Review of Jeevan Adhaar & Jeevan Vishwas

Features of the Policies

Type	Jeevan Adhar-Whole life	Jeevan Vishwas- Endowment Assurance
Who can take	Any person between 22-65 years of age	Any person between 20-65 years of age
SA	Min-50000, Max- No limit	Min-50000, Max-No limit
Premium paying term	10,15,20,25,30,35 or till the earlier death. Single premium option is also available	The term of the policy or single premium.
Guaranteed Additions	Rs 100 per thousand p.a. up to age 65 of life assured or death if earlier	Rs 60 per thousand p.a. for term of policy or death if earlier
Variable Additions	Terminal Additions are applicable if minimum 10 years premium have been paid. The rates depend on the future experience of the company	On the life assured surviving the date of maturity, or on earlier death after five years, Loyalty addition, if any may be paid at such rates and on such terms as may be declared by the Corporation
Benefits	On death of life assured 20% of NCO (SA+Guaranteed Bonus+Terminal Bonus if any) is paid as a lumpsum and rest 80% is utilized to pay annuity for 15 years and life thereafter, based on the age of handicapped dependent	On maturity of policy 20% of NCO (SA+Guaranteed Bonus+Terminal Bonus if any) is paid as a lump-sum and rest 80% is utilized to pay annuity as per the chosen options, based on the age of handicapped dependent
Supplementary/Extra Benefits	These are the optional benefits that can be added to the basic plan for extra protection/option. An additional premium is required to be paid for these benefits	These are the optional benefits that can be added to the basic plan for extra protection/option. An additional premium is required to be paid for these benefits
Surrender Value	No SV	Guaranteed or Special SV as applicable in endowment plans
To whom benefits Is payable	The benefit is payable to the nominee under the policy. The nominee can be either the handicapped dependent or any other person or trust. Proceeds from the policy has to be utilized for the benefit of the handicapped dependent	The benefit is payable to the nominee under the policy. The nominee can be either the handicapped dependent or any other person or trust. Proceeds from the policy has to be utilized for the benefit of the handicapped dependent
Income tax benefit	Under section 80DD of IT act	Under section 80C of IT act
Is disability certificate required	Yes-from govt. hospital	Only parents declaration is required
Special Provisions	In the event of the handicapped dependent predeceasing the life assured the contract ceases and the life assured will have the option of keeping the policy for a reduced paid up or receive refund of	In the event of the handicapped dependent predeceasing the life assured the life assured will have the option to surrender the policy or keep it in force by regularly paying the premium and will have the

	premiums paid	option of taking the benefits in lump-sum or bifurcating it in 20-80 ratio as enumerated above

Why Two Policies?

Initially LIC launched Jeevan Adhar policy but the rules were very stringent. The criteria for disability was under rule 11A of income tax rules, which eventually didn't catered to the needs of handicapped dependent whose degree of handicap was lower. To bridge this gap the company introduced Jeevan Vishwas where the guardian can provide benefits to their handicapped dependent whose degree of disability does not meet the criteria in Jeevan Adhar.

The Difference

There are many benefits introduced in Jeevan Vishwas in comparison to Jeevan Adhar. Firstly, it has a maturity value which assures the payment within a specified period. Secondly, annuity in Jeevan Vishwas has many options now. One can select on the basis of his/her dependent requirement. However, the guaranteed bonus in Jeevan Vishwas is much lower than Jeevan Adhar policy.

Returns

Jeevan Adhar has very high returns when you compare with any traditional plans. However, the age restriction of 65 years to receive guaranteed bonus lowers the return of the policy as you live beyond this term. The product generates superior returns when the death of the policyholder occurs in initial stages of the policy. In Jeevan Vishwas the bonus rates are higher than other traditional plans but lower than Jeevan Adhar. This too generates higher returns when death of the policyholder occurs before maturity.

Here is a snapshot of returns these two policies generate at different stages of life. (*Based on Illustration as per LIC website)*

Jeevan Aadhar

This is an illustration of a parent of age 35 years having a special child of age 5 years. The premium is Rs 4095 for Rs 1 lakh SA and paid for 15 years.

Age at Death	Total Premium Paid (Rs)	Guaranteed Additions (Rs)	Variable Additions (Rs)	IRR
45	40950	190000	0	27%
50	61425	240000	0	15.76%
55	61425	291000	1000	11.74%
65	61425	390000	33000	8.46%

75	61425	400000	140000	6.68%

Jeevan Vishwas

This is an illustration of a parent of age 35 years having a special child of age 5 years. The premium is Rs 4008 for Rs 1 lakh SA and paid for the term of policy or earlier death.

Ageat Death/Maturity	Total Premium Paid (Rs)	Guaranteed Additions (Rs)	Variable Additions (Rs)	IRR
45	40080	154000	0	23.64%
50	60120	184000	1000	13.12%
55	80160	214000	10000	9.02%
65	120240	280000	31000	5.58%

Disadvantages

There are two major drawbacks in these policies:

1. **Bonus till 65**: Jeevan Adhar is a whole life policy and so there is no maturity. The proceeds go to the beneficiary only after the death of the policyholder. There is always a high probability that you may outlive the term of the bonus declaration.
2. **Annuity**: The benefit in both the policy is partly in lump-sum and majorly as annuity. In India the annuity rates has been very low and not inflation indexed. A fixed annuity is a deterrent to the beneficiary since the expenses grows every year. Thus, although annuity is paid for the life time the money received may fall short in the future.

Should Parents of Disabled Dependent Consider

The risk of dying too early is always there but not certain. However, families with disabled dependents look products which can provide a fixed income to meet the regular needs in their absence. The two products by LIC suits in the requirement but cannot be entirely relied upon. Combined with a term insurance, these can work for the objective since it guarantees a regular fixed income for the beneficiary lifetime.

Jitendra P.S.Solanki