition as a percentage of first year premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 years</td>
<td>110%</td>
</tr>
<tr>
<td>15 years</td>
<td>130%</td>
</tr>
<tr>
<td>20 years</td>
<td>160%</td>
</tr>
<tr>
<td>25 years</td>
<td>175%</td>
</tr>
<tr>
<td>30 years</td>
<td>200%</td>
</tr>
</tbody>
</table>

The guaranteed addition is not payable on surrender/lapse/termination of the policy.

*refer to Death Benefit in the Policy Benefits section

Premium holiday: On completion of 3 policy years and payment of initial 3 years regular premium, if the policy holder is unable to pay subsequent premiums, the policy will be deemed to be on a premium holiday for a maximum period of 2 years (allowed for revival). At the expiry of this 2 year tenure, the insurance cover and the premium holiday can further be continued at the request of the policy holder, provided the total fund value is such that the policy surrender value (as discussed later) does not fall below an amount equal to one year’s regular premium. On the fund value falling below this limit, the policy will automatically get terminated with the available surrender value paid to policy holder.

The life assurance cover will continue during the premium holiday period with the usual policy charges (administration charge, mortality charge and fund management charge) applicable.

Top up premium: Payment of top up premium is allowed anytime during the policy term. Minimum amount of top up premium is Rs.5,000 and premium payment shall be allowed for maximum 4 times in a policy year. Top up premiums can be allocated in any proportion as per the wish of the policy holder.

Further, the policy holder has the option to choose an additional sum assured equal to 1.25 / 2.5 / 3.75 / 5 / ‘policy term’ times the ‘excess’ top up premium paid, subject to underwriting guidelines and decisions.

Here, it will be important to mention that when the top up premium paid is less than 25% of the regular premium paid at any point of time during the policy term, then there will be no need for the additional sum assured. However, when the top up premium amount exceeds the limit of 25% of the regular premium amount, then this ‘excess’ top up premium amount will be used for provision of the additional sum assured as per the multiples mentioned above.

Increase / decrease of sum assured: Policy provides the option for increasing or decreasing the sum assured during the policy term subject to the underwriting guidelines and decisions and the limits for the maximum and minimum sum assured under the policy.

Policy benefits

Death benefit: In the unfortunate event of death of the life assured during the policy term, the death benefit payable to the nominee/beneficiary will be higher of the sum assured (less applicable deductions of partial withdrawals) or the regular premium fund value (plus the guaranteed addition).

The calculation of the death benefit will also take into consideration the top up premium fund value and the additional sum assured (from top up premium), if any.

If the life assured is aged less than 4 years at the time of death, then the above calculation will take into account only a proportion / percentage of the sum assured under the policy. The details for this are:
Maturity benefit: The fund value (of regular premium and top up premium, if any) and the guaranteed addition comprises of the maturity benefit, when the life assured is surviving at the end of the policy term. This benefit can be received either as a lump sum or in structured installments spanning duration of upto 5 years under the settlement option. Even when the settlement option is selected for payout of the maturity benefits, the guaranteed additions amount will need to be compulsorily withdrawn at maturity.

Eligibility parameters

Age at entry: minimum – 30 days; maximum – 55 years for a 10 year and 15 year term, 50 years for a 20 year term, 45 years for a 25 year term, 40 years for a 30 year term.

Maximum age at maturity: 70 years

Policy term: minimum – 10 years; maximum – 30 years. Policy term will be in multiples of 5 years within this range and hence policy term options available will be 10 years, 15 years, 20 years, 25 years and 30 years.

Sum assured value: minimum – 5 times the regular annual premium amount; maximum – policy term multiplied by the regular annual premium amount

Minimum premium amount: Rs.15,000 p.a.

Premium payment term is same as the policy term

Premium payment frequency: annual, semi-annual, quarterly and monthly

Partial withdrawal

Partial withdrawals are allowed from the regular premium investment fund account(s) any time after five years from the issuance of the policy. Partial withdrawals from the top up premium account(s), if any, are allowed after three years of the top up premium payment. Also, these withdrawals will need to be made first from the top up premium accounts, if any, and then from the regular premium accounts.

There are no partial withdrawal charges.

Partial withdrawal option can be exercised by the policy holder who has attained 18 years of age.

Minimum partial withdrawal amount is Rs.5,000 and the total fund value equivalent to a minimum of one year’s premium should compulsorily remain after the withdrawal.

Maximum of 4 partial withdrawals are allowed in a policy year.

Policy surrender

Policy can be surrendered anytime after the completion of 3 policy years. If premiums are discontinued within the first 3 years and the policy is not revived, the same will be terminated and the surrender value will be paid to the policy holder at the end of the 3rd policy year or at the end of the revival period, which ever is later.

Here, the surrender value will be the outstanding fund value less the applicable surrender charges. Further, the conditions mentioned above in the discussion for premium holiday benefit are applicable.

Riders available

Payor Benefit Rider: provides for the waiver of all the future premiums for basic policy and riders, in the event of death or total and permanent disability of the person who is paying the policy premiums.

Critical Illness Lump Sum Benefit Rider: provides for a lump sum amount in case of the life assured being diagnosed with a critical illness or requiring a surgery, subject to the critical illnesses covered in this regard and the policy conditions.

Waiver of Premium Rider: provides for the waiver of all the future premiums in case of the life assured becoming disabled.

Accidental Death Benefit Rider: provides for an additional benefit amount equivalent to the policy sum assured, in case of death of the life assured caused due to an accident.
Accidental Death & Dismemberment Benefit Rider: provides for the accidental death benefit equal to policy sum assured as well as benefits proportional to the sum assured in case of dismemberment and severe burn injuries caused due to an accident.

Investment funds

Policy holder can choose one or more of investment funds from seven fund options, depending on his unique risk and return profile. 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 in Equities</th>
<th>Cash/Money marketing instruments</th>
<th>Govt. / Corporate bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>WL Mid-cap Equity</td>
<td>To generate long term capital appreciation from an investment portfolio of mainly Mid-Cap equity and equity linked avenues</td>
<td>High</td>
<td>Upto 100%</td>
<td>Upto 40%</td>
<td>0%</td>
</tr>
<tr>
<td>Select Equity</td>
<td>To provide income distribution over medium to long term while, at all times, emphasizing the importance of capital appreciation</td>
<td>High</td>
<td>Upto 100%</td>
<td>Upto 40%</td>
<td>0%</td>
</tr>
<tr>
<td>Large-cap Equity</td>
<td>To generate long term capital appreciation from an investment portfolio of mainly Large-Cap equity and equity linked avenues</td>
<td>High</td>
<td>80% to 100%</td>
<td>Upto 40%</td>
<td>0%</td>
</tr>
<tr>
<td>WL Aggressive Growth</td>
<td>To provide higher growth through investments predominantly in equities along with debt / money market instruments</td>
<td>High to Moderate</td>
<td>50% to 80%</td>
<td>Upto 20%</td>
<td>20% to 50%</td>
</tr>
<tr>
<td>WL Stable Growth</td>
<td>To provide stable returns by balancing investments in equities and debt / money market instruments</td>
<td>Moderate</td>
<td>30% to 50%</td>
<td>Upto 40%</td>
<td>50% to 70%</td>
</tr>
<tr>
<td>WL Short Term Fixed Income</td>
<td>To generate stable returns through investments in fixed income securities of short maturity periods</td>
<td>Low</td>
<td>0%</td>
<td>Upto 40%</td>
<td>Upto 100%</td>
</tr>
<tr>
<td>WL Income</td>
<td>To generate income through investment portfolio of a range of debt &amp; money market instruments</td>
<td>Low</td>
<td>0%</td>
<td>Upto 40%</td>
<td>Upto 100%</td>
</tr>
</tbody>
</table>

The proportion of money market instrument investments should not exceed 40% in any of the above funds.

“WL” above denotes “Whole Life”.

Policy provides the investment option of Systematic Transfer Plan (STP) which helps in averaging out the risks associated with equity investments to some extent. This option can be exercised at any policy anniversary and is free of charge, subject to policy conditions.

The premium re-direction facility is available to enable a change in the premium allocation of future premiums as per the changed financial and investment requirements. There is no charge for this facility and it is not allowed in the first policy year. This facility is also not available if the STP option is exercised.

Policy provides the option for switching the investment value from one fund to the other. 12 switches are free-of-charge in every policy year. This option is not available if the STP option is exercised and is not allowed in the first policy year.
Policy charges

The first year premium is fully utilized for the provision of the 'guaranteed additions' and as such no charges are deducted from this premium. The charges applicable from the second year onwards are:

**Premium allocation charge** – Details of the charge expressed as a percentage of the premium amount, are:

<table>
<thead>
<tr>
<th>Policy year</th>
<th>Premium allocation charge as a % of the regular premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For premium amount less than Rs.50,000</td>
</tr>
<tr>
<td>1st year</td>
<td>NA</td>
</tr>
<tr>
<td>2nd year to 3rd year</td>
<td>8%</td>
</tr>
<tr>
<td>4th year to 5th year</td>
<td>5%</td>
</tr>
<tr>
<td>6th year to 9th year</td>
<td>3%</td>
</tr>
<tr>
<td>10th year onwards</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Policy administration charge:** This is a fixed charge and depends on the premium value. For annual premium amount less than Rs.50,000, this charge is Rs.65 per month. For annual premium amount equal to or more than Rs.50,000, this charge is Rs.150 per month. This charge can be increased by maximum 5% p.a.

**Fund management charge:** This charge ranges between 0.65% p.a. to 1.20% p.a. depending on the choice of the investment fund(s).

**Mortality charge:** This charged is levied for the provision of the life assurance cover under the policy and depends on the age, gender and sum assured.

**Switching charge:** A subsequent switch after 12 free-of-charge switches is charged at Rs.100 per switch in a policy year. This charge can be increased to maximum Rs.250 per switch, subject to prior approval from IRDA.

**Surrender charge:** The surrender charge applicable as a percentage of the regular premium account and based on the policy term, are detailed as:

<table>
<thead>
<tr>
<th>Year of policy surrender</th>
<th>Surrender Charge as a % of the fund value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For policy term of 10 years and 15 years</td>
</tr>
<tr>
<td>1st year to 3rd year</td>
<td>NA</td>
</tr>
<tr>
<td>4th year</td>
<td>10%</td>
</tr>
<tr>
<td>5th year</td>
<td>7%</td>
</tr>
<tr>
<td>6th year</td>
<td>5%</td>
</tr>
<tr>
<td>7th year</td>
<td>0%</td>
</tr>
<tr>
<td>8th year onwards</td>
<td>0%</td>
</tr>
</tbody>
</table>

There will however be no surrender charges applicable on the top up premium accounts(s), if any.

**Tax benefits**

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

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