

Blog 1 – Life Insurance in India

Most of the times, life is smooth sailing and certain. But sometimes, it may become uncertain and a bumpy roller coaster ride. These uncertainties create lot of stress and may disturb family life. These uncertainties may be a sudden loss of life of an earning member, major medical illness in family, college education and marriage of children. It is during these times that life insurance in its various forms and medical insurance, if properly planned and adequate proves to be extremely useful.

Types of Life Insurance.....

A life insurance policy could offer pure protection (insurance), another variant could offer protection as well as investment while some others could offer only investment. The types of insurance policy are :

- **Term Life Insurance Policy**
- **Whole Life Insurance Policy**
- **Money Back Plan**
- **Pension Plan**
- **Endowment Policy**
- **Unit-linked insurance plan (ULIP)**

The most basic and the most important but often the most ignored of all insurance policy is the **term plan** for protection of income. The minimum coverage i.e the Sum Assured should be 10 times the annual net income i.e if the annual net income is 5 Lacs the coverage should be 50 Lacs.

Insurance Companies in India.....

LIC was the major insurance player before the year 2000. The insurance sector was finally opened up to private players in 2001. The Insurance Regulatory and Development Authority, an autonomous insurance regulator set up in 2000, has extensive powers to oversee the insurance business and regulate in a manner that will safeguard the interests of the insured. There are currently 23 private companies in life insurance who have been provided with license by IRDA.

Blog 2 - Health Insurance In India

About Health Insurance In India.....

Need for Health Insurance.....

Health treatment nowadays is very costly. More than the disease it is the cost of treatment that takes its toll. To get rid of health worries health / medical insurance is the answer. But over 70 per cent of these spends are out of pocket which leads to lot of hardships. According to a survey by NSSO (National Sample Survey Organization), 40 per cent of the people hospitalized have either had to borrow money or sell assets to cover their medical expenses.

It takes just one visit to a hospital to make us realize how vulnerable we are.

It is a tough ordeal if you are diagnosed with an illness and need to be hospitalized, no matter if you are rich or poor, male or female, young or old. The list of lifestyle diseases like heart problems, diabetes, stroke, renal failure, some cancers just seems to get longer and more common these days. Thankfully there are more specialty hospitals and specialist doctors – but all that comes at a cost. The super rich can afford such costs, but what about an average middle class person? For an illness that requires hospitalization / surgery, costs can easily run into 5 figures.

A Health Insurance Policy can cover such expenses to a large extent. Health insurance policy not only covers expenses incurred during hospitalization but also during the pre as well as post hospitalization stages like money spent for conducting medical tests and buying medicines. The cover will be to the extent of the sum insured.

Types of Health Insurance.....

There are mainly 3 types of Health Insurance covers which are as follows.

1. Individual Mediclaim

The simplest form of health insurance is the Individual Mediclaim policy. It covers the hospitalization expenses for an individual for upto the sum assured limit.

2. Family Floater Policy

Family Floater Policy is an enhanced version of the mediclaim policy. The policy covers each family member and the entire family's expenses are covered up to the sum assured limit. So, in many ways the family floater plan offers flexibility in terms of utilizing the overall insurance coverage among the group.

Unit Linked Health Plans

Health Insurance Companies have introduced Unit Linked Health Plans which combine health insurance with investment and pay back an amount at the end of the insurance term. The returns are dependent on market performance.

Current Scenario in India.....

With a reach of just about 2% of the country's 1.2 billion population, India offers a huge potential in health insurance market. There are over 30 health insurance products in the category offered by both life and non-life insurers. While ICICI Lombard, Bajaj Allianz and Reliance General are some of the prominent general insurers in the health insurance space, Apollo DKV, Star Health & Allied Insurance are the standalone players.

Blog 3 – Magic of Compounding

In our school days we have been taught about simple interest and compound interest.

$$A = P(1+R)^N$$

where,

A = Accumulated Amount

P = Principal Amount

R = Rate of Interest

N = Period of Investment

Not all of us use the power of compounding for our investment and do not start early. For eg. if Mahesh starts saving an amount of Rs. 30,000/- every year from the age of 21 years and saves for 30 years, then at the age of 51 he would have accumulated an amount of Rs. 54 Lacs. Ramesh starts saving an amount of Rs. 45,000/- at the age of 31 and saves for 20 years, then at the age of 51 he would have accumulated an amount of 28 Lacs. Suresh starts saving an amount of Rs. 60,000/- at the age of 36 and saves for 15 years, then at the age of 51 he would have accumulated an amount of 21 Lacs. Thus, though everyone had invested Rs. 9 lacs the accumulated amount is substantially different. This is the magic of compounding.

Blog 4 – Term Plan

Benefits Of Term Life Insurance.....

Most people do recognize the value of property like house, car, valuables and other assets and protect their value through general insurance. However, they do not understand or want to understand that the same principal is applicable to life also. The value of life that is the income potential also has to be preserved so that the dependent family members are not adversely affected or put to harsh hardships in the eventuality of the unfortunate demise of the earning member. Logically all persons should take term plans first and protect income potential before any other saving plans. Another reason why we seldom think about taking a pure Term Insurance policy is that they do not have any survival benefits. To expect survival benefits is purely psychological and does not serve any practical purpose since the survival benefit is return of premium which considering the Present Value (PV) of future earning will hardly be sufficient to last for one month.

How much Life Insurance should one have?

The coverage should be at least 10 times your annual expenses to be able to maintain the same life style. If the net annual income is 5 Lacs then the coverage should be at least 50 Lacs.

Annual Premium

The annual premium for a **30 year Term Plan from ABC Company** is indicated in the table below.

Age	Sum Assured = 50 Lacs		Sum Assured = 100 Lacs	
	Non Smoker	Smoker	Non Smoker	Smoker
30	Rs. 8948/-	Rs. 10989/-	Rs. 16379/-	Rs. 20408/-
40	Rs. 18646/-	Rs. 23547/-	Rs. 35428/-	Rs. 45017/-

Blog 5 – ULIP

About ULIP.....

A ULIP is a market-linked insurance plan. It combines both insurance cover and investment. The difference between a ULIP and other insurance plans is the way in which the premium money is invested. Premium from, say, an endowment plan, is invested primarily in risk-free instruments like government securities (gsecs) and AAA rated corporate paper, while ULIP premiums can be invested in stock markets in addition to corporate bonds and gsecs.

Mechanism of working of ULIP.....

ULIP is combination of risk cover and investment. A small deduction is made on the premium made by you on account of insurer charges. The major amount is invested into the fund chosen by you and converted into units. The mortality cover and fund management charges and similar expenses are deducted by cancellation of units. The fund is dependent upon equity and debt market for growth.

Features of ULIP.....

- Transparency
- Insurance cover plus savings
- Multiple investment options
- Flexibility
- Works like a SIP

Recent Regulatory Initiatives by IRDA....

In 2010, IRDA has taken a holistic view of the features of ULIPs and addressed issues impacting the policyholders including the way such products are sold/bought and how ULIPs can be better financial instruments for providing risk coverage and investment. This has made ULIP into a competitive product which is able to deliver value to the policy holders.