



## ASK MINT MONEY

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# Human life value concept helps you arrive at suitable life cover

**I am 23 years old and have an annual income of ₹3 lakh. I have a traditional insurance policy for which my parents pay an annual premium of ₹25,000. How much life cover should I have at this stage?**

—Meenakshi Singhal

The life cover you that you require can be arrived by using a concept called human life value. The human life value uses four factors to determine how much insurance cover you need to protect your family and assets. These factors are your income and expenses, outstanding years to retirement and expected level of inflation.

Typically, for ages less than or equal to 35 years, insurance cover could be a maximum of 25 times the average annual income in the last three years. Though there is no thumb rule for the minimum, a cover which is 8-10 times of your annual income is reasonable. You would find a wide range of life insurance products offering very high life cover, but the exact life cover should be ideally deter-

### Life insurance

mined in accordance to your needs, dependants, life stage, and existing investments.

**I had taken an endowment insurance policy in 2009. I paid two premiums of ₹24,000 each in 2009 and 2010. While taking the policy, I did not have any idea about the features of the policy. I want to know if I should continue the policy. If not, what options do I have?**

—Sandip Kumar

Insurance contracts are long term in nature. The policy value gets built up over a period of time as you continue to pay your premiums. In case of an early surrender, you may lose a significant portion of your investment amount. Moreover, your policy will acquire a guaranteed surrender value only after it is in force for three full years. The guaranteed surrender value will be 30% of premiums paid minus the first-year premium. With the limited information that I have

about your current financial position, I would suggest you continue with the policy.

**I want to buy a term insurance cover of ₹50 lakh. Should I buy it from one insurance company or split the amount into two and buy from two companies? What are the pros and cons of taking term insurance from two different companies?**

—Nripendra Kumar

There isn't a strong case to be made either way. However, if you buy it from two different insurers you may have to undergo medical examination twice and you may lose discount that typically kicks in on a higher sum insured. So consider whether you want to go through this. We also suggest you look for the most cost effective plan (preferably online term plans). Check the policy terms and conditions, understand the claims history of the insurer and its servicing standards before you choose one.

*Queries and views at [mintmoney@livemint.com](mailto:mintmoney@livemint.com)*