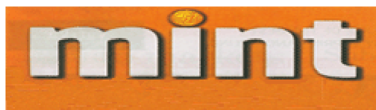

# PRODUCTCRACK

## Child unit-linked insurance plan (Ulip)

**NAME OF THE CHILD ULIP**

HDFC Standard Life Young Star Super II.

**WHAT DO YOU GET**

Unlike a typical child policy that passes the sum assured on death of the policyholder to the beneficiary, foots all future premiums on behalf of the policyholder and pays the fund value to the child on maturity, this policy pays the higher of the sum assured or the fund value on death of the policyholder and subsequently pays the premium amount to the beneficiary, when it's due, till the maturity period. However, in case the policyholder survives the term, the maturity corpus is the fund value.

**WHAT'S SPECIAL?**

This plan has relaxed underwriting norms for individuals who choose a low sum assured and tenors of 10 or 15 years. For annual premiums up to Rs 2 lakh and sum assured of 10 times the premiums, there may be no medical underwriting. You will only need to fill a questionnaire on your health status; you need to be between 18 and 50 years of age.

**WHAT ARE THE COSTS?**

The premium allocation charge, which is a straight deduction from the premium you pay, is applicable throughout the policy term. In the initial seven years, it is 4% and from the eighth year 1%. The policy administration charge is 0.25% per month of the annual premium and will increase by 5% every year.

However, it can be a maximum of 0.4% of the annual premiums or Rs 500 per month, whichever is lower. The fund management charge is fixed at 1.35% and the mortality charge depends on the age of the policyholder and the sum assured chosen.

Over a 20-year horizon, assuming a 35-year-old takes a policy for a premium of Rs 1 lakh and sum assured of Rs 15 lakh, the internal rate of return on the policy is 7.55%, assuming the fund grows by 10%. The costs are in line with what other policies charge, but if you look at the benefits that this plan offers—the higher of the sum assured or the fund value on death and return of future premiums—the policy is expensive.

**MINT MONEY TAKE**

The reason why Mint Money likes child policies that give both the sum assured and fund value is because the sum assured meets the immediate financial strain of the family upon the death of the policyholder and the fund value caters the goal on maturity, typically around that time the child is in college and needs a lump sum for higher education. This policy pays the higher of the sum assured or the fund value on death and returns subsequent premiums as and when due. It does not invest on behalf of the child. The onus to invest the premiums would then lie on the child or the child's guardian.

*—Deepti Bhaskaran*

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