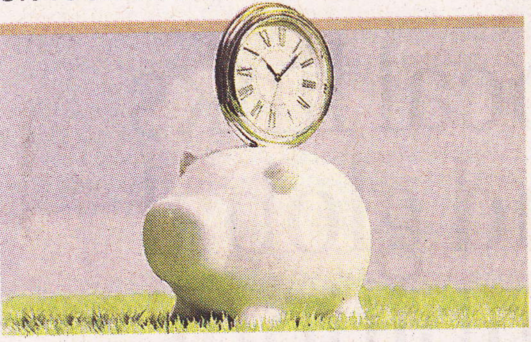
Q&A **QUERY CORNER**
INSURANCE

YOU CAN AVAIL OF A PREMIUM HOLIDAY ON YOUR INSURANCE POLICY FOR 5 YRS



TAKING A BREAK FROM PAYING REGULAR PREMIUMS

I invested in Tata AIG Life Invest Assure with an annual premium of ₹20,000 for 15 years. After paying three years' premium, I want to avail premium holiday and withdraw. Please advise. – ANONYMOUS

If after paying regular premium for at least three years, you are unable to pay premiums regularly, your policy will not lapse immediately but will be put on a premium holiday for a maximum of five years. You may recommence paying regular premiums within five years from the date of the first unpaid regular premium. Upon such recommencement, the premium holiday charges will cease. If you are not in a position to recommence paying regular premiums within the said period, you may write to the company to continue the policy on a premium holiday, subject to their approval. You can do partial withdrawals too after three complete years. A maximum of four withdrawals are allowed per policy year.

INSURANCE PLAN FOR DISCIPLINED INVESTING

I am a bank officer with a ₹22,000 net salary. I want to buy a term insurance plan of ₹25-30 lakh. Is this sufficient as my employer has provided a ₹5-lakh insurance. Should I go for a traditional money-back plan or buy a term insurance and invest the rest of my savings in other sectors like MFs? – KUNDAN KHAWARE

Start with a term insurance plan to get the desired insurance cover. After securing your life, draw a list of your short- medium- and long-term financial goals. A traditional or Ulip plan should be added for your long-term goals. The choice between traditional and Ulip should be made on the basis of risk and return expectations. One of the benefits of investment-based insurance products is disciplined investing for long-term needs. Mutual funds are excellent for short-, medium- and long-term financial goals. SIPs are the preferred investment choices.

INSURANCE COVER FOR ENTIRE LOAN TENURE

I subscribed to Jeevan Tarang (with profits whole life policy) and Amulya Jeevan (term plan without profits) insurance policies of LIC two years ago. The sum assured for the first policy is ₹23 lakh for 20 years with a premium of ₹9,938 per month. The sum assured for the second policy is ₹25 lakh for 20 years with a premium of ₹13,725 per annum. My friends say these premiums are high. I need your advice on continuing these policies. I plan to take a house loan of ₹40 lakh for an under-construction property. The lender suggested the 'Home Safe Plus' from ICICI Lombard. Should I go for this policy or a normal policy covering only critical illness? – BHARAN KUMAR

Jeevan Tarang is a profit policy that provides an annual survival benefit at a rate of 5% of the sum assured for life time after the chosen accumulation period. Since it is an insurance-cum-investment plan, the premium is higher. The excess premium is utilised to provide investment benefits as laid out in the plan's features. Jeevan Amulya is a term plan which is a comparable plan in offline term insurance market in terms of cost. The Home Safe Plus covers the home loan liability in case of accidental death, critical illness, permanent total disability and loss of employment. It also covers home structure and home contents. This plan is available for a maximum of five years and for a single premium and does not cover normal death and no cover is available after five years. You can opt for a reducing the mortgage term insurance that covers any kind of death for the complete tenure of loan and not just for initial five years.

PREMIUM HOLIDAY AFTER THREE YEARS IN ULIP

I had taken two policies (life-long funds) for 25 years and paid three regular premiums of which, one has lapsed. While taking the above policy I was misguided. There is an option of partial withdrawal after three years but maximum withdrawal is four times. It is difficult for me to arrange ₹20,000 each for the above policies. What should I do? – PC BHARTIYA

You have not provided the details of the policies but with the information provided, it seems to be a unit linked insurance plan (Ulip). In most Ulips bought three years ago, the lock-in period was three years. You can withdraw the complete amount now if you do not wish to continue or go for a premium holiday plan wherein the plan will continue, without having to pay further premiums and the amount invested can be parked till you attain suitable returns.

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