



Are you aware of Life Insurance?



INSURANCE
REGULATORY
COMMISSION
OF SRI LANKA

Market Development & External Relations Division
Insurance Regulatory Commission of Sri Lanka

1.

What is Life Insurance?



Life Insurance is a legal agreement between an Insurance Company and an individual to manage unexpected risks to his/ her life. It falls into the category of Long Term Insurance in the insurance business. As per the Regulation of Insurance Industry Act No. 43 of 2000, Long Term Insurance is defined as “an agreement through which, the payment of money is assured on death or on the happening of any contingency dependent upon human life.

The Insurance Company promises to provide the benefits to the insurance policyholder or a beneficiary nominated by the policyholder in the event of death or full/ partial disability of the life assured or at the maturity of the Life Insurance Policy.

Various types of Life Insurance policies are available in the insurance industry and examples for same are as follows;

- Life Insurance
- Life Insurance in relation to investments (Investment-linked Life Insurance)
- Annuity (Payment of a certain amount annually)
- Insurance for disabilities, accidents and diseases
- Pension Insurance Policies

Importance of Life Insurance

2.



- Life insurance provides a safety net for your family's financial needs in the event of your untimely demise. It helps maintain your family's standard of living and ensures the fulfillment of other financial obligations.
- Life insurance covers the expenses of your children's education, ensuring uninterrupted access to quality education.
- Individuals retiring without pensions or adequate savings can benefit from life insurance, particularly through pension insurance policies, securing essential financial support during their retirement years.
- Life insurance can serve as a source of additional income in the event of a serious illness or accident, providing financial stability during challenging times.

The importance of selecting a suitable Life Insurance Policy



You should purchase an insurance cover that matches your requirements. An insurance should not be purchased, simply because someone forces you to do so only the expected benefits can be obtained by purchasing an insurance cover that aligns with your need and budget.

Another important feature is choosing an insurance policy with a premium that can be affordable to pay continuously. If the policyholder is unable to pay the premium on the due dates, the insurance policy becomes inactive, making it challenging to obtain the expected benefit. A suitable insurance cover should be selected after considering your age, economic condition, possible adversities financial commitments, health condition, etc.

Supplementary covers can also be purchased in addition to the main insurance cover. However, an additional premium payments are required for such covers.

If you require any additional information, you can obtain it from the registered insurance company, a registered insurance brokering company, or an insurance agent. This helps you purchase insurance that is well-suited to your needs.

4.

Understanding the terms and conditions of the insurance policy



- An insurance policy is a legal agreement between the insurer and the policyholder. Therefore, it is essential to understand its the terms and conditions of an insurance policy. All the terms and conditions related to the insurance cover are outlined in the insurance policy, and benefits are provided in accordance with these terms and conditions.
- It is important to understand the procedures and documentation required in the event of a non-payment of a claim under the insurance policy.
- Some policies may not accrue monetary value for the initial three years, and surrendering the insurance policy during this time will result in no payment. It is prudent to determine the premium amount of the insurance plan based on your payment capacity to maximize benefits.
- According to a recent circular issued by the Insurance Regulatory Commission, all insurance policies should be available in Sinhala, Tamil, and English languages. The respective insurance company must provide the policy in the preferred language of the policyholder. This ensures policyholders to fully understand the insurance cover they have purchased.

The consequences of not providing complete and accurate information to the Insurance Company when purchasing an insurance policy

5.



The Insurance Company may reject your claim, if you have not provided complete and accurate information in the proposal form. It is essential to provide complete and accurate details to the best of your knowledge in order to prevent such situations. If you have any doubts about the relevancy of any information, you should seek clarification from the insurance company or request a written explanation.

You must complete the proposal form by yourself and never sign an incomplete/blank proposal form. The proposal form serves as the basis of the legal agreement between you and the insurance company. However, if a third party completes the proposal form for you, make sure the answers provided therein are complete and true. It is very important that you sign the completed document by yourself, and you are fully responsible for its contents, even if someone else completes it.

You should voluntarily include all the details relevant to the risk for which you are insured. The insurance is an agreement/contract based on utmost good faith. The failure to include material information or the inclusion of fraudulent particulars in the proposal form renders the respective insurance agreement/contract null and void.

6.

*Consequences of
cancelling the
insurance policy*

The policyholder has the option to reconsider the insurance cover within 21 days from the date of receiving the insurance policy. During this period, you can decide whether to continue or cancel the policy. If the decision is made to cancel the insurance cover within this timeframe, the paid premiums will be refunded, subject to a fee for the expenses borne by the company.

Further, in case if the premiums have been paid continuously for a period of three years, or the period of surrender value of the agreement is less than three years, and the policyholder decides to cancel the insurance policy decision can be made after discussing with the Insurance Company. In such instances, a cash value or surrender value is attributed to the insurance policy. The surrender value is certified by the Actuary of the Insurance Company. Therefore, it is very important to read and understand the provisions related to the surrender value of the insurance policy. An explanation on these provisions can be obtained from your Insurance Company, Brokering Company or Agent before signing the respective insurance agreement.

7.

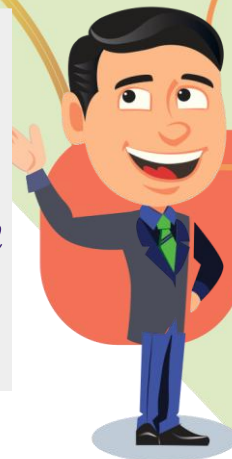
Importance of paying insurance premiums on the due date



The most important element of obtaining an insurance cover is the payment of the insurance premiums on due date, as the basis of the legal agreement built on consideration.

It is very important to pay the insurance premiums on or before the due date, as failure to do so may result in the policy lapsing and refusal by the insurance company to honour an insurance claim due to non-payment. Payment of insurance premiums can be made directly to the Insurance Company or via various convenient options such as payment via mobile payments using digital technology, payments through banks, or supermarkets, etc. However, it is important to retain all receipts as proof of payment for insurance premiums.

How to file a complaint with the Insurance Regulatory Commission of Sri Lanka?



8.

The Insurance Regulatory Commission of Sri Lanka (IRCSL) in line with its regulatory functions and powers, handles complaints with a view to providing protection to policyholders and potential policyholders, and the steps to be followed are as follows:

Initially, file a complaint with your insurance company. Visit <https://ircsl.gov.lk/list-of-insurance-companies/> to know how to file a complaint with the insurance company. The company should resolve it within a reasonable time and provide a response to you.

If you haven't received any response within a reasonable time period or if you are dissatisfied with the response received from your insurer, then you may submit a complaint to the IRCSL or the Insurance Ombudsman.

For more information on filing complaints with the Insurance Regulatory Commission of Sri Lanka, visit <https://ircsl.gov.lk/policyholder-complaints/>

This handbook has been issued by the Insurance Regulatory Commission of Sri Lanka as a guide to the public and contains only general information. None of the information provided herein replaces or contradicts the terms and conditions of an insurance policy. Contact the insurance company, insurance brokering company or insurance agent for specific information regarding an insurance policy or any other additional information.



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