

A new term plan will cost less than old one

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Mumbai: At a time when inflation is impacting every aspect of life, the cost of term life insurance has dropped dramatically in recent years. For a few thousand rupees, individuals can buy a Rs 1 crore policy thanks to competition, online distribution and improvement in life expectancy. The drop in prices has been so sharp that an individual who has brought a policy a few years earlier can now get a cheaper cover despite falling into a higher age bracket. Experts now say that policyholders have an opportunity to save money by buying into a new cheap cover and discarding the old one.

Unlike health insurance, the instalments for term insurance (policies which pay out only if the insured dies) are 'level' premiums. What this means is that although the risk of death rises with age, the premium is computed by calculating the risk for every year and levelling it across the tenure of the policy. So the same individual will pay a higher annual premium if the term of the policy is higher. Typically a 30-year-old will pay more than a 25-year-old. But with insurance companies revising their mortality tables, rates have dropped and individuals buying a new policy today might end up paying less than what they did five years ago.

Today a 30-year-old can purchase a Rs 1 crore cover for between Rs 7,000 and Rs 9,000 from over six private life insurance companies. The downside is that no agent is going to do the drudge work as it is the absence of distribution costs that makes such low prices possible. "Term is and isn't a price-sensitive market. The truth is that the online term rates are definitely cheaper than their offline counterparts. However, while the at-

traction to compare is price, what the customer ends up buying is far more driven by the offered features. The Term product is becoming more and more complex as it ticks boxes of protection-centric features within their plans," said Yashish Dahiya, founder and CEO of Policybazaar.

According to Pankaj Mathpal, MD, Optima Money Managers, caution has to be exercised while shopping to replace an ex-

son. Another important point is that early claim is questionable and insurer does strict investigation in case the claim arises in new policy," said Mathpal.

For some who are not used to technology, the process of buying online can be overwhelming but insurers are working to make the process simpler. "The processes for online term were and still are a bit tedious. But medical checks are being 'demanded' by the cus-

WHAT YOU PAY

For male non-smoker of 30 years' age and 35-year term

Insurers & Plans	PREMIUM IN RS FOR COVER OF			
	₹50L	₹1 Cr	₹2 Cr	₹5 Cr
Reliance Online Term	4,205	7,498	14,966	37,488
Aegon Religare iTerm	4,607	8,203	16,405	39,326
Bharti Axa eProtect	4,607	8,202	16,405	41,011
Aviva i-life	4,659	8,326	16,652	39,965
Edelweiss Tokio My Life+	4,916	8,607	15,685	37,394
MaxLife Online Term Plan	5,057	8,877	17,753	39,326
Kotak Life Preferred Eterm Plan	5,197	8,905	16,320	38,568
HDFC C2P+	6,343	11,070	22,138	55,346
LIC e-term	11,550	23,100	46,200	115,500
ICICIPru iProtect (30-yr term)	6,910	12,247	22,697	54,495

Note: Excl LIC, premium includes service tax; premiums calculated are for lump sum benefit; Source: policybazaar.com, company websites

isting policy. The insured has to see what rates he will be paying for his current age. Secondly, he has to bear in mind that there may not be any agent to service the policy. "Many companies do not offer branch service and the customer has to visit his home branch," said Mathpal. The other disadvantage is that if the policyholder dies soon after buying the new policy, it would be an early claim. "One must ensure that new policy get issued before discontinuing the existing one. Sometime, the proposer may not get new policy due to poor health or occupational rea-

tomers. Most customers want the medicals to be done so that they are assured that the claim is not denied because of any medical declarations made. Companies are becoming customer-centric too and most of them now offer home medicals. Within the coming year, 95% of all applicants would have the option to get medicals done at home and the policy issuance within a few days of that. This is by far the epitome of 'customer convenience' while buying insurance. There really is no reason why anyone would go anywhere else," said Dahiya.