



Insurance Advisor's Guide

Covering a snapshot of
insurance policies and schemes in
the Indian Financial Market

Objective

The objective of this **Insurance Advisor's Guide** is three-fold.

- i. Serve as a one stop reference point for all categories of insurance products
 - ii. Familiarize all the branch persons with respect to the nuances of insurance as a financial product.
 - iii. Highlight the features and comparisons between "seemingly" similar insurance plans and policies.
-

Table of Contents

1.	What is Insurance ?	1
2.	Why Insurance - "The aspect of wealth creation and risk mitigation"	3
3.	Insurance as a tool for 'Wealth Creation'	5 - 20
	3.1. Endowment Assurance Plan	
	3.2. Endowment Assurance Money Back Plan	
	3.3. Conventional Pension Plan	
	3.4. ULIPs	
	(i) Concept note	
	(ii) Comparative Analysis	
	3.5. Information about child plans	
4.	Insurance as a tool for 'Risk Mitigation'	21 - 30
	4.1. What is risk?	
	4.2. Classification of Risks	
	(i) Risk dying early	
	(ii) Risk of living too long	
	(iii) Risk of ill health	
	(iv) Risk of accidents	
	(v) Risk to property	
	(vi) Risk of professional liability	
	4.3. How insurance helps in risk mitigation	
	(i) <i>Term Assurance</i>	
	(ii) <i>Whole Life Assurance</i>	
	(iii) <i>Health Insurance</i>	
	(iv) <i>Property Insurance</i>	
	(v) <i>Accident Insurance</i>	

1 What is Insurance ?

Insurance is one of the least understood financial products. Its importance is often felt when its most needed. The unique irony of insurance is that when every one is willing to sell insurance, no one is prepared to take and when everyone needs insurance, no one is willing to sell!

Insurance is primarily a contract whereby one (called the insurer) party agrees to indemnify the other party (insured) in the event of any unforeseen eventuality. Hence, insurance is mainly a risk mitigation tool which minimizes the financial loss in the case of any unfortunate happening.

2 Why Insurance ?

Insurance is critical in any person's financial portfolio. Normally insurance is taken for a variety of secondary purposes like tax benefits, returns, etc.

Two important dimensions of insurance are :

Wealth Creation – Helps in creation of wealth which forms a part of the core capital.

Risk Mitigation – Acts as a shield to protect the individual from future uncertainties.

Insurance is critical because:-

- (i) It provides a risk cover in the form of term assurance plans and whole life plans.
- (ii) It helps the family to maintain a similar standard of living even after the demise of the bread winner.
- (iii) Insurance offers a wide plethora of products which covers the entire spectrum of risks. (Discussed in the subsequent section of the report)
- (iv) Different insurance plans like money back plans also cater to the liquidity requirements of the client.
- (v) The new innovations of insurance plans in the form of unit linked insurance plans also provide a three-fold advantage in terms of market linked returns, risk cover and tax benefits.

There are a number of plans which contribute to **WEALTH CREATION**. Some of them are:-

- ❖ Endowment plans
- ❖ Money back plans
- ❖ Unit linked plans (unit linked endowment, unit linked money back, unit linked whole life plan and unit linked pension plans).

Each of the above categories is discussed in the subsequent section of the guide.

3 Insurance as a tool for Wealth Creation

A variety of insurance plans form the basis for **wealth creation**. These plans offer maturity benefits which could be in the form of bonuses or the market linked returns in case of the ULIPs.

- ❖ **Endowment plans** – provide the death cover to the life assured during the policy period; as well as the survival benefits at the end of the policy period.
- ❖ **Endowment plans in the nature of money back policies** – a percentage of the face value of the policy or the sum assured, is paid in installments on survival of the insured at the end of fixed terms during the period of insurance.
- ❖ **Unit linked insurance plans** – in these policies the investment component of the premium is invested into financial markets, usually through mutual funds for greater returns on investment. The options available are: a choice of the investment portfolio (aggressive, balanced or conservative); the flexibility to switch from one investment basis to another.
- ❖ **Child plans** – provide for expenses (lump sum/ recurring) related to education, marriage, etc. of children or for the benefit of disabled children, in the event of death of the parent.
- ❖ **Pension plans** – provide for a lump sum amount and annuity benefit payments at the stipulated retirement age. These are an effective way of contributing to ones own retirement benefits, and thus help in achieving financial independence for ones “Golden Years”. Built-in life insurance cover is usually available as an option.

3.1 Endowment Assurance Plan Meaning

An endowment assurance plan is a life insurance product that provides both the death cover (in the event of death of the policyholder) and maturity benefits in case the individual survives the policy term.

In the unfortunate event of death of the life assured during the currency of the policy, the nominee is paid the sum assured. Otherwise, at the end of the policy period the maturity benefits, in terms of the face value of the policy, are paid to the policy holder.

The death and the maturity benefits may include vested bonuses and non-guaranteed investment values, in addition to the sum assured and depending on the terms and conditions of the respective policies.

Any individual, who is interested in getting the twin advantage of death cover and the maturity benefits, should go for an endowment assurance product.

Importance of an endowment assurance plan

The importance of endowment assurance plan is as follows:-

- (i) Provides risk cover in the event of death of the life assured.
- (ii) Provides attractive bonuses which are non-guaranteed in nature.
- (iii) Helps in inculcating the habit of savings for the individual which could result in generating a lump sum amount after the maturity of the policy.

Selection criteria of an endowment assurance plan

An endowment assurance plan covers both, the risk of dying early and the risk of living too long. Hence, there are a lot of whole life plans being offered by a number of insurance companies. Amidst such a plethora of whole life plans, it is necessary to select a plan that best fits an individual's unique needs and requirements.

In this context, it is necessary to evolve a suitable methodology for selecting an endowment plan. Some of the broad parameters that need to be considered before selecting an endowment plan are:

- ❖ **Risk cover** – The primary objective of taking an insurance policy is to have a risk cover. Hence, it is important that the sum assured is commensurate with the changing needs and requirements of the individual.
- ❖ **Survival benefits** – An endowment plan offers survival benefit / maturity benefits at the end of the stipulated term. Some plans return the sum assured, while a few others top up the sum assured along with bonuses. The bonuses may be guaranteed or non-guaranteed. Some policies offer double or triple the sum assured subject to certain conditions. Hence, the amount of survival benefit that the policyholder receives at the end of the stipulated term should be considered before selecting an endowment plan.
- ❖ **Cash benefits** – The bonuses that are payable on the plan are also another feature that needs to be taken into account. Some plans pay guaranteed bonuses while some others provide non-guaranteed bonus payouts after 6 years, while a few others provide

such payouts only from the 10th year. Hence, the individual should select that policy which starts the bonus payouts at the earliest so as to benefit from the power of compounding.

- ❖ **Flexibility** – Ultimately, the policy belongs to the individual. Hence, the individual should have the flexibility to select the sum assured, the premium paying term, etc. Generally, a pure endowment plan is a conventional insurance policy and all the clauses are defined in the insurance contract, leaving little or no room for flexibility. However, given the framework of an endowment plan, certain levels of flexibility needs to be studied so as to get the best bet.

KARVY's Picks

Based on our research which covered various products in the insurance industry, we have short listed a few endowment plans which in our opinion are the best of the lot. The short listed endowment plans are:

- ❖ **HDFC Standard Life**
Endowment assurance plan
- ❖ **Reliance Life Insurance**
Special Endowment Plan
- ❖ **Max New York Life**
Endowment to age 75 plan

In this context we wish to bring to your notice that the above short listed products are as per our analysis and interpretation. These views are subject to change from vendor to vendor.

Endowment plans comparison

Name of the Company	HDFC Standard Life Insurance Co. Ltd.	Reliance Life Insurance Co. Ltd.	Max New York Life Insurance Co. Ltd.
Name of the plan	Endowment assurance plan	Reliance Special Endowment Plan	Endowment to age 75 plan
Nature of the plan	Conventional endowment plan	Conventional endowment plan	Conventional endowment plan
Key features of the plan	Provides the sum assured on death, provides the SA on maturity along with bonuses along with flexible payment and bonus options	This plan offers the twin benefit of protection and savings. Extended life cover for 5 years after the premium paying term. SA is paid at the end of the premium paying term. Wealth creation is possible through bonus additions. One more sum assured in case of death after the premium paying term. Policy participates in bonuses even after the premium paying term. Premium paying term is 20, 25 and 30 years	This is a limited payment endowment plan offered by MNYL. This policy comes with limited premium payment option i.e. 3, 7, 10 and 20 years. This policy also offers a guaranteed component of 7.5% of the sum assured from year 71 - 75 years. This plan indeed facilitates asset creation, investing for retirement, children's education etc under the flavour of an endowment plan
Benefit options	Critical Illness rider, Additional term benefit rider, accidental death benefit rider, waiver of premium rider	Critical illness riders and accidental riders	Personal accident benefit rider, term rider, dread disease rider, waiver of premium rider, term renewable rider and convertible rider, payor benefit rider
Survival benefit	Sum assured along with bonuses	On survival at the end of the premium payment term, the policyholder gets the sum assured	From age 61 to age 75 a guaranteed amount of 7.5% of the sum assured is paid every year
Death benefit	Sum assured along with bonuses	On death after of the PPT, the policyholder gets one more sum assured	In the event of death sum assured along with paid up additions if any without deducting the earlier living benefits will be paid
Minimum term	10 years	12 years	3 years
Maximum term	30 years	65 years	20 years
Minimum age at entry	12 years for the base policy, 18 years for the policy with riders	10 years	91 days

Maximum age at entry	60 years for the base policy. In case the policyholder decides to select CI and ADB, the age is 55 years and for WOP the age is 50 years	40 years	55 years
Bonuses	The plan declares reversionary bonuses as a part of the SA . The bonus will be paid on death of maturity	Non-guaranteed bonuses are declared by the company. These bonuses are payable on death or maturity	This is a participative plan and the company declares bonuses from the 3rd year onwards. The policyholder can choose amongst various bonuses which are available to him.
Other features pertaining to surrender and loan	The plan can be surrendered after 3 years of premium has been paid. The guaranteed surrender value is 50% of the premiums paid	Loan can be taken up to 90% of the surrender value of the policy after 3 full years premium have been paid	The policy acquires a surrender value after it has been in force for 3 full years and all the premiums have been paid. The guaranteed cash value will be higher than 30% of all the premiums excluding the 1st year premiums or net level premium reserve as per table filed with IRDA
Premium for SA of Rs. 5,00,000 for 20 years at age 30 years	Rs. 23,575 per annum	Rs. 36,125 per annum	Rs. 32,845

3.2 Endowment Assurance Money Back Plan

Meaning

Financial obligations of an individual are usually spread across his / her entire life span, and need to be fulfilled at periodic intervals. These obligations may be in the form of children's education, purchase of an asset, or to meet an unforeseen contingency, etc., and are critical as regards the financial solvency of the individual.

A money back plan is an endowment assurance plan that provides for the requirements of the benefit payments at regular intervals, thus meeting the above and other such obligations.

Importance of an endowment assurance money back plan

- ❖ An endowment assurance money back plan provides regular maturity benefits to the policy holder, thus taking care of the lump sum monetary requirements of the policyholder.
- ❖ Also, in the event of the unfortunate death of the life assured during the currency of the policy, the nominees are paid the entire sum assured of the policy not taking into consideration the payouts that have already been made before the death.

Selection criteria for an endowment assurance money back plan

Selection of the endowment assurance plans will depend upon the premiums on insurance plans and also the bonus payouts for each plan. In this context it is also essential to understand that the past records with respect to the bonus payouts need to be taken into consideration.

KARVY's Picks

- ❖ **Reliance Life Insurance Co. Ltd.**
Reliance Cash Flow
- ❖ **SBI Life Insurance Co. Ltd.**
Money back Plan

Conventional money back plans comparison

Company	Reliance Life Insurance Co. Ltd.	SBI Life Insurance Co. Ltd.
Product	Reliance Cash Flow Plan	Money back Plan
Minimum and maximum age at entry	15 years to 63 years	Minimum age 15 years to maximum age ranging between 45 to 60 years depending on the choice of the policy term
Minimum and maximum age at maturity	22 years to 70 years	Maximum age is 70 years
Minimum and maximum policy term	7 years and 34 years	10, 15, 20 or 25 years
Minimum and maximum sum assured	Rs. 25,000 to no limits	Rs. 50,000 to Rs. 5,00,00,000
Premium payment modes	Yearly, half-yearly and quarterly. Monthly premium payment available as with salary deduction schemes only	Yearly, half-yearly and quarterly. Monthly premium mode available only for the payments through credit cards
Survival benefit	Percentage of the sum assured paid on the fourth anniversary and thereafter on every third policy anniversary till maturity	Cumulative guaranteed survival benefit – ranging between 110% to 125% of the sum assured depending on the policy term
Maturity benefit	Remaining percentage of the sum assured plus the accumulated bonuses	Percentage (45% to 55%) of the sum assured plus the vested bonuses
Death benefit	The nominee shall receive the sum assured plus accumulated bonuses till the date of death	Nominee shall receive the sum assured plus vested bonuses till the date of death
Riders	Accidental death & total and permanent disablement benefit; critical illness	Term assurance; accidental death and accidental total permanent disability; premium waiver benefit; critical illness
USP of the product	Premium discount is available for the sum assured over and above Rs. 99,999 – more value for policy holder	Bonus for entire term of the policy; guaranteed survival benefits more than sum assured.

3.3 Conventional Pension Plan

Meaning

A pension plan mainly caters to the “golden” years of a person’s life. Retirement plans are mainly designed to ensure that the person is financially independent even after retiring. In other words such pension plans ensure that the individual retires only from job and not from life and happiness as such.

The working of a pension plan is slightly different from that of a traditional insurance plan. In the case of a pension plan the individual makes regular premium contribution for a stipulated period of time. At the stipulated time period the individual retires. The age when an individual retires is known as “vesting” age. When the individual retires, the insurance company pays a certain amount as lump sum and the balance is paid to him as annuities. Such annuities are paid for his entire life or for a predetermined period.

The amount that the individual can take lump sum is known as commuted pension and is generally restricted to 33.33% of the total corpus with the company. It is the balance that is paid as regular annuities.

- ❖ **Cash benefits** – Conventional pension plans are participating in nature. In the sense that such plans offer bonuses which are added to the corpus which is returned to the policyholder at the time of retirement. Hence, the amount of bonuses, guaranteed returns (if any), etc also needs to be taken into consideration before selecting a pension plan.
- ❖ **Flexibility** –Ultimately, the policy belongs to the individual. Hence, the individual should have the flexibility to select the sum assured, the premium paying term, vesting age, optional risk cover, flexible annuity options, etc.
- ❖ **Simplicity** – While flexibility is indeed important, in case too much of options are given to the policyholder it makes the product more complex. Hence, it is important to strike a via-media to ensure that the product is flexible and at the same time easy for the policyholder to understand.
- ❖ **Annuity options** – At the time of retirement the policyholder needs to have a wide set of choices as to where he can invest his funds. The choice that he is offered with respect to the annuity investments also determine how effective the policy is.

Importance of a Pension Plan

Some of the possible benefits of a pension plan are:

- ❖ Provides annuity income during the post retirement phase of the individual’s life.
- ❖ Some pension plans also offer risk cover, which covers the risk of dying early.
- ❖ The lump sum amount that is commuted by the policyholder (to a maximum of 33.33%) is fully tax free and can be used for other purposes like paying off housing loans, financing child’s education or marriage, etc.

Selection criteria of a pension plan

The broad parameters that need to be considered before selecting a whole life plan are:

- ❖ **Risk cover** – The primary objective of taking an insurance policy is to have a risk cover. Instead of taking up another policy for providing risk cover, taking up a pension plan with risk cover can be a good option.

KARVY’s Picks

Based on our research we have short listed a few pension plans which in our opinion are the best of the lot. The short listed pension plans are: **Easy Life plan** of MNYL, “**Retirement Income plan** of Kotak” and the **Nirvana Plus plan** of Tata AIG. In this context we wish to bring to your notice that the above short listed products are as per our analysis and interpretation. These views are subject to change from vendor to vendor.

Conventional pension plans comparison

No	Name of Company	MetLife India Life Insurance Co. Ltd.	Max New York Life Insurance Co. Ltd.	Tata AIG Life Insurance Co. Ltd.
1	Name of Product	Met Pension (PAR)	Easy Life Plan	Nirvana Plus
2	Product type	Pension Plan	Pension Plan	Pension Plan
3.	Key features	<p>The premium is payable as single premium, limited premium or regular premium.</p> <p>Minimum S.A. is Rs. 50,000.</p> <p>Minimum policy term is 10 years.</p>	<p>The premium is paid on a regular basis and on retirement, the policy provides a notional corpus along with endowment benefits. It is also possible to purchase annuities offered by MNYL and also of other insurance companies.</p>	<p>This plan offers a guaranteed addition of 10% on the SA. This also offers the flexibility to choose between 3 covers Rs. 1 lakhs, Rs. 2 lakhs and Rs. 4 lakhs A reversionary bonus from 6th year and a terminal bonus after 10 policy years. 1/3rd commutable value along with monthly income plan.</p>
4.	Premium paying term	up-front for single premium plan; 3 or 5 yrs. for limited premium plan; or throughout the term for regular premium plan.	10 years to 40 years for AP and not applicable for SP.	Should be paid for the entire policy term
5.	Minimum and maximum age at entry	minimum age is 18 years.	20 years to 60 years for regular premium and single premium	18 years to 45 years
6.	Vesting age	minimum 45 years maximum 75 years	50 years to 70 years for SP and RP Deferment period b/w 10 – 40 years (subject to min. vesting age)	55 years, 58 year or 60 years
7	Mode of premium payment	Annually, semi annually quarterly or monthly	Flexible mode of premium payment including SP	Flexible mode of paying the premium
8.	Guaranteed Returns	10% of S.A. payable at end of 15th policy year N.A. for policy term shorter than 15 years	N.A.	10% of the SA every 5 years

9.	Survival benefits	Policy face value + guaranteed additions + compounded bonus + terminal bonus	N.A.	Non-guaranteed (reversionary) bonuses will be paid along with terminal bonus and 1/3 rd of SA upon vesting.
10.	Annuity options	Life annuity in which periodic amount will be payable	This policy offers the following options: Annuity for life, annuity for 5, 10, 15, 20 years, annuity with return of purchase price and the freedom to choose other annuities of other insurance companies.	The net amount after commuting can be invested in a MIP to generate monthly cash returns.
11.	Death benefits	For death during accumulation phase; beneficiary will receive return premium with reversionary bonus, if any.	Death in year I – premiums refunded. Death after year I (before vesting age) – premiums refunded with guaranteed interest at 3%.	The entire SA along with bonuses will be paid. In case of accident, double the SA will be paid. Bonuses and guaranteed additions will also be paid.

3.4 Unit linked Insurance Plans

(i) Conceptual overview of a unit linked insurance plan

Unit linked insurance plans are undisputedly the most popular plans in the insurance industry today. These plans have carved a niche for themselves by combining the best of "mutual funds" and "insurance".

Such plans are ideal for persons who are interested in a product which combines returns along with risk. However, before investing in such products, every investor should carry out a close introspection of his own needs and requirements. It is extremely important for the investor to be aware of the finer nuances of the product before taking a decision to invest in the same.

Unit linked insurance plans have the following tax implications:

- ❖ Contribution towards the premium for a unit linked insurance plan will be eligible for a deduction under section 80C up to Rs. 1,00,000.
- ❖ Any amount that is received from an insurance policy will be exempt from tax under section 10(10D).
- ❖ In case of unit linked pension plans, the amount that is payable as a lump sum on retirement will be exempt from tax while the regular amount that is paid as annuities will be taxed as a part of salary.

In the context a unit linked insurance plans, though the broad parameters of the plan are more or less the same, the only differentiating factor are the charges that are involved in the plan.

Hence, before selecting any market linked insurance plan the investor should consider the following aspects:

- ❖ The **charges** that are involved in the plan
- ❖ The **mode of computation** of the charges – whether it is at a fixed amount of deduction from the premium or the charge is debited by cancellation of units
- ❖ The **actual amount of premium** that will be **invested** in the 1st year (which differs from company to company)
- ❖ **Hidden charges** (if any), such charges are over and above the normal charges like mortality charge, fund management charge, etc.

Unit linked insurance plans can be classified into the following categories:-

Unit linked endowment plans

Unit linked endowment plans have the following features:

- ❖ Such plans invest a portion of the premium in market linked instruments which will depend upon the choice exercised by the investor.
- ❖ On maturity such plans will return the fund value.
- ❖ In the event of death, such plans will return the higher of the fund value of the sum assured. (Though there are other plans which offer the sum of sum assured along with the market value of the units.)

Unit linked whole life plans

Unit linked whole life plans have the following features:

- ❖ Such plans invest a portion of the premium in market linked instruments which will depend upon the choice exercised by the investor. It could be either aggressive / conservative or a balanced fund.
- ❖ The risk cover is available throughout the life of the policyholder.
- ❖ In case of maturity benefits, some plans provide maturity benefits to the policyholder on the expiry of a specified term, while others do not provide any maturity benefit. However, most plans have a withdrawal facility after payment of premiums for a specified period.

Unit linked pension plans

Unit linked pension plans have the following features:

- ❖ Such plans invest a portion of the premium in market linked instruments which will depend upon the choice exercised by the investor. It could be either aggressive / conservative or a balanced fund.
- ❖ The main purpose of such plans is to provide a regular amount to the policyholder on retirement.
- ❖ Some pension plans also offer a risk cover which provides a lump sum benefit in the event of the death of the policyholder.

The main complexity of unit linked insurance plans is with respect to the charge structure. This anomaly has been removed by the regulations issued by IRDA. In this context it becomes necessary to understand the revised guidelines issued by IRDA.

IRDA's Guidelines on ULIPs

The procedure for computation of death benefits is as follows:

- ❖ Policy term – 'T'
- ❖ Policy term for a whole life plan : '70 minus current age'
- ❖ 2 possibilities can be identified – Single Premium (SP) and Annual Premium (AP) or Regular Premium (RP)
- ❖ Minimum sum assured for a SP will be 125% of premium
- ❖ Minimum sum assured for RP / AP will be $(0.5 \times T \times AP)$ or $(5 \times AP)$ whichever is higher.
- ❖ The above regulations are not mandatory for a pension or annuity plan.

Sum assured payable on death cannot be reduced except for partial withdrawals made during the 2 year period immediately preceding death.

Term of the policy - The term of the unit linked insurance plan should be a **minimum** of 5 years.

Extension of risk cover - The risk cover cannot be extended beyond the policy term. Only deferred settlement options as per the contract to be allowed.

Guaranteed amount - Every insurance company that is issuing a market linked insurance plan should necessarily provide a guaranteed amount on death. It will be left to the discretion of the insurance company whether to provide such guaranteed benefits in the event of maturity.

Surrender of the policy - The insurance policy can be surrendered after the 3rd policy anniversary. Surrendering the policy would tantamount to the termination of the policy contract and the relation between the insured and the insurer will cease to exist.

Loans - No loans can be taken against a unit linked insurance plan.

Partial withdrawals - Partial withdrawals can be made from the policy fund after the completion of 3 years of premium payment. The partial withdrawal will be subject to the conditions of the policies of the insurance company.

Payment of the premiums - Premiums will have to be necessarily paid for 3 years. In case the policyholder stops paying the premiums after a period of 3 years, then the policy shall be continued for a certain stipulated period. During this period the risk cover shall continue as before. In case the policyholder does not pay his premiums, the accumulated value of the fund gets reduced year after year.

In case the policyholder does not pay the premium for the first 3 years, the insurance cover ceases immediately. However, the policy can be revived as per the procedure.

Top ups - The policyholder can make additional top-ups in the premium payment. This is allowed only during the policy term and only when the regular premiums have been paid.

As long as the premium top-ups are less than 25% of the regular premiums, the sum assured norms need not be complied with.

IRDA has authorized the insurance companies to give settlement options to the policyholder.

Uniformity in the terminology of charges - IRDA has brought about uniformity in terms of the terminology and the nomenclature that is used for the charges of insurance company. The IRDA approved charges are: premium allocation charge, fund management charge, policy administration charge, surrender charge, switching charge, mortality charge, rider premium charge, withdrawal charge and miscellaneous charge.

Every insurer should disclose the mode of computation of each of the charges and the same should be disclosed at the time of entering into the insurance policy.

(ii) Comparison of Unit Linked Insurance Plans

Name of Company	AVIVA Life Insurance Co. Ltd.	Max New York Life Insurance Co. Ltd.	HDFC Standard Life Insurance Co. Ltd.	Birla Sun Life Insurance Co. Ltd.	Tata AIG Life Insurance Co. Ltd.
Name of the plan	Save Guard Plan	Life Maker	Young Star	Classic Life Premier	Invest Assure II
IN ALL ULIPS THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDER					
Basic features	The Save Guard is a unit linked endowment plan providing market linked returns along with risk cover and tax benefits.	The Life Maker is a unit linked insurance plan where the premiums are invested in a wide assortment of financial instruments. This policy has the flexibility to choose between level insurance cover and increasing insurance cover	Young Star Plus is a unit linked child plan that combines investment options with market linked returns	Classic Life Premier is a unit linked plan providing insurance protection as well as enhancement of investment value	Invest Assure II is a unit linked life insurance plan that provides the opportunity of exploiting the upside of the market returns, apart from financial security of a life cover
Utility of the plan	The plan can assist the policyholder to save for important milestones like child's education, marriage, retirement etc.	This plan is ideal for anyone who is interested in getting market linked returns along with an increasing insurance cover option. This plan also provides additional units in the last policy year	This plan can be ideal for providing a suitable buffer for the child's education. Loyalty units will be added at every policy year end to boost the fund value.	Guaranteed additions in form of additional units are available as maturity benefits	The plan provides the flexibility of choosing the sum assured based on the regular annual premium, along with an option of increasing the sum assured with top-up premiums
Minimum entry age	18 years	12 years	18 years*	30 days for 20&30 year term; 8 years for 10 year term; and 30 years for whole life term	30 days
Maximum entry age	50 years	60 years	65 years*	60 years for 10 year term; 50 years for 20 year term; 40 years for 30 year term; 60 years for whole life term	60 years for 15 year policy; 55 years for 20 year policy; and 45 year for a 30 year policy
Policy terms	10, 15, 20 or 25 years	10 years to 58 years	10 years to 25 years*	10, 20, 30 years or whole life	15, 20 or 30 years
Maturity age	70 years	70 years	75 years	70 years for 10, 20 & 30 year term; 100 years for whole life term	75 years
Minimum annual premium	Rs. 12,000	Rs. 1,00,000	N.A	Rs. 25,000	
Maximum annual premium	Rs. 3,60,000	N.A	N.A	N.A	

Sum assured	0.5 * Policy Term * Annual Premium, subject to a maximum of Rs. 18,00,000	Minimum SA = Rs. 1,00,000	Minimum 5 times or Maximum 40 times of the chosen regular annual premium	Min. sum assured Rs. 2 lakh. Sum assured being a multiple of annual premiums	sum assured is a multiple of the regular annual premium and varies as per the entry age and the policy term
Investment options	Secure, Growth and Balanced	Secure fund, Conservative fund, Balanced fund and Growth Fund	Liquid fund, Secure managed, Defensive, Balanced, Equity and Growth	Assure fund, Protector fund, Builder fund, Enhancer fund, Creator fund, Magnifier fund	Equity fund, Income fund, Aggressive growth fund, stable growth fund, and short term fixed income fund
Switching requirements	Minimum switch amount is Rs. 10,000 and min. balance in the account is Rs. 5,000	This plan offers 2 free switches every year.	N.A	N.A	entire investment can be switched from one fund to another
Maturity benefit	Market value of the units shall be paid up as lump sum or under a settlement option	Market value of the units will be paid	Market value of the units shall be paid up as lump sum or under a settlement option	Market value of the units will be paid as lump sum or under Settlement options	Market value of the units will be paid
Death benefit	In case death occurs after 2nd year, higher of the sum assured or the fund value. In case death occurs in year 1 due to accident, higher of SA or fund value. In case death occurs in year 1 due to non-accidental death, higher of 110% of annual premium or fund value	Nominee shall receive higher of the sum assured or value of units, under the level insurance covered. Under the increasing insurance cover, nominee will receive the sum of insurance cover and value of units under the plan.	The entire sum assured is paid immediately and all future premiums are waived	If death occurs before 5 years of age, only fund value is payable. For age above 5 years, higher of fund value or sum assured is payable after deduction of the partial withdrawals as applicable	Higher of the sum assured or the fund value, for life assured aged 4 years and above
* The details are for the plain vanilla option of the HDFC Young Star Plan					

Table showing comparative charges between the five plans

Charge details	Save Guard Plan of Aviva Life Insurance Co. Ltd.	Life Maker Plan of Max New York Life Insurance Co. Ltd.	Young Star Plan Plus of HDFC Standard Life Insurance Co. Ltd.	Classic Life Premier Plan of Birla Sun Life Insurance Co. Ltd.	Invest Assure II Plan of Tata AIG Life Insurance Co. Ltd.
Policy administration charge	Rs.43 per month which will increase by 5% and will be deducted on a monthly basis by cancellation of units	A monthly administration charge of Rs. 50/- will be levied. The policy guarantees that this will not be more than 15% of the charge over the previous year	Rs. 20 per month will be levied by cancellation of units	Recovered by cancellation of units based on 1000 sum assured, subject to maximum Rs. 10/1000 for sum assured	Rs. 38 per month, which may increase by 5% and will be deducted on a monthly basis from the Regular Premium Account
Initial management charge	7% per annum of initial units during the policy term subject to a maximum of 20 years. Will be deducted every month from the initial units	Initial charge will be levied @ 0.15% to 0.25% of the SA which will be levied in the 1st year only	N.A.	N.A.	N.A.
Fund management charge	Will depend upon the kind of fund where the premium is invested. Ranges from 1.25% to 1.5%	0.90% to 1.25% depending upon the fund in which the premiums have been invested	0.80% per annum	Will depend upon the kind of fund where the premium is invested. Ranges from 1.00% to 1.25% p.a., subject to a revised maximum of 1.50% p.a.	Will depend upon the kind of fund where the premium is invested. Ranges from 0.90% to 1.75% p.a., subject to a revised maximum of 1.75% p.a.
Mortality charge	Will depend upon the age of the policyholder For a 35 year old person, the mortality charge per thousand SA will be Rs. 1.93725	Will depend upon the age of the person. Actual figures are not disclosed in the product docket	The mortality charge will be deducting by cancellation of units on a monthly basis	Will depend upon the age of the policyholder. For a 30 year old male, the mortality charge per thousand sum assured will be Rs. 1.363	Will depend upon the age of the policyholder
Surrender charge	Will be levied based on a formula	N.A	Levied based on a predetermined rate	30% to 6% in the first 6 years and nil from 7th year onwards	will be calculated as a percentage of the fund value.

Premium allocation charge	Will vary from 4% to 6%, depending on the value of the annual premium and the payment frequency	1st year - 75% of the annual premium, 2nd year - 80%, 3rd year onwards - 100%.	1st year allocation ranges from 40% to 90%. From 2nd year onwards, the allocation remains constant at 99%.	13% for 1st year; 4% for 2nd year; and 2% there after	ranges from 17.5% to 50% for first year; 12.5% to 25% for the second year and is 1% for the third year
Allocation rate on top up premium	98%	101% of the annual premium	99% of the top - up amount if made after Year 1	98% of top-up premium	98.5% of the top up premium
Switching Charge	0.5% of the amount of the switch subject to a maximum of Rs. 500 per switch. The first 2 switches are free of cost	N.A	2 free switches will be given in a year and any switch over and above that will be chargeable @ Rs.100	Rs. 100 per switch, after 2 'free-of-charge' switches in a year	Rs. 250 per switch and applicable after the first four 'free-of-charge' switches every year
Miscellaneous charge	Rs. 200 per request for surrender, reinstatement or partial withdrawal; subject to approval from IRDA	N.A	N.A	N.A	N.A.
Bid offer expenses	N.A.	Bid offer expenses @ 5%, with 15 rounding of the premium on its allocation to the funds	N.A	N.A.	N.A.
Partial withdrawal charge	NA (included as under the miscellaneous charges if so applicable	N.A	6 partial withdrawals will be made and any further withdrawals will be chargeable @ Rs. 200	0.5% of amount withdrawn after 4 'free-of-charge' withdrawals in a year	will be calculated as a percentage of the fund withdrawn
Revival charge	NA	N.A	A charge of Rs. 250 is levied for reviving the policy	Rs. 100 subject to maximum of Rs. 1000	N.A.

3.5 Child plans

Life insurance plans are also classified as child plans, specifically designed to take care of the education and career needs of the children.

The life insured under these plans being usually that of the parent, the plans provide benefit payments as lump sum or in installments to provide for expenses related to education, marriage, etc. of children or for the benefit of disabled children. These plans as such ensure the financial well being of a child, specifically in the unfortunate event of death of the parent.

Comparison of Unit Linked Child Plans

Company	Aviva Life Insurance Co. Ltd.	ICICI Prudential Life Insurance Co. Ltd.
Products	Young Achiever	Smart Kid (unit linked plan)
Policy taken on the life of:	Any one of the parents with child as the nominee	Parent
Entry age (for parents)	21 years to 55 years	20 years to 60 years
Minimum and maximum age of child	0 years to 17 years	0 years to 15 years
Policy term	8 years to 21 years (maximum age at maturity being 65 years)	10 years to 25 years (maximum age at maturity: for parent – 75 years; for child – 18 to 25 years)
Minimum and Maximum sum assured	Rs. 36,000 to Rs. 10,000,000	Minimum premium = Annual premium × Term/2, subject to minimum of Rs. 1,00,000
Choice of investment fund	Protector fund, Growth fund, Balanced fund under unit linked fund and with profits fund	Maximiser II, Balancer II, Protector II, Preserver
Maturity benefits	Entire fund value is paid thereby terminating the policy; or all or part of the maturity proceeds as structured payouts as under a settlement option	Fund value depending on the policy term, or the settlement option
Death benefits	Fund value (for both regular as well as top-up premiums) plus sum assured	Immediate payment of sum assured, with waiver of future premiums, with the policy continuing for as originally planned

Charges for the Child Plans

Company	Aviva Life Insurance Co. Ltd.	ICICI Prudential Life Insurance Co. Ltd.
Products	Young Achiever	Smart Child
Policy administration charge	Rs. 55 / month for the 1st year, increasing by 5% p.a.	Rs. 60 per month
Initial management charge	10% p.a. of the initial units during the policy term, deducted monthly.	N.A.
Mortality charge	Apply to sum assured and deducted by monthly cancellation of units	Deducted for the sum assured on a monthly basis
Premium allocation charge	Vary from 5% to 8% based on the premium payable and the frequency of payment.	18% to 20% in the 1st year; 5% to 1% thereafter
Switching charge	0.5% of the amount switched subject to maximum of Rs. 500 / switch, after 2 free switched every year	Rs. 100 per switch, after 4 free switches every year.
Miscellaneous charge	Rs. 200 for a request for surrender, partial withdrawal or reinstatement subject to approval of IRDA	N.A.
Fund management charge	N.A.	0.75% to 1.50% depending on the investment fund chosen

4 Insurance as a tool for Risk Mitigation

4.1 What is risk?

Risk refers to the possibility of:

- ❖ A favorable event not happening
- ❖ An unfavorable event happening

4.2 Classification of risks

Man faces a number of risks. These risks may concern himself or his belongings and property. While none of these risks are avoidable, adverse repercussions of these can certainly be minimized.

One of the ways of minimizing risks is by taking a suitable insurance policy. Insurance helps in mitigating the entire assortment of risks.

(i) Risk of dying early

Death may arise due to an accident, a disease, or a terminal illness. An early death brings with it the possibility of the non-fulfillment of the financial obligations an individual may have towards his / her dependants.

Thus, in the unfortunate event of the premature / early death of an individual, his / her dependants may face acute financial embarrassment.

In case an individual has taken a loan or a mortgage for the purpose of purchasing a house, a car, or for higher studies of self / children, this loan will be required to be

repaid from the income of the individual. In case of an early death of the individual, this loan repayment will add to the woes of his / her heirs or dependants, etc.

Insurance solution for the risk of dying early –

- (a) Pure Term Assurance plan
- (b) Whole Life Plan

(ii) Risk of living too long

Factors such as the increasing quality of life, better medical facilities assist an overall increase of the average life expectancy of a person. More and more people live longer and a healthier life. But, as the average working age remains the same, there needs to be an adequate flow of income after the retirement of an individual from active employment.

Post retirement, an individual will require some finances to take care of his and his dependants' basic needs. This flow of income after retirement, is however, in many cases not available or not adequately available, thus forcing an individual to be financially dependant on others. This would in turn result in the loss of self-esteem for a person.

Insurance solution for the risk of living too long

- (a) Pension plans
- (b) Annuity plans

(iii) Risk of ill health

Today, while the medical facilities have increased manifold, the cost of these facilities has also sky-rocketed. If adequate planning and resource allocation is not done for these eventualities it could pose a great burden on ones hard earned savings.

Prolonged hospitalization could result in acute financial discomfort and will indeed take a long time to recover from the financial repercussions.

Insurance solution for the risk of ill health and consequent hospitalization

The solution comes in the form of **health insurance plans** or commonly referred to as “**mediclaim policy**”. These plans are the general (or “non-life”) insurance plans that provide for the expenses incurred towards regaining ones health. The health insurance plans reimburse such expenses and thus provides a cushion to the ever increasing costs of hospitalization, surgery and other medical treatments.

(iv) Risk of accidents

Accidents are unfortunate, and so are the repercussions. An accident may result in the death of an individual or it may lead to total or partial disablement.

In case of death, the financial stress is faced by the dependants. However, in case of disablement self-sustenance requirements add on to this distress.

Insurance solution to the risk of accidents – Personal accident cover provides the sum assured to the dependants / nominees in case of death or disablement of the insured person due to an accident. As an alternative, it is also possible to have the personal accident rider attached to the insurance policy. Riders come at an additional cost over and above the nominal cost of the insurance policy.

(v) Risks to property

Risks are faced by not only individual and dependants, but also the belongings and property of the individual. Property has a monetary value, and loss of property or

damage caused to the same results in a financial loss to this value, and thus to the overall financial position of the owner. Property insurance plans such as motor insurance, household insurance, and miscellaneous insurance policies take the wind out of the risks posed to the various properties owned by an individual.

Insurance solution to the risk of property – Property insurance **Property insurance plans** – provide for the financial loss incurred due to the damage or loss of the belongings and property. The plans include: (i) Household insurance; (ii) Motor vehicle insurance; (iii) Shop and office insurance; (iv) Travel insurance.

(vi) Risk of professional liability

Specialized services are provided by professionals like doctors, surgeons, lawyers and chartered accountants. The negligence in exercise of ones profession or otherwise may cause harm to the client or the person who has bought the service. This may result in a liability in the form of damages awarded by the court of law to be paid by the professional as compensation. The value of these damages awarded could be so heavy as to cause a setback to the professional to the extent of his / her capacity to continue in the profession as well as to the personal savings and property.

Insurance solution to the risk of professional liability – Professional liability cover

4.3 How insurance helps in risk mitigation

(i) Term Assurance Plan

What is a term plan

Term assurance is one of the simplest varieties of life insurance available. Also, term assurance plan being a conventional insurance product essentially covers the risk during the selected period (term).

In the event of death of the policyholder, the policy provides payment of the sum assured. However, since such plans provide pure risk cover, there is no maturity and they do not offer any amount at the end of the term.

The options available for a 'term' plan are:

- ❖ Term plan being convertible to whole life or endowment assurance plan;
- ❖ Term plan with an option of return of premiums to the policyholder, in case of survival of the life assured at the end of the plan duration;
- ❖ Term plan for covering mortgage loans also called mortgage redemption plans.

Importance of a term assurance plan

1. **Death benefit** – In case of unfortunate death of the life insured, the sum assured is provided to the nominee. Hence, such plans provide financial protection for the family in case of death of the insured person during the term.
2. **Low cost risk cover** – A term plan is the cheapest product available in the insurance industry today. Cost wise, it is the most effective of all insurance plans.
3. **Cover against outstanding loans** – Any term plan can also be used as a cover against outstanding loans and liabilities. In case the person has taken a large number of loans, then the person can take a term assurance plan equal to the amount of the loan so that in case of his death, the insurance company will clear the outstanding liabilities helping the family to become free from the financial burden.

Tax benefits of a term assurance plan –

- ❖ Deduction under section 80C up to Rs. 1,00,000.

Selection criteria for a term assurance plan

The following aspects need to be considered before selecting a term assurance plan

- ❖ Based on the extent of the liabilities and financial commitments of the policyholder, the sum assured should be selected.
- ❖ The policyholder needs to take up that policy which provides the maximum risk cover for a given cost, or a given risk cover for the minimum cost.
- ❖ Though term assurance plans do not provide any maturity benefits, there are some term plans which pay back the premiums to the insured at the end of the term. Such term plans are commonly

referred to as "term plans with return of premium". ICICI Prudential and Bajaj Allianz are the common examples of insurance companies which offer term plans with a return of premium.

Karvy Picks

Term assurance can be broadly classified into two categories – Conventional term assurance plans and Term Plans which offer a return of premium.

Based on the research undertaken by KARVY Insurance Research Desk, the following products have been short listed for analysis:

Conventional Term Assurance Plans:

These plans include:

- ❖ Kotak Preferred Term Plan from Kotak Life Insurance Company.
- ❖ Level Term Assurance Plan from Max New York Life Insurance Company.
- ❖ Term Assurance Plan from HDFC Standard Life Insurance Company.
- ❖ Life Guard Plan from ICICI Prudential Life Insurance Company (Without return of premium option).

Term Plans with return of premium

The following plans have been taken into consideration:

- ❖ Term Care plan from Bajaj Allianz Life Insurance Company.
- ❖ Life Guard Plan from ICICI Prudential Life Insurance Company (With return of premium option).

Comparison between term assurance plans without return of premium

Name of Company	Om Kotak Mahindra Life Insurance Co. Ltd.	Max New York Life Insurance Co. Ltd.	HDFC Standard Life Insurance Co. Ltd.	ICICI Prudential Life Insurance Co. Ltd.
Name of the plan	Preferred Term Plan	Level Term Assurance	Term Assurance Plan	Life Guard
Age at entry (min. & max.)	18 years - 60 years	18 years - 55 years	18 years – 60 years / 18 years – 55 years (if optional benefits are taken)	18 years - 55 years
Maximum age at maturity	70 years	60 years	65 years	65 years
Minimum and maximum term	10 yrs - 30 yrs for Regular Premium. 5 yrs - 30 yrs for Single Premium.	5,10,15,20 or 25 yrs.	5 yrs. - 30 yrs. For Single Premium - 2 yrs. To 15 yrs.	5yrs - 30 yrs, For Level term Assurance without Return of Premium. 10 yrs -30 yrs, For Level term assurance with Return of Premium. 3 yrs - 15 yrs, for single Premium.
Min. and max. sum assured	OPEN-subject to Mini. Yly. Premium Rs. 2000 & Single Premium Rs. 10000.	Mini. 2.5 lacs Max. 5 crores.	OPEN-subject to Mini. Yly. Premium of Rs. 1500.	Mini. S.A. for Single Premium Policy 2.5 lacs. For other schemes S.A. is open subject to Mini. A.P. of Rs. 2400.
Riders available	Accidental death benefit, permanent disability benefit, critical illness benefit	Personal accident benefit, dread disease, waiver of premium	Critical illness benefit, accidental death benefit, accelerated sum assured benefit	accident and disability benefit, waiver of premium
USP of the plan	Special premium rates for women and non-tobacco users for SA of Rs. 10 lacs and above	choice of options for the duration of the policy	Option of Home Loan cover term assurance plan	Additional extended cover of 5 years after policy maturity for 50% of original S.A.

Under both categories of plans, the insured can opt for riders like accidental death benefit rider, waiver of premium rider and other such benefits by paying an extra premium. In the case of conventional term plans, the premium becomes a profit to the insurance company in case the insured person survives the policy term. At this juncture we would like to reiterate the fact that “term plans which offer return of premium” pay the premiums on maturity. This benefit comes at an additional cost. Hence, term plans which offer the premium on maturity are more expensive than the traditional insurance plans.

The following table presents the cost structure a 30 year old male for a sum assured of Rs. 10,00,000 for 25 years.

Comparative costs of term plans without return of premium			
Kotak Preferred Term Plan	Term Assurance Plan of HDFC	I-Prudential – Life Guard	MNYL – Level Term Assurance
Annual premium is Rs. 3,143	Annual premium is Rs. 3,050	Without return of premium – Annual premium is Rs. 3,395	Annual premium is Rs. 3,050

The comparison of the premiums involved in the case of term plans which return the premium on maturity is given below. The figures are taken for a 30 year old male for a policy cover of Rs. 10,00,000 for a period of 25 years.

Bajaj Allianz Life Insurance Co. Ltd.	ICICI Prudential Life Insurance Co. Ltd.
Term Care Plan with return of premium	Life Guard with return of premium
This plan comes with a combination of 4 different packages i.e. Basic with regular and single premium, Protect which 3 built-in covers like ADB, Disability and WOP and Health variant which comes with CI benefit and hospital cash benefit and a Total variety which comes with a combination of all the above.	This has 3 different varieties of plans level term assurance with return of premium, level term assurance without return of premium, level term assurance single premium plan without the return of premium. When level term assurance with return of Premium is opted for there is additional benefit of extended life cover for 5 yrs after the maturity of the policy for 50% S.A. This gives Additional protection even after Premium paying term.

(ii) Whole Life plan

Meaning

A term assurance plan provides the death cover only for a limited period. On the other hand, a whole life plan is a life insurance plan that provides the death cover to the life assured for the entire life. Insurance cover runs as long as the individual policyholder is alive. And as such, under a whole life plan, the sum assured becomes payable to the nominee on the death of the life assured, whenever the same happens, subject to a maximum age limit (for example 100 years or so). Whole life assurance plan is thus known as the “term plan for the whole life”.

Options under a whole life plan

- (a) **Pure whole life plan** with premiums payable throughout the life – this plan functions like a typical term plan and provides the sum assured only on the death of the life insured.
- (b) **Limited payment whole life plan** with premium payable for a limited period, insurance cover being available for the entire life duration.
- (c) **Whole life endowment plan** provides maturity benefits to the policyholder on the expiry of the stipulated term and provides risk cover throughout the life of the life assured.

Thus, the common thread that permeates through all whole life plans is that the individual's life is covered as long as he/she lives.

Suitability analysis of a whole life plan

A whole life plan which covers the individual throughout his life may be highly appropriate in the following cases:

- ❖ A young person who is interested in getting a cover for rest of his life.
- ❖ A working executive who wants to take advantage of getting a life long insurance cover.
- ❖ A person who understands the importance of insurance and believes in securing his future against losses.
- ❖ A person who does not believe in taking up a host of insurance products, but believes in a one product which provides a comprehensive risk cover, lasting as long as he lives.

Some of the common whole life plans are “**Mahalife Plan**” of **Tata AIG Life Insurance Company**, and “**Whole Life Plan**” of **Max New York Life Insurance Company**

Selection criteria of a whole life plan

The broad parameters that need to be considered before selecting a whole life plan are:

- ❖ **Risk cover** – The primary objective of taking an insurance policy is to have a risk cover. Hence, it is important that the sum assured is commensurate with the changing needs and requirements of the individual.
- ❖ **Survival benefits** – A whole life plan is said to be an insurance policy which provides a cover for living too long only because – the cash inflows that the policyholder gets from the policy at regular intervals (as in a whole life money back plan) can be a determining factor while selecting a whole life plan.

An example that can be quoted is that Tata AIG's Mahalife pays cash every year in perpetuity from the 10th year of the policy.

- ❖ **Cash benefits** – The bonuses that are payable on the plan are also another feature that needs to be taken into account. Some plans have pay guaranteed bonuses while some other plans provide non-guaranteed bonus payouts after 6 years, while a few others provide such payouts only from the 10th year. Hence, the individual should select that policy which starts the bonus payouts at the earliest so as to benefit from the power of compounding.
- ❖ **Flexibility** – Ultimately, the policy belongs to the individual. Hence, the individual should have the flexibility to select the sum assured, the premium paying term etc. While some plans have the flexibility, some do not offer such flexibility to the individual.
- ❖ **Simplicity** – While flexibility is indeed important, in case too much of options are given to the policyholder it makes the product more complex. Hence, it is important to strike a via-media to ensure that the product is flexible and at the same time easy for the policyholder to understand.

Karvy Picks

Based on our research which covered various products in the insurance industry, we have short listed a few whole life plans which in our opinion are the best of the lot. The short listed whole life plans are: Tata AIG Mahalife Plan; Max New York Life Insurance Whole Life Plan; ING Vysya Fulfilling Life Anticipated whole life plan.

Comparison of the whole life plans in the market

S. No	Name of the Company	ING Vysya Life Insurance Co. Ltd.	Max New York Life Insurance Co. Ltd.	Tata AIG Life Insurance Co. Ltd.
1	Product	Fulfilling Life Anticipated Whole Life Plan	Whole Life Plan	Mahalife Gold
2	Minimum and maximum age at entry	18 years to 49 years	91 days to 70 years	30 days to 60 years
3	Mode of premium payment	Yearly, Quarterly, Half yearly or Monthly		
4	Premium paying term	16, 20 and 24 years	Flexible premium payment options	12 years
5	Death benefits	Sum assured + bonus. (The earlier payouts will not be deducted)	Sum assured + accrued bonus. (The earlier payouts will not be deducted)	Sum assured
6	Maturity benefits	SA plus bonuses		
7	Survival benefits	20% of the SA is paid at the end of every 4 years	Non guaranteed returns are paid in the non-reversionary format	5% of the SA is paid every year from the 10th for the rest of the person's life
8	Guaranteed Returns	NA	NA	5% from the 10th year of the policy
9	Cash benefits	N.A.	Non guaranteed returns are paid in the non-reversionary format	5% of the SA is paid every year from the 10th for the rest of the person's life
10	Key features	N.A.	It offers non reversionary bonus from the 3rd year of the policy.	Pays 5% from the 10th year throughout the life of the policyholder.

(iii) Health insurance plan

Meaning

A health insurance plan reimburses the expenses incurred towards the hospitalization, medicines and treatment for disease/illness for oneself and the family. Health Insurance provides for the unforeseen medical bills that would otherwise be a burden on the hard earned savings, thus provisioning for the escalating costs of hospitalization. The options available are: (i) Overseas medical insurance policies for travel and stay abroad; (ii) Health insurance available as a part of most credit cards.

Importance of Health Insurance

- (a) Rising costs of hospitalization
- (b) Risk of being hospitalized due to any disease of illness

Selection criteria of a health insurance plan

Before selecting any health insurance it is important to read the exclusions and understand what the policy covers and what the policy does not cover. Reading these exclusions is critical in order to benefit from the health insurance plan.

Company Name	Reliance General Insurance Co. Ltd.	Bajaj Allianz General Insurance Co. Ltd.	Cholamandalam General Insurance Co. Ltd.
Name of Policy	Reliance Mediclaim plan	Health Guard	Cholamandalam Health Insurance policy
Entry age	5 years to 75 years; children aged 3 months to 5 years can be insured if either or both parents are insured	5 years to 55 years; children below 5 years can be insured if both parents are concurrently insured	Maximum 55 years for proposer and 69 years for dependant parents
Min. & Max. sum insured	Rs. 15,000 to Rs. 5,00,000	Rs. 7.5 lacs and Rs. 10 lacs for age up to 40 years; Rs. 3 lacs for aged above 50 years	N.A.
Cashless Hospitalization facility	Use of Reliance health card in over 3000 + hospitals	In hospitals empanelled with the insurance company; expenses reimbursed if hospitalization is in a hospital not empanelled.	In 1400 + hospitals
Pre and post hospitalization expenses reimbursed for	30 days prior to and 60 days post hospitalization	60 days prior to and 90 days post hospitalization	60 days prior to and 90 days post hospitalization
Day care procedure expenses reimbursed for	Treatment requiring less than 24 hours of hospitalization is covered	126 minor surgeries	130 minor surgeries requiring less than 24 hours of hospitalization
Ambulance expenses reimbursed	N.A.	Only in case of emergency, subject to maximum Rs. 1000	Only in case of emergency
Health check up or Renewal benefits	S.I. increases by 5% for every claim free year subject to max. of 50%	at end of continuous four claims free years, subject to expenses up to Rs. 1000/-	Available under value added services for an additional premium

(iv) Property insurance plans

Meaning

The insurance plans providing cover to the loss arising to the belongings and the property include:

(a) **Household insurance** – covers household valuables and building against the loss incurred due to fire, floods, burglary and allied risks;

(b) **Motor vehicle insurance** – covers third party liability arising on account of motor accidents. Loss and damage of the vehicle and injury or death of the driver is also included under the comprehensive motor insurance policy;

(c) **Shop and office insurance** – covers the damage / loss to the premises and the content of own shop or office.

(d) **Travel Insurance** – provides insurance cover for loss of baggage, passport loss, medical emergency or accident during travel for work/pleasure.

Importance of property insurance plan

Insuring ones property and belongings does provide a cover against uncertain contingencies that if happening will cause a loss or damage to these properties and hence a financial loss to the owner.

Moreover, in cases such as the motor vehicle insurance and travel insurance, the undertaking of the insurance cover is more of mandatory obligation and requires a serious adherence.

Selection criteria of a property insurance plan

The selection criteria for a property insurance will often depend upon a number of technical factors which will depend upon the nature and terms of the policy.

KARVY's Picks

We have covered the general insurance policies of the Bajaj Allianz General Insurance Company in this segment.

Bajaj Allianz Motor Insurance Plan

Items covered:

- ❖ two wheelers
- ❖ private cars

Perils covered:

- ❖ Loss / damage to vehicle insured
- ❖ Third party liability
- ❖ PA cover to owner / driver

Major Exclusions:

- ❖ Skoda cars/BMW's/Imported vehicles/Mercedes
- ❖ Consequential loss/ depreciation
- ❖ Damage to tyres & tubes unless vehicle is damaged (Liability 50%)
- ❖ When driver is under intoxication
- ❖ Loss of or damage to accessories by burglary unless vehicle is stolen
- ❖ Excess as stated in the policy schedule

Bajaj Allianz Householder's Package Plan

Items covered:

- ❖ Fire
- ❖ Burglary
- ❖ All risks / valuables
- ❖ Breakdown of domestic appliances/ac's/ Electronic components
- ❖ Personal Accident

Perils covered -

Damages to the items covered due to accidental external visible means as per schedule

Major Exclusions:

- ❖ Losses due to war and allied perils
- ❖ Excess as applicable under each section

Bajaj Allianz Travel Insurance Plan

Items covered:

- ❖ Personal Accident
- ❖ Medical expenses
- ❖ Loss/Delay of checked baggage
- ❖ Loss of passport

Perils covered - All inpatient and outpatient expenses above the minimum excess of US \$ 100

Major exclusions:

- ❖ Pre-existing diseases & complications arising out of them
- ❖ Medical expenses beyond expiry of policy period

(v) Personal accident insurance plan

Under this plan the sum assured is paid to the dependants / nominees, in case of death of the insured person due to an accident. Also if the accident results in the total/partial disablement, either temporary or permanent, the sum insured is payable in the case of a comprehensive accident cover policy. Accident cover also available as a rider to life insurance policies.

KARVY's Picks

Personal Accident Insurance Plan from Bajaj Allianz General Insurance Company

Key features of the policy:

- ❖ Hassle free Claims processing
- ❖ Cumulative Bonus of 5 % for every claims free year

- ❖ 125% of Capital Sum Insured paid for PTD Claims
- ❖ Competitive Premium for Wide coverage

What the policy covers:

- ❖ Death due to Accidental/Bodily Injury
- ❖ Permanent Total Disablement
- ❖ Permanent Partial Disablement
- ❖ Temporary Total Disablement
- ❖ Temporary Partial Disablement

What the policy excludes:

- ❖ Suicide/Self Inflicted Injury
- ❖ Pre-existing Physical/Mental Defects
- ❖ Alcoholics and under Intoxicated Conditions
- ❖ War & Civil war

Wider:

Death + Permanent Total Disability + Permanent Partial Disability

Comprehensive:

Death + permanent total disability + permanent partial disability + temporary partial disability + temporary total disability

Research Team

Krishnamoorthy S. email : krishnamoorthy.s@karvy.com

Atul Stanley Hermit email : atul.hermit@karvy.com

Ph : +91 40 23312454 Ext : 304



For more information call us on : 1800 425 82 83

Disclaimer

The information and views presented in this report are prepared by Karvy Stock Broking Limited. The information contained herein is based on our analysis and upon sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor Karvy Stock Broking nor any person connected with any associate companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document.

The features described in the product comparison tables are as applicable on the date of release of this report.

This report is intended for a restricted audience and we are not soliciting any action based on it.