

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3484

ANSWERED ON:14.12.2012

INSURANCE LAPSED POLICIES

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**Will the Minister of FINANCE be pleased to state:**

- (a) whether life insurance companies offer a fixed tenure for policies;
- (b) if so, the details thereof and the amount of deposits made by the policy holder forfeited by the insurance companies in case of the policy lapses within this fixed tenure;
- (c) the number of such lapsed policies in the last three years including the amount involved therein and the manner in which the said money is utilised by the insurance companies;
- (d) the likely impact of the said rule on the interests of the policy holders;
- (e) whether the Government proposes to take any step so that lapsed-policy holders may get money back and to protect the interest of the policy holders; and
- (f) if so, the details thereof?

**Answer**

Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) : Insurance Regulatory and Development Authority (IRDA) has informed that Life Insurance Companies offer policies for fixed policy term.

(b)&(c): As per IRDA, the policy term that is offered by life insurance companies may range from 5 years onwards, in case of ULIPs and differ from one product to another. In case of traditional life insurance policy contracts the minimum policy term may also vary from product to product. Data on number of policies lapsed in respect of non linked business is furnished hereunder. The Premium amount involved in lapsed policies is being compiled by IRDA.

| Year             | 2011-12  | 2010-11  | 2009-10  |
|------------------|--|--|--|
| Insurer          | No of policies<br>forfeited /<br>lapsed<br>( '000) | No of policies<br>forfeited /<br>lapsed<br>( '000) | No of policies<br>forfeited /<br>lapsed<br>( '000) |
| LIC of India     | 12512.52   | 11483.44   | 9744.37  |
| Private Insurers | 3539.43  | 2567.92  | 2608.57  |

(d) As per IRDA, according to section 113 of Insurance Act, 1938 life insurers are required to pay surrender value to a policyholder who has paid premiums for at least three years. However, insurers may choose to provide surrender value before three years also.

(e) and (f): The IRDA has notified IRDA (Treatment discontinued linked insurance products) Regulations, 2010. As per the said regulations, the fund existing on the date of lapse will be transferred to the discontinued fund. Such fund accumulated at the savings interest rate less the discontinuance charge is available to the policyholder at the end of five years. The Authority has also proposed the regulations on the non linked products, in which a minimum surrender value is proposed to ensure the policyholder interests are protected.