



Even after plan is discontinued, insurers continue to service you

If a policyholder survives the maturity date in a term insurance policy, then no amount is payable. How cheap is the premium for such a policy?

—*Aakash Jain*

The premium for a pure term policy which pays only death benefit is the cheapest as compared with any other policy that provides some kind of maturity benefit. Such policies are purchased to provide for the loss in income in the event of unfortunate demise of the main breadwinner in the family.

I have a unit-linked insurance plan (Ulip). I paid Rs 20,000 for three years but the value of my fund is poor. Moreover, the company's website now shows this plan has discontinued. Should I hold or redeem my investments?

—*Umesh Karthy*

I think you weren't adequately advised when you purchased this policy. I don't have specifics of the nature of the fund but I sense the poor value of your fund at present is on account of

Life insurance

the performance of the stock market over the last 12 months. You should read your policy documents and understand the nature of the product and surrender charges, if any. My suggestion is take a long-term view and hold on to your investments. Your fund value is likely to recover as market sentiment improves.

Discontinuance of the plan means that it is not offered for sale any more. This is not unusual and your insurer will continue to service you.

I am 26 years old and want to take a life insurance policy. I was approached by an agent to buy a Ulip. He showed me a n i l l u s t r a t i o n w i t h guaranteed results for a policy. How should I judge the performance of such a product?

—*Sneha Sharma* Generally, Ulips do not offer guaranteed returns. The returns depend on the perfor-

mance of underlying funds chosen by the customer over the term of the policy. Some Ulips offer guarantees in different forms—return guarantee, capital guarantee fund or net asset value guarantee on maturity. Try to understand what is the nature of promise being made and if there is truly a "guarantee" as mentioned above.

Merely, reading through an illustration isn't the right way of buying any financial product. Make sure that you study the product brochures, compare the illustrations or the potential returns in a similar category, the tenor of the plan and try to understand the growth of your fund in terms of costs.

You should do a proper need analysis because it is critical to get a clear picture of what kind of money you should set aside for a life insurance plan. Life insurance products are goal-based and understanding your financial profile and goals is essential to arrive at the right plan.

Queries and views

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