

ULIP FAQ

What is a difference between traditional plans and ULIPs?

ULIP	Traditional Plan
<p>ULIP means a "Unit Linked Insurance Plan." It combines the characteristics of a mutual fund and life insurance product. Part of the premium goes into buying life insurance cover while the remaining part of the premium is invested in an asset class (equity/debt), based on one's choice. Asset class investment is made after deduction of known charges</p>	<p>These are Money Back Plans/Endowment Plans/Term Plans. Before the advent of ULIPs, these were the instruments of choice for insurance as well as investment. However, they offered no option to choose between various asset classes and the investments were made solely at the discretion of the insurance company. Traditional plans provided returns in the form of sum insured plus bonus (if and when declared). The amount of bonus depends upon profits made by the insurance company and the declaration of the bonus is at the sole discretion of the life insurance company.</p>