

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1534

ANSWERED ON:13.12.2013

LAPSED INSURANCE POLICIES

Mahendrasinh Shri Chauhan ;Sardinha Shri Francisco

**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) to (c): Yes, sir. The Insurance Regulatory and Development Authority (IRDA) has informed that life insurance companies offer policies for a fixed policy term. 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. Number of policies forfeited /lapsed during the last three years in respect of non-linked business, are given hereunder:-

(in thousands)

Insurer	Year 2011-12	Year 2010-11	Year 2009-10
LIC of India	12512.52	11483.44	9744.37
Private Insurers	3539.43	2567.92	2608.57

(d) to (f): Section 113 of the Insurance Act, 1938 prescribes that 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. In addition to the provisions of Section 113 of the Insurance Act, IRDA has notified IRDA(Linked insurance products) Regulations, 2013 which specifies that the fund existing on the date of lapse will be transferred to the discontinued fund. Such fund less the applicable discontinuance and fund management charge and accumulated at a minimum guarantee interest rate(of atleast 4% ) is available to the policyholder at the end of lock-in period i.e. after five years. The Authority has also notified the IRDA(Non Linked insurance products) Regulations, 2013 and as per these regulations a minimum surrender value is prescribed to ensure that the policyholder interests are protected.