



A Guide to your With-Profits policy

Introduction:

This guide gives you information about your With-Profits policy issued by SBI Life Insurance Company Ltd (SBI Life). It is intended to help you understand how SBI Life manages your With-Profits policy and the key considerations based on which bonuses are calculated. It also describes various factors which affect the management of With-Profits policy.

While reading this guide you may find it helpful to have your policy document ready for reference.

About SBI Life

The SBI Life Insurance Company is a joint venture between State Bank of India and BNP Paribas Cardif.

Which policies does this guide cover?

It covers all conventional With-Profits policies issued by SBI Life.

How does SBI Life manage your money?

There are four key financial principles that SBI Life will adhere to in doing so:

1. To pay policyholders their contractual benefits
2. To maintain sufficient funds as per regulatory and other requirements, so as to allow it to carry out its business
3. To treat its policyholders fairly
4. Subject to 1,2 and 3 to invest its money to provide the best possible investment return for the With-Profits policyholders and the shareholders

How does SBI Life determine the surplus for a With-Profits policy?

The surplus for With-Profits policies arises out of a statutory valuation of its assets and liabilities carried out at the end of the financial year in accordance with IRDA (Actuarial Report and Abstract) Regulations, 2000. The excess of assets over liabilities is the surplus arising.

How does SBI Life distribute the surplus?

The surplus is distributed to the policyholders by way of bonus declaration at the end of each financial year. Your policy gets a share of the surplus emerging from our With Profits business in the form of regular reversionary or terminal bonuses.

What is the Bonus you receive?

The bonus represents the amount of surpluses determined under With-Profits fund of the company which is allocated to 'With-Profits' policies.

How is your reversionary bonus rate determined?

The reversionary bonus rates are decided and approved annually in arrears by the Board of Directors of SBI Life (the Board). The rates are determined by looking at the actual experience of the With-Profits fund over the year. The most important factor is the amount of investment income earned. Other experience parameters e.g. mortality, expense etc. also contribute to the surplus and bonuses.

The Board decides reversionary bonus rates at levels which With-Profits fund can afford and which are likely to be relatively stable in the long term. While deciding bonus levels, the Board takes into account what SBI Life expects to pay out for existing policies in the future based on the expected future experience. A major input for forming such an expectation is the future expected medium and long term returns on investments. The other factors are expense, mortality experience etc.

What are the types of Bonuses?

The type of bonus may be simple reversionary, interim or terminal.

How is your Simple Reversionary bonus declared?

The reversionary bonuses are declared as a percentage of the basic sum assured.

For products where basic sum assured is increased with a certain percentage after specified period, the reversionary bonuses are declared as a percentage of the effective sum assured (i.e. increased sum assured).

The reversionary bonuses are declared on annual basis for each policy year during the term of the product, provided the policy is in-force as on the date of bonus declaration (i.e. all due premiums have been paid).

Reversionary bonuses once declared and allocated are guaranteed. The future bonuses are however not guaranteed and will depend on future experience.

If a policy is made paid-up (in other words if you stop paying premiums) then the annual bonus added to date remain credited to that policy, but the policy will receive no further bonus additions.

How is your Interim bonus declared?

Interim bonuses are declared every year as a percentage of the basic sum assured or increased sum assured added to policies becoming claims before declaration of the next reversionary bonus.

How is your Terminal bonus declared?

Terminal bonuses would normally be declared every year as a percentage of the total bonuses already attached to the policy.

Terminal bonuses are declared for policies becoming claims during the year. They are paid in respect of the policy claims by death or maturity and may also apply to surrender.

How does SBI Life decide what final benefits you should receive?

Every conventional With-Profits policy issued by SBI Life has a guaranteed basic sum assured. This is fixed at the time the policy is issued and will not be reduced as long as you continue to pay the agreed level of premiums on or before due dates or within grace period, as specified in the policy document.

SBI Life adds declared reversionary bonuses to the guaranteed basic sum assured. Once bonus has been added to the policy it becomes part of the guaranteed basic policy benefit and cannot be taken away. It may however be reduced if the policy is made paid-up or surrendered.

In addition, Interim bonuses and Terminal bonuses as declared by the company also added to the policy benefits.

Your final benefit would broadly reflect the pooled experience of the With Profits business over the period in which you were invested. The terminal bonuses are declared so as to bring your total benefits to this level.

What happens if you leave the With-Profits fund early?

You may decide to surrender your policy before its maturity date as per terms and conditions mentioned in the policy document. SBI Life would then work out how much to pay you with the aim of being fair to you and other policyholders discontinuing their policies fund, and to those policyholders continuing with the With-Profits fund.

The surrender value payable at any point of time would not be lower than the guaranteed surrender value as stated in the policy document.

How are the expenses of policy covered?

The premiums you pay for your With-Profits policy include an allowance for the expenses of selling and administering that policy.

Expenses relate to the acquisition cost of business (including commission) and the maintenance cost of business that includes administration and investment management as well as other costs. SBI Life splits these costs between acquisition and maintenance in different ways according to the particular cost.

These costs are deducted from the With-Profits fund in which your money is invested.

Where is your money invested?

The premiums that you pay, net of expenses and claims are invested in our pooled With Profits fund. The assets are invested in a mix of Govt. Securities, Corporate Bonds and Equities. Short term liquid assets are also held in order to payout claims.

Assets are managed as per the prevailing Investment Regulations and our internal asset liability governance norms.

What do the Shareholders get?

The distributable surplus arising in With-Profits fund is shared between policyholders and shareholders in 90: 10 ratios. In other words, for every Rs 90 bonus we add to your policy, our shareholders are entitled to get a maximum of Rs 10. This is in line with IRDA (Distribution of surplus) Regulation, 2002.

Can you encash bonuses attached to your policy without terminating the policy?

The bonuses attached to the policy benefits cannot be encashed without terminating your policy. The Bonuses are payable only at the time of death claim, maturity claim or on surrender of the policy.

On surrender, the cash value of bonus is paid.

This guide is meant to give you a brief description of how our With-Profits business is managed.