



Term Insurance Plans

Large cover at low cost

It's the cheapest type of insurance but it's also a no-return plan—just like your medi-claim or car insurance cover. Points that can put you in two minds about buying one in the first place. However, a close study will most likely persuade you that the pros outweigh the cons, depending of course on the safety net that you and your family require, your standard of living, and your planned investments and expenses. It also helps to remember that life insurance is not about investing your money to earn a return on it; it's essentially about financial protection for you and those who matter to you. Back in 2014 (August issue), Consumer Voice had published a report and comparative assessment of 13 term insurance plans. We revisit the subject here focusing on plans that are also available online. Up for comparison on crucial parameters are 11 plans. Minimum and maximum policy term, minimum and maximum sum assured, and claim-settlement ratio are among the parameters that these plans have been assessed on.

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As mentioned, for the comparative study we have chosen only those companies that offer their term insurance plan 'online' as well. Accordingly, we shortlisted 11 plans based on product offer (gathered from their websites/brochures) and services rendered (feedback from consumers).

The parameters on which we have compared them include sum assured, policy term, minimum and maximum entry age, premium payment modes, claim-settlement ratio and rider benefit. We gave the highest weightage (25 points) to consumer feedback, which also helped in determining the most important and beneficial variables. These variables have a direct bearing on the product structure.

CV RECOMMENDATIONS

Best Buy

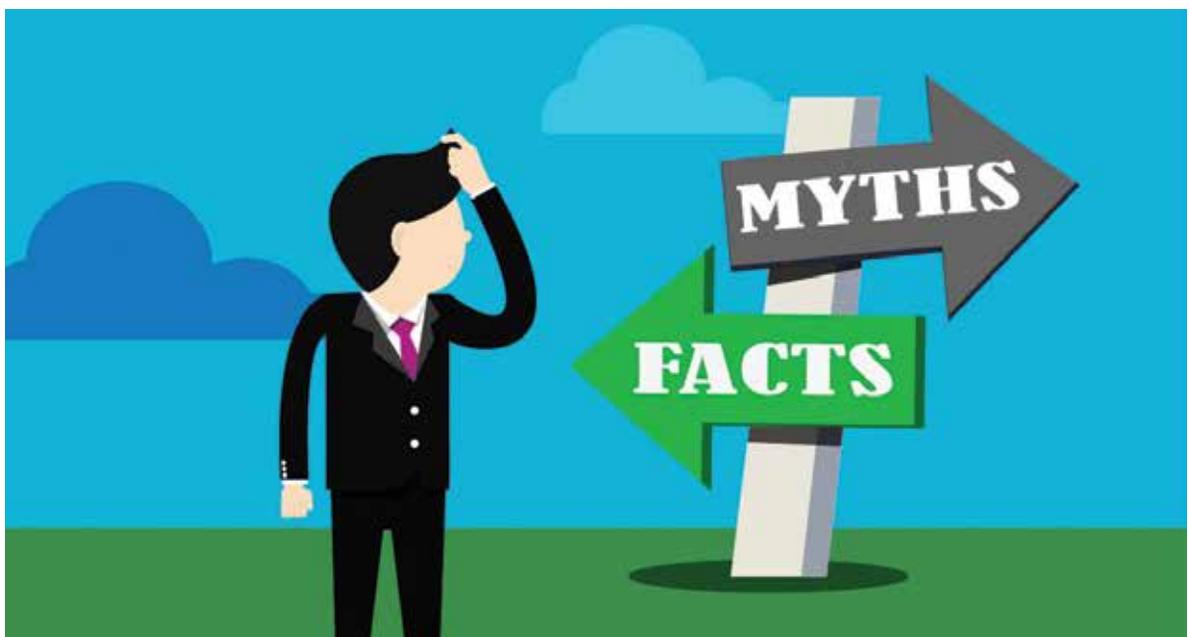
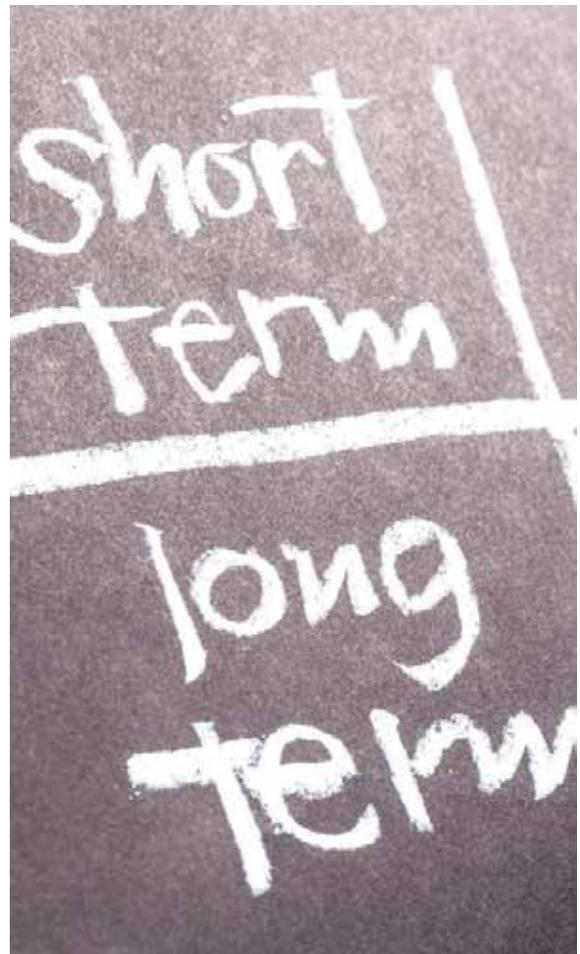
Max Life (Online Term Plan)

Good Buy

Tata AIA Life (Sampoorna Raksha)

Fair Buy

LIC (e-Term)



ONLINE TERM INSURANCE PLANS:

CV Weightage Points (100)		5	10	15	10	
Company	Product	Minimum entry age (years)	Maximum entry age (years)	Minimum sum assured (Rs, in lakh)	Maximum sum assured (Rs, in lakh)	
Max Life Insurance	Online Term Plan	18 (3)	60 (4)	25 (9)	10000 (5)	
Tata AIA Life Insurance	Sampoorna Raksha	18 (3)	70 (10)	50 (5)	No Limit (10)	
Life Insurance Corporation of India	e-Term	18 (3)	60 (4)	25 (9)	No Limit (10)	
SBI Life Insurance	Poorna Suraksha	18 (3)	65 (7)	20 (12)	250 (5)	
IDBI Federal Life Insurance	iSurance Flexi Term	18 (3)	60 (4)	50 (5)	3000 (5)	
Kotak Life Insurance	Kotak e-Term	18 (3)	65 (7)	25 (9)	NS (0)	
Aditya Birla Sun Life Insurance	DigiShield Plan	18 (3)	65 (7)	30 (5)	NS (0)	
Canara HSBC OBC Life Insurance	I Select Term Plan	18 (3)	70 (10)	25 (9)	NS (0)	
Exide Life Insurance	Elite Term Insurance Plan	21 (5)	60 (4)	50 (5)	No Limit (10)	
Bharti AXA Life Insurance	Flexi Term	18 (3)	65 (7)	10 (15)	NS (0)	
ICICI Prudential Life Insurance	iProtect Smart	18 (3)	65 (7)	NS (0)	NS (0)	

Notes:

- Information given here has been sourced from the companies' websites and brochures as on 13-08-2018.
- For the purpose of symmetric product comparison, we have excluded those term insurance companies that (i) do not offer policies online and (ii) those whose claim-settlement ratio is less than 85%.
- # Claims to paid benefit amount ratio is as per IRDA Annual Report 2016-17.
- NS: Not specified
- Y-yearly, HY-half-yearly, Q-quarterly, M-monthly, S-single
- *In view of total negative responses received from the product users, we have not allotted any points for consumer feedback and these products are also not taken into account for the purposes of the ranking. They retain their product points only.

“Why should I keep paying for a product that does not give anything in return?” is a common question that people ask insurance advisors. Not everyone can appreciate the fact that one pays a premium because there is a guarantee that if something happens to him or her, their family will get maybe over 100 times of the premium that one is paying now.

In the unfortunate event of one's death, the term insurance plan gives the immediate family a sufficient amount to maintain their standard of living. The payout can also fund your child's education, help pay off debts, and so on.

Count the Advantages

- It's simple to understand.
- Premium amount is cheapest if you buy the plan at the earliest age (of entry).

A COMPARATIVE CHART

	5	10	5	5	10	25	Total (100)
	Minimum policy term (in years)	Maximum policy term (in years)	Premium payment modes	Rider benefit	Claim-settlement ratio (in %)#	Consumer feedback	
	10 (2)	40 (7)	Y/HY/Q/M (5)	Yes (5)	94.20 (10)	16	66
	10 (2)	40 (7)	Y/HY/Q/M (5)	No (0)	90.10 (7)	15	64
	10 (2)	35 (4)	Y (2)	No (0)	95.72 (10)	18	62
	10 (2)	30 (4)	Y/HY/M (4)	Yes (5)	85.73 (4)	12	58
	10 (2)	62 (10)	Y/HY/Q/M (5)	Yes (5)	87.37 (4)	13	56
	5 (5)	40 (7)	S/Y/M (4)	Yes (5)	85.67 (4)	12	56
	5 (5)	40 (7)	Y/HY/Q/M (5)	No (0)	90.80 (7)	11	50
	5 (5)	40 (7)	Y/M (3)	No (0)	94.02 (10)	0 *	47
	5 (5)	35 (4)	Y/M (3)	No (0)	91.16 (7)	0 *	43
	10 (2)	25 (2)	Y/HY/Q/M (5)	Yes (5)	86.60 (4)	0 *	43
	NS (0)	NS (0)	S/Y/HY/M (5)	Yes (5)	89.43 (4)	14	38

- c) It gives you maximum life cover with minimal premium payment as compared to other forms of insurance.
- d) In case of an untimely death, dependents will receive the benefit amount on filing the claim with supporting documents.
- e) You have the option of customizing term life insurance with the addition of riders, such as child benefit/accidental death benefit/critical illness benefit (on payment of additional premium).
- f) Another popular feature of term insurance is premium return. Some plans offer to return the premiums paid by the policyholder if he/she survives (as of now, only some insurance companies are offering this).

Take Note

- A couple of insurance companies are offering premium return as an optional cover.
- One insurance company is offering AIDS coverage too.
- Another insurance company is offering a lump sum on death plus a regular monthly income for a certain number of years, in addition to increasing the regular monthly income each year by a certain percentage (more than 6%).
- Special rate is being offered for non-tobacco users and women.
- Some companies are offering in-built critical illness benefit within the fixed premium.

But Know the Limitations

a) If the insured person happens to outlive the tenure of the policy, all of the amount paid in the form of premiums will be forfeited without any benefits to the insured or to his/her family. Essentially, all the premiums will go down the drain, except for the tax benefits that he/she would have availed on the amount paid as premium.

b) There is one major hurdle that prevents more number of people from purchasing a term insurance plan – it is that it tends to create a mental block as it deals with the death of the person taking the policy. Think about it, though. The rationale behind buying car insurance is exactly the same as that for buying a term insurance plan!

c) Consumers resort to consulting their agent as they either do not have the time to go through lengthy write-ups (offline or online) or believe that the agent is the best person to guide them on the product. However, it is extremely important that one is aware of the features of the various insurance plans, so they can choose the one best suited for their circumstances, needs and plans. It also helps to remember that some agents may actually be pushing insurance products that get them higher commissions.

d) Term insurance provides coverage only for a limited period of time.

e) Premium rates are guaranteed only until the end of the term. Depending on the policy, premiums may be static for a period of 5, 10, 15, 20, 25, or 30 years, and then cease without any renewal option. If you want a new plan after that, it may be at a higher premium rate.

f) Deteriorating health can trap you in a policy with rapidly increasing premiums (loading).

g) No insurance company offers term insurance to those over 70 years of age (age of entry).

h) No term insurance plan exists for those less than 18 years of age (age of entry).

i) No surrender value (for regular policy) or loan or survivor benefit is available under this policy.

A Word of Caution

Many a time, people just fill in their name, age/date of birth, address, and Aadhaar/PAN number, leaving the rest of the details to be uploaded by the insurance agent. Remember that you are the best person to fill in your personal details. Any wrong information, which you may think is a negligible factor now, can be pointed out later by the insurer to find a reason for rejection of claim in favour of the nominee/legal heirs.

**Lessons for Life**

- a) Be sure to give correct and verifiable information.
- b) Opt for a policy that assures you premium return if death does not take place and you survive the policy term.
- c) Opt for critical illness and accident benefits even if additional premium becomes payable.
- d) The criterion should be to go for higher sum assured rather than choosing to pay a comparatively lower premium amount.

Terminologies, Technicalities, etc.

Life insured

This refers to the person who takes the policy from a life insurance company.

Policy term

This covers the number of years for which the life insured wants to cover his/her life.

Premium modes

Premiums can be made in one single payment (lump sum) or can be made on yearly, half-yearly, quarterly or monthly basis.

Claim-settlement ratio

This gives us an idea about the claim-solving ability of the insurance company. If claims are intimated and the insurance company settles those, claim-settlement ratio will be good. In simple words – claim-settlement ratio is the number of claims settled by the insurance company out of every hundred claims it has received. A higher claim-settlement ratio implies that the majority of claims are getting settled.

Rider benefit (add-on covers)

Some insurance companies offer additional benefits for temporary/permanent total disability, critical illnesses, etc., on payment of additional premium.

How much premium to pay?

Example 1

For a healthy non-smoking male

Age: 30 years (as on the date of entry)

Term insurance (life cover) face value: Rs 5,000,000

Policy term (maximum): 45 years

Annual premium: Rs 6,713

(A life cover equivalent to 10–15 times of your annual income is considered sufficient to provide a safe cover.)

Example 2

For a healthy non-smoking male

Age: 35 years (as on the date of entry)

Term insurance (life cover) face value: Rs.10,000,000 (Rs 1 crore)

Policy term (maximum): 40 years

Annual premium: Rs 14,924

(A life cover equivalent to 10–15 times of your annual income is considered sufficient to provide a safe cover.)



Advantages of Doing It Online

For the insurance company

- Less paperwork to be handled by the backup department of the insurance company
- Direct dealing with the proposer/insured person
- Minimum operating costs incurred
- Receiving quick online payment
- Fast underwriting

Insurance companies extend cheaper premiums on term policies purchased online as it saves them a lot of paperwork and the physical labour of verifying the documents.

For the insured person

- No physical visits to the insurance company office
- Space to choose a suitable policy
- Quick receipt of online policy document
- Cheaper premium amount
- No need to submit physical documents unless called for



One can go online and calculate the premium, and then start the process of buying the policy. Details that need to be submitted include name, age, tenure, sum assured and medical information, all of which can affect the premium. After you get a premium quote, you can make the payment online.

Based on the given information, the insurer can decide if the proposer will have to appear for a medical test. If there is anything in the medical examination that can affect the premium (and consequently increase the company's risk of insuring), the insurer can increase the premium (loading) or choose not to offer the policy.