

### More about Settlement option:-

- The policy holder has the below two options for settlement of maturity benefit.
  - **Option 1 : Lumpsum** : The complete proceedings of maturity benefit as on maturity date would be paid up as lump sum benefit to the policy holder
- **Option 2 : Settlement Option** : The instalments can be taken over a maximum period of five years. Tenure: 1 to 5 year option should be available. At the end of settlement period, the Fund Value will be paid out (i.e. the last instalment) as one lump sum and the policy should be terminated.

The policy holder should have 2 options for settlement of maturity benefit.

- **Option 1**: Part of the maturity proceeds as a lump sum and part as installments over a maximum period of 5 years (installment details are explained below)
  - Percentage to be taken as Lump Sum at maturity: To be defined by customer can be any value between 0% to 100%

**OR**

- **Option 2**: The entire maturity benefit would be paid in installments (installment details are explained below)

- **Details Of Installments:**

- The first installment will be paid on the date of maturity.
- At maturity, the Policyholder should pre-specify
  - Tenure i.e. 1/2/3/4 or 5 years
  - Frequency for receiving installments (monthly, quarterly, semi-annually or annually)The installments would be spread equally over the entire tenure of the settlement period
- During this settlement period, the investment risk will be borne by the Policyholder.
- The Policyholder should specify the choice of funds into which maturity amounts are to be maintained with the Company. Such selection of funds should be specified at the point of pre-settlement notification. If such instructions are not received the default fund option would be same as the funds at the time of maturity of the policy. All the installment amount would be as per funds chosen or as per default fund option if specific fund is not chosen by policyholder
- Anytime during the 5 years the policyholder/life insured can opt for the complete withdrawal and the balance units as on the date of option will be encashed at the NAV rate prevailing on that date



**Following are the options available to you in order to submit your consent for Settlement option.**

- a) From your registered Email ID by stating tenure and frequency of payout along with personalize cheque copy.
- b) In case Email ID is not registered, a self-declaration letter in writing by stating tenure and frequency of payout along with personalize cheque copy.
- c) Telephonic confirmation

Email ID: [kli.ul-request@kotak.com](mailto:kli.ul-request@kotak.com)

Self-Assistance IVR: 18002098800

Mobile No: 08291972230/07208037807

## **FAQs on Settlement options under Unit Linked life insurance plans(ULIPs)**

Background: Taking into account the volatility of markets, to protect the interests of policyholders, vide its circular Ref: IRDAI/Life/Cir/Misc/078/04/2020 dated 4<sup>th</sup> April 2020 IRDAI has allowed Life Insurance companies to offer settlement options to policyholders whose Unit Linked life insurance policies are maturing upto 31<sup>st</sup> May 2020. This has been covered widely in media. In order to answer various questions that may arise in the minds of policyholders as well as general public, this Frequently Asked Questions have been prepared.

### 1. What is a settlement option under ULIP?

It is an option to be exercised by the policyholder of a unit linked life insurance policy to receive the maturity proceeds in instalments.

### 2. Whether nominee can exercise this option in case of death benefit?

No. This option is available only to the policyholder on maturity of the policy.

### 3. How does the settlement option work?

In case of ULIPs, the investment risk is borne by the policyholder. Normally, on maturity, the number of units available to the credit of the policy will be encashed at the Net Asset Value per unit as on date of maturity. Thus, the maturity proceeds would depend on the Net Asset Value on a specific date, i.e., the date of maturity. Whereas, the settlement option provides an opportunity to the policyholder to encash the units at the Net Asset Value on the date of each instalment over a period not exceeding five years, instead of limiting to the value on one particular date.

### 4. Whether I can postpone the maturity date by opting this?

No. You can only take the maturity proceeds in instalments.

### 5. At what frequency the withdrawal can be done?

It depends on the periodicity made available by the Insurer – monthly, quarterly, half-yearly or yearly.

### 6. For how long I can have the settlement option?

The period of settlement option can be for a maximum of 5 years from the date of maturity.

7. Whether I can terminate the instalments and opt for the complete withdrawal after the start of periodic instalments?

Yes. Anytime during the 5 years you can opt for the complete withdrawal and the balance units as on the date of option will be encashed at the NAV rate prevailing on that date.

8. Will there be any charges for complete withdrawal?

No.

9. Whether Life Insurance cover will continue during settlement option?

No. In case of the death of the policyholder during settlement option period, the nominee will be paid the remaining units at the NAV as on the date of intimation of death.

10. Whether I can switch or withdraw partial amount during settlement period?

Switching of funds and partial withdrawals are not allowed during the settlement period.

11. What will be the charges to be deducted during the settlement period?

Only Fund Management charges are allowed to be deducted during the settlement period.

12. When will the first instalment start?

The first instalment will be paid on the date of maturity.

13. Whether settlement option is available for all Unit linked products?

Except pension and variable insurance products, settlement option is available for all the other linked products.

14. Who will bear the risk of investment during the settlement period?

The policyholder continues to bear the risk during the settlement period as the balance will continue to stay invested in the segregated fund and its value is subject to market risks. It may go up or down basis the market performance of your fund portfolio.

15. Where will the funds be invested during the settlement option period?

The funds will remain invested in the same segregated fund which was opted by the policyholder at the time of taking the policy or the segregated fund as on the date of maturity in case of fund switches exercised during the policy term.

16. How will the Instalment quantum be decided?

The available number of units under the Policy shall be divided by the residual number of instalments to arrive at a number of units for each instalment which will then be multiplied by the net asset value on the date of payment.

For example, if the policyholder opts for settlement in five (5) annual instalments, the first instalment will be one-fifth (i.e., 1/5) of the number of units available to the credit of the policy on the date of maturity, multiplied by the NAV as on that date. The second instalment will be one-fourth (1/4) of balance number of units multiplied by the NAV as on that date and so on.

17. Whether it is compulsory for me to take my ULIP maturity in instalments due to IRDAI circular dated 4<sup>th</sup> April 2020?

No. It is purely your choice/decision whether to opt for a settlement option or take the maturity in lumpsum.

18. What happens if the policyholder dies after exercising the option, but before the maturity date?

In such situation, the death benefit proceeds as per the terms and conditions of the policy shall become payable and settlement option will not be applicable.

19. My ULIP did not have settlement option feature. Can I exercise the option if my policy is maturing now?

Yes, the special dispensation allowed by IRDAI by the referred circular is applicable even if the specific product did not have settlement option as a feature.

20. After selecting settlement option, can I later change the mode of payment?

No. Once the payment starts, the mode of payment of instalments cannot be changed except that you may withdraw the whole amount of fund value at any given point of time within the period.

21. Does the nomination remain valid during the settlement period?

Yes. The nomination remains valid till the last instalment is paid.