

## ULIP Charges and Fees

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In a **ULIP**, the full amount of [premium](#) paid is not allocated to purchase units. Insurers allocate units on the portion of the premium remaining after providing for various charges, fees and deductions.

However the quantum of premium used to purchase units varies from product to product.

The total monetary value of the units allocated is invariably less than the amount of premium paid because the charges are first deducted from the premium collected and the remaining amount is used for allocating units.

**ULIPs** offered by different insurers have different charge structures.

Unlike conventional traditional products charges are segregated in **ULIPs** and thus made known to the customer.

On each business day and for each investment fund, the [insurance company](#) determines the unit price by dividing the **net asset value (NAV)** of the investment fund at the valuation time by the number of units in existence for the investment fund in question. The **NAV** is determined based on whether they are purchasing (appropriation price) or selling (expropriation price) assets in order to meet the daily transactions of unit allocation or redemption associated with the investment fund.

**ULIPs** offered by different insurers have varying charge structures. Broadly, the different types of fees and charges are given below. However it may be noted that insurers have the right to revise fees and charges over a period of time.

- **Premium Allocation Charge**

This is a percentage of the premium appropriated towards charges before allocating the units under the policy. This charge normally includes initial and renewal expenses

- **Mortality Charges**

These are charges to provide for the cost of insurance coverage under the plan. Mortality charges depend on number of factors such as age, amount of coverage, health status etc.

- **Fund Management Fees**



These are fees charged for management of the fund(s) and are deducted before arriving at the **Net Asset Value (NAV)**.

- **Policy/ Administration Charges**

These are the fees for administration of the plan and levied by cancellation of units. This could be flat throughout the policy term or vary at a pre-determined rate.

- **Surrender Charges**

A surrender charge may be charged if in case premature partial or full encashment of units is opted for (wherever applicable), as mentioned in the policy conditions.

- **Fund Switching Charge**

Generally a limited number of fund switches may be allowed each year without charge, with subsequent switches, subject to a charge.

- **Service Tax Deductions**

Before allotment of the units the applicable service tax is deducted from the risk portion of the premium.

**Please Note: Portion of the premium after deducting for all charges and premium for risk cover is utilized for purchasing units!!!**

Before you take a **Unit Linked Insurance Plan**, you should learn about the charges applicable. You can know the charges applicable on your **ULIP** through following -

- **Sales benefit illustration** : A sales benefit illustration illustrates various charges, year by year, for the term of the plan so that you know exactly how much money is deducted as charges & what is invested.
- **Brochure** : A brochure informs you about the various charges & their purpose applicable on your policy.
- **Advisor** : You should enquire your advisor about all the charge applicable on your policy.