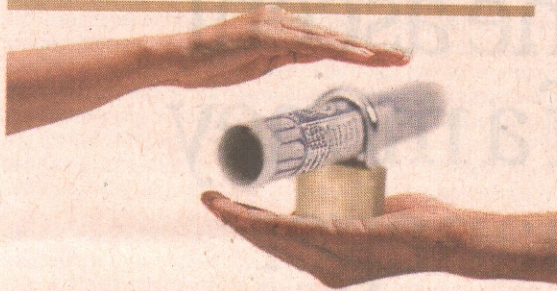




QUERY CORNER INSURANCE

AVOID CHANGING YOUR HEALTH INSURER FREQUENTLY



HIGHER RENEWAL PREMIUM FOR HEALTH POLICIES

I am 46-year old and my wife is 40. I have two children — daughter (17) and son (16), respectively. I have one family floater Reliance Health Wise Policy for ₹5 lakh, which will expire on October 31, 2010. I have received intimation for renewal, mentioning a premium of ₹40,122 for one year, after deducting 5% as no-claim bonus. I had earlier purchased this policy for ₹14,620 for two years. It means that the premium is enhanced by six times. This is not fair on the part of company as changing the insurance company can be disadvantageous for me at this point. Can we take any action against the company in the consumer court? Secondly, what are the other insurance plans best suitable for us? Please suggest advantages and disadvantages. —ANONYMOUS

Health insurance premiums are non-tariff products. Under a non-tariff regime, an insurance company can offer its own premium rates which are decided on the basis of its past claim ratios, future expectations etc. Reliance General Insurance started the health insurance segment by offering cheaper premiums in the market. But now, based on their claim experience they have steeply revised the premiums on the upside, which does not appear reasonable to policyholders. Irda has little control over the premiums being demanded by a particular company. Since you are not satisfied with the premium of your existing company, you have the option of renewing your policy with another company which offers you continuity and other benefits at a cost acceptable to you. It is also prudent to know that shifting of health insurance should not be done regularly and only in extreme conditions like above.

MOVING RETIREMENT POLICIES TO NPS

I had taken ICICI Prudential Forever Life retirement policy. I paid six annual premiums worth ₹10,324 (plus taxes). I stopped paying premiums for the past three years as the company was not able to tell me about the funds accumulated/returns generated. When I approached them to surrender the policy, they provided me benefits' illustration using 6% and 10% annual returns. Recently, the regulator asked insurance companies to guarantee 4.5% annual returns on retirement policies but these companies are dragging their feet. When I insisted on surrendering the policy, they gave me a surrender value of ₹31,500. Can I port my ICICI Prudential policy to NPS scheme or any other scheme without losing the fund value? Please advise how to go about it. —PRAMOD R, DELHI

ICICI Prudential Forever Life policy is a traditional plan and not a unit-linked insurance plan (ULIP) as is being understood by you. Unlike a ULIP, this is not a plan where you can stop paying premiums after three years. Even though these plans can be surrendered after three years, the surrender value will be at a discount to the premiums paid. The plan will earn bonus and is suitable for continuation till the annuity vesting age (retirement age). It will earn debt-based returns unlike asset-based returns in case of unit-linked pension plans. Only pension plans bought after September 1, 2010 shall have a guaranteed return of 4.5% and not for the policies issued prior to that date. It is important to do due diligence before buying a policy and understanding the scope of coverage, risk and returns, features like liquidity etc so that you do not have to discontinue the policies before maturity.

SURRENDER VALUE OF INSURANCE POLICIES

I want some advise regarding which policies to surrender and which to retain. Despite paying an annual premium of ₹40,320, my life cover is only ₹4 lakh. I would like to know the surrender value if I surrender certain policies and go for a ₹50 lakh term cover from Religare Aegon. The policy details are as follows:

LIC Jeevan Samridhi

Annual premium - ₹20,274, Policy started on: Oct 2003, Maturity: Oct 2027, Sum assured - ₹3 lakh.

LIC New Money Back Policy (25 yrs)

Annual premium - ₹5,046, Policy started on: September 1992, Maturity: September 2017, Sum assured: ₹1 lakh.

LIC New Jeevan Suraksha

Annual premium - ₹15,000, Policy started on: July 2005, Maturity- July 2030 - ADUTTA

It makes a lot of sense to increase your life insurance by buying term insurance. Religare Aegon iTerm & ICICI Prudential iProtect are amongst the cheapest online term insurance policies available. But it is meaningful to understand the policies that you have already invested your hard-earned money into. All the plans that you currently own are traditional plans offering either guaranteed additions or bonuses as declared by LIC every year.

Jeevan Samridhi is a money-back plan that offers guaranteed addition as well as loyalty addition instead of participating in profits (bonus) of LIC.

New Money Back provides for periodic payments of partial sum assured during the term of the policy. The basic bonus under this plan is slightly lower than the rate applicable to endowment plans.

New Jeevan Suraksha is a personal pension plan participating in profits (bonuses) of LIC. The life insurance coverage in pension plans is an optional feature.

It is always prudent to understand the products in which you wish to invest to avoid, taking undue losses by surrendering the plans before maturity. The plans, like the above, participate in profits (bonus) of LIC or offer guaranteed additions will attain a surrender value based on the number of premiums paid, total term of the plan etc. These plans, offer you risk-free and debt-based returns, will generate lower or maybe negative returns if discontinued before maturity.



AMIT SURI

CFP, AUM FINANCIAL PLANNERS

Our expert guides you in matters relating to insurance.

