



# KARVY BAZAAR BAATEIN

A Weekly Investment Newsletter From KARVY  
A Research Product of Karvy The Finapolis

5th Dec 2008 to 11th Dec 2008

Volume II: Issue 30

## Choosing The Right Policy

Insurance plans have always been an important part of the overall financial plan for an individual and will continue to be so. The choice of the right insurance plan, however, remains the critical component in the success of this planning.

'Gone are the good old days'. Ask an elderly person and the common view which he or she would agree with will be that life was much simpler in the years gone by. Also, everything that was required by an individual was in its simplistic and plain vanilla form.

However, as the individual life got more and more busier than before, this business brought with it the need for products and services providing greater utility. This increase in expectations has been witnessed with respect to the insurance products as well, particularly after the insurance industry in India was opened for participation by the private insurers in this new millennium.

The last few years have seen the introduction of improved and innovative insurance plans that cater to overall financial requirements of an individual. The best example here could be that of the unit linked insurance plan that was introduced some years ago. The plan combined the benefit of the life assurance plan and the (equity) market linked investments, apart from the ancillary benefits such as eligibility for tax deductions. And with this plan, the need for separately purchasing a life assurance plan and investing in a market linked avenue, was considerably reduced. The more recently introduced plans include the critical illness plan, the life assurance and child plans with more innovative features and the very recent unit linked health insurance plan.

While these innovative and multi-utility policies aim at maximum convenience and benefit to the policyholder, it is not always that these products are fully understood. And even if the product understanding is satisfactory, it is often difficult to choose exactly the right product. Here, a few aspects that could assist in the correct decision making for an insurance plan could be as enumerated below.

**Insurance is for the long term** – As in common knowledge, an insurance plan, particularly a life assurance plan, is for the long term duration. Life assurance policies do generally cover a considerable length of an individual's life span. And as such, it is not only the current requirements for insurance but also the expected future requirements that should be taken into consideration before finalizing on a plan. Further, some planning about the future helps in the correct estimation of the requirements for the long term. This estimation in turn provides clarity on the aspects such as the required policy term, the sum assured and even the type of the insurance plan (i.e. a plain life cover or a life cover with a savings component, etc.).

**Plan to fit the pocket** – Since the nationalization of the insurance sector in India in 1950s, emphasis has been made to ensure that the available insurance plans are affordable to the insurable population in the country. The product categorization



developed over the years, thus provides plans that suit almost all the pocket sizes. As such, the need is only to realize ones capacity to pay the insurance premium and accordingly select the correct plan. Individuals who have just started in life with their career could look at the inexpensive term assurance plans that provide the simple life assurance cover. People who are well settled in life can look at comparatively costlier plans that provide life assurance cover and work as an investment avenue to create wealth.

**Regularity of income** – The extent of regularity of the income of the policy holder / proposer forms a very important factor in deciding on the payment of policy premium. In case of the salaried employees, income is usually quite regular and they can opt for policies that require regular premium payments. In case of professionals, especially individuals such as cine artists and project contractors, etc., the income is not regular (both in term of frequency and amount) and such people could look at polices that require payment of a single premium or even a premium payment for a limited term.

**Age at entry** – The age of the life proposed to be assured at the time of policy proposal is major factor on the decision on terms and conditions on which the policy, if at all, is available. Here, people who are younger in age can look at life assurance policies, while more elderly persons can look at policies that predominantly provide health or critical illness assurance and pension, etc.

**Priority of the requirement** – An insurance plan should be primarily bought for the provision of the insurance cover for a life, health or property. Ancillary benefits such as tax deductions available on premium payments, a built-in savings component or the loan available on the policy value should always be low in priority when an insurance plan is being selected.

A focus on the above and other such factors goes a long way in ensuring that the right insurance policy(s) is chosen. A detailed insight into ones unique financial requirements, however, should also form the basis for this decision.

## Product Showcase :: Children’s Dream Plan

Children’s Dream Plan is unit linked child plan aiming at the provision of the financial basis for the achievement life stage goals of the child. The policy has been introduced by Birla SunLife Insurance Company Limited.

In the policy, the parent is the insured policy holder and the child is the life assured. The policy automatically vests in the child when the child completes 18 years of age.

### Unique features

**Guaranteed Maturity Benefit:** Policy provides for a guaranteed maturity benefit with the fund value to appreciate at an estimated rate of 3% p.a. on the regular premiums as well as top-up premiums (if any). The Guaranteed Maturity Benefit that the policy holder chooses must be at least:

- ❖ Rs.75,000 for the 100% Guaranteed Maturity Option
- ❖ Rs.37,500 for the 200% Guaranteed Maturity Option
- ❖ Rs.25,000 for the 300% Guaranteed Maturity Option

The payout (as a percentage of the guaranteed maturity benefit) for this benefit will happen as below:

Child’s Age	100% Option	200% Option	300% Option
18	100%	100%	100%
19	-	20%	25%
20	-	20%	25%
21	-	20%	25%
22	-	20%	25%
23	-	20%	100%
<b>Total</b>	<b>100%</b>	<b>200%</b>	<b>300%</b>



The policy provides a further upside potential which the child will receive together with the last installment of the Guaranteed Maturity Benefit.

### Enhanced sum assured:

Policy also provides the option for an enhanced sum assured, subject to a minimum value of Rs.50,000. This will be over & above the basic sum assured under the policy. The total value of life insurance cover available under the policy will be equal to both the basic sum assured and the enhanced sum assured.

### Top-up premium:

Top-up premium should be minimum of Rs.500 and should not exceed 25% of the total regular premiums paid till date. In such a case however, the minimum top-up premium should be Rs.5000 and the enhanced sum assured will be increased by 125% of the excess of the top-up premium over 25% of regular premium (subject to satisfactory insurability upto the increase cover amount and associated underwriting decisions).

## Policy benefits

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### Death benefit:

In case of death of the parent (life assured) before the policy maturity, the sum assured (& enhanced sum assured, if so opted for) gets paid to the child and the policy continues with the insurance company contributing to the savings on behalf of the deceased parent. The child gets appointed as the new life assured and owner of the policy.

In case of death of the new life insured (child) prior to the end of the policy term, higher of 105% of the fund value or the guaranteed fund value will be paid and the policy will be terminated.

### Maturity benefit:

becomes payable on the child attaining 18 years of age and comprises of the fund value of the investment funds subject to minimum of the guaranteed maturity benefit amount.

### Survival benefit:

100% of the maturity value gets paid at the attainment of 18 years of age. If 200% or 300% Guaranteed maturity option has been opted for, the remaining 100% or 200% of maturity value will be paid every year in the next 5 years.

## Eligibility parameters

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**Age at entry:** minimum – 18 years for parent (life assured); 0 years for the child (nominee); maximum – 60 years for parent (life assured); 13 years for the child (nominee)

**Maturity age:** minimum – not applicable; maximum – 75 years

**Policy term:** 18 years less the age at entry for the child

**Premium payment frequency:** Annual, semi-annual, quarterly and monthly (ECS only)

## Policy surrender

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Policy can be surrendered free-of-charge, after 3 initial policy years. If in case the policy is surrendered within the initial 3 years, then the surrender charge will be applicable and the surrender value will be paid at the end of the 3rd policy year.

## Partial withdrawal

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Partial withdrawals are available after 3 initial policy years and must be at least Rs.5,000 and cannot exceed the excess, if any, of the Fund Value over the Guaranteed Fund Value at that time. Partial withdrawals will not reduce the Guaranteed Fund Value.

## Investment funds

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Policy provides the option of 3 investment funds, namely, Protector Fund, Builder Fund and Enhancer Fund. The policy holder can choose to opt for any one of these or a combination of more than one fund to suit the unique financial and investment requirement. Here, the allocation to each fund should be in increments of 5%. Details for these funds are:

Fund Name	Investment Objective	Risk Return Profile	Investment Allocation	
			Equity	Debt, Money Market & Cash
Protector	To preserve their capital and earn a steady return on investment through higher exposure to debt securities with marginal exposure to equities	Low	0% to 10%	90% to 100%
Builder	To build capital and generate better returns through a balance of investment in equity and debt	Low	10% to 20%	80% to 90%
Enhancer	To grow capital through enhanced returns through balanced investments in equity and debt instruments.	Moderate	20% to 35%	65% to 80%

In each investment fund, the money market & cash asset allocation will not exceed 40%.

Policy provides the premium re-direction facility to enable a revision of the allocation proportion as regards the investment funds chosen by the policy holder.

Further, the existing investments can be switched from one fund to the other depending on the changing financial requirements of the policy holder.

## Policy charges

**Premium allocation charge:** No premium allocation charge applicable on regular premiums. For top-up premium(s), if any, the charge is 2%

**Policy administration charge:** Is applicable as a charge per 1000 sum assured depending on the choice of the option for Guaranteed Maturity value.

**Fund management charge:** Is 1% of the investment funds chosen (same for all three funds) and subject to being increased to maximum 1.50%.

**Mortality charge:** is applicable for the provision of the life insurance cover and depends on age of the person and other underwriting considerations

**Miscellaneous charge:** Two fund switches, two partial withdrawals and two premium redirections are free of charge per policy year. A charge of Rs.100 will be levied per additional request, subject to being increased to a maximum of Rs.500 per additional request.

**Rider premium charge:** is applicable in case the Accidental Death & Dismemberment Benefit Rider is opted for.

**Any other charge:** Policy revival charge of Rs.100, subject to being revised to maximum of Rs.1000

## Rider available

**Accidental Death & Dismemberment Benefit Rider:** provides for the payment of 100% of cover in case of death due to accident; loss of more than one limb; loss of sight in both eyes; or loss of one limb and loss of sight in one eye. It provides 50% of cover in case of loss of one limb; or loss of sight in one eye.

## Tax benefits

Premium paid under the policy is eligible for deduction under the provisions of Section 80C of the Income Tax Act 1961. The policy benefits are exempt from tax under Section 10(10D) of the Act.

**Important:** In this policy, the investment risk in the investment portfolio is borne by the policy holder.

**Product Showcase :: Aspire Life**

Aspire Life is a unit linked insurance policy from Bharti AXA Life Insurance Company Limited.

**Unique aspects of the policy**

**Guaranteed Special Addition:** The first year premium under the policy is utilized for the provision of a Guaranteed Special Addition. This is payable to either the policyholder at the time of maturity or to the nominee as part of the death benefit. Thus, the first year regular premium does not get allocated towards the investment fund(s) chosen under the policy. The details of the guaranteed special addition, calculated as a percentage of the first year regular premium amount and depending on the policy term opted for, are:

Policy term	15 years	20 years	25 years
Guaranteed Special Addition as a percentage of first year regular premium	130%	160%	175%

**100% premium allocation:** If the regular annual premium is Rs.50,000 or more, no premium allocation charge is payable under the policy. Policy administration charge, fund management charge and mortality charge will, however, be deducted from the fund value from second policy year onwards.

Hence, the policy gets transformed into a high premium allocation policy from the second year onwards, with miniscule or no premium allocation charges\*.

\*as detailed under Policy Charges section

**Sum assured as a multiple of premium:** Sum assured under the policy is calculated as a multiple of the regular annual premium, depending on the policy term opted for.

Policy term	15 years	20 years	25 years
Sum assured as a multiple of regular annual premium	10 times	15 times	20 times

**Premium holiday option:** After the completion of seven policy years, the option of premium holiday can be availed if the policyholder is unable to pay the premium. This will allow the policy holder to continue to enjoy all the policy benefits. The

policy fund value at the time of availing this option will remain invested and the switching options are also available. This option is subject to the reinstatement conditions under the policy. Here, the policy will be in force as long as the fund value is greater than one year’s annual regular premium, failing which the policy will be terminated.

On the submission of the written request of the policy holder to the insurance company for exercising this option, no further regular or top up premiums can be paid by the policy holder.

**Top-up premium:** The savings component under the policy can be enhanced with the payment of top-up premiums after the first policy year. Minimum top-up premium amount will be Rs.5,000 and will contribute to additions in the fund value without affecting the sum assured under the policy. The total top-up premiums paid cannot be more than 25% of the total regular premiums paid, at any time.

**Policy benefits**

**Maturity benefit:** The investment fund value, as existing on the date of maturity, and the guaranteed special additions are payable as maturity benefits. This benefit can be withdrawn as a lump sum or in installments over 5 years under the structured settlement option, or as a combination of both.

The policy holder has the option to withdraw the entire maturity proceeds at any time during the settlement option period. Also, during this period, fund management charge will be levied as applicable.

**Death benefit:** In the unfortunate event of death of the life assured during the policy term, the nominee will receive a death benefit higher of either the sum assured (net of partial withdrawals, if any, made from regular premium’s policy fund value in the 12 months prior to death) or the policy fund value plus the applicable guaranteed special addition amount.

In the event of death occurring during the first policy year, the death benefit would be higher of sum assured or the amount

of the first year premium multiplied by market index factor. Here, the market index factor is defined as the ratio of NSE CNX Nifty Index (closing value) as on date of intimation of death and the NSE CNX Nifty Index (closing value) as on date of policy issue.

In the event of death of the life insured before attaining the age of 5 years (age as on last birthday) or before the policy anniversary date immediately after attaining 5 years of age, the death benefit payable would be:

<b>Death of life assured in the 1<sup>st</sup> policy year</b>	1 <sup>st</sup> year regular premium multiplied by market index factor would be payable
<b>Death of life assured after the 1<sup>st</sup> policy year</b>	Policy fund value plus the guaranteed special addition as applicable, would be payable

## Eligibility parameters

**Age at entry:** 3 years; maximum – (70 years less policy term) i.e. 55 years, 50 years and 45 years for the policy term of 15, 20 and 25 years, respectively.

**Maximum age at maturity:** 70 years

**Policy term:** 15 years, 20 years or 25 years.

**Minimum annual regular premium:** Rs.18,000

**Premium payment frequency:** annual, semi-annual, quarterly or monthly. Quarterly and monthly premium frequencies are available only via the ECS payment mode.

**Sum assured:** minimum – 10 times of annual regular premium; maximum – 20 times of annual regular premium. Sum assured under the policy is a multiple of the annual regular premium amount payable and depends on the policy term.

## Investment fund options

The policy holder can choose from three investment funds, namely Grow Money Fund, Save'n'Grow Money Fund and Steady Money Fund. The details for these funds are:

Fund name	Investment objective	Risk & return profile	Investment allocation			
			Listed equity	Cash & money market	Government bonds	Corporate bonds
Grow Money	To earn high returns	High	80% to 100%	0% to 40%	0%	0%
Save'n'Grow Money	To achieve a balance of growth on investments and steady returns	Moderate	0% to 60%	0% to 40%	0% to 40%	0% to 50%
Steady Money	To earn steady returns	Low	0%	0% to 40%	20% to 80%	20% to 80%

The policy holder can exercise the switching facility to change the investment fund allocation under the policy to suit the changing financial priorities and objectives. The minimum value of a switch should be Rs.2,500. 4 fund switches are free-of-charge in a policy year and any subsequent switch will be charged at the rate of Rs.100 per switch.

## Main Policy charges

The first year premium being used for the purpose of the guaranteed special addition under the policy, the below mentioned charges are applicable from the second policy year onwards.

**Premium allocation charge:** The details of the charge are:

Policy year	Premium allocation charge as a % of premium amount	
	For annual regular premium ranging between Rs.18,000 & Rs.49,999	For annual regular premium of Rs.50,000 and above
1 year	NA	NA
2 to 3 years	3%	0%
4 to 5 years	2%	0%
6 to 10 years	1%	0%
11 years and beyond	0%	0%

Hence, if the regular annual premium is Rs.50,000 or more, no premium allocation charge is payable by the policyholder.

For top-up premiums, the premium allocation charge is 1.50%.

### Mortality charge:

This charge is levied to provide the life insurance cover and is deducted monthly by cancellation of units. The annual mortality charge is based on the sum at risk.

### Policy administration charge:

This charge is levied as a fixed charge of Rs.65 per month, from the second year onwards and is deducted by cancellation of units on a monthly basis.

### Fund management charge:

This charge is levied on the investment fund chosen and is adjusted in the unit price calculation on a monthly basis.

Fund type	Grow money fund	Steady money fund	Save'n'grow money fund
Charge	1.50%	1.00%	1.25%

### Surrender of policy

The policy can be completely foreclosed by exercising the surrender option. The surrender value available is:

Policy year	1	2	3	4	5	6 +
Surrender value as percentage of policy fund value	No surrender allowed	90%	95%	96%	98%	100%

The unique benefit of guaranteed special addition will, however, not be available in case of surrender of policy.

If a surrender is requested before the completion of three policy years, the surrender value (determined as on date of this request) shall be frozen and will become payable only after the completion of three policy years. Once the policy is surrendered, it shall immediately cease to exist.

### Partial withdrawal

Policy holder can exercise the partial withdrawal option anytime after the completion of five policy years, to meet his intermittent financial needs. A partial withdrawal can be for a minimum amount of Rs.5,000 and is subject to maximum 20% of the policy fund value in a policy year. Only 2 partial withdrawals can be made in a policy year and are free-of-charge.

### Tax benefits

Premium paid under the policy is eligible for deduction under the provisions of Section 80C of the Income Tax Act 1961. The policy benefits are exempt from tax under Section 10(10D) of the Act.

**Important:** In this policy, the investment risk in the investment portfolio is borne by the policy holder.

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Sebi Registration nos "Registered nos: NSE (CM) INB230770138, NSE (F&O): INF230770138, BSE: INB010770130, MCX: 10775, NCDEX: 00236" NSDL-SEBI REGISTRATION NO. IN-DP-NSDL-247-2005 CDSL-SEBI-REGISTRATION NO. IN-DP-CDSL-305-2005 PMS REGISTRATION NO. INP000001512

\*Through KARVY Comtrade Ltd.,

**Published from** Karvy House, 46, Avenue 4, Street, No.1, Banjara Hills, Hyderabad-500 034. Ph: 040-2344 0601, Email: kbb@karvy.com.

**Printed at** Harshitha Printers, 6-2-985, Yousuf Building, Adj. Railway Gate, Khairatabad, Hyderabad-500 004. Ph: 040-2330 2133.

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**RNI Regn. No.** APENG/2007/20423

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