



For the Child's Benefit 14 Insurance Plans Compared

As a parent or guardian, it is but your instinct to want to secure your ward's future and financial planning is a critical part of it. You want to make sure that your children will be adequately supported and that their financial needs will be taken care of in an uncertain future and even after your lifetime. If you are looking for ways to do this, this report on 'child insurance plans' may go some way in helping you take a decision. We have compared 14 popular plans on the most important parameters, for you to understand them better and choose the one that suits you the best.

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Everyone wishes to see their child graduate from kindergarten to university. And we all know that a lump-sum amount (often in six figures) is the fee at every average school and this sum becomes steeper in the case of a university. As parents, you think, plan, seek advice and save in the best possible manner to

provide for the child's education, which is one of the largest and most crucial expenses.

In case you did not know, for the past 10 years the cost of education today has been increasing at a rate that is faster than the inflation rate of 7.6 per cent per annum. According to the experts, this trend will continue due to lack of much control or set standards

with regard to educational fee structures across the country.

To begin with, the questions before Team *Consumer Voice* were: how are parents handling these expenses? How much are they saving for their children's education and are they investing in the right financial tools? That was when we zeroed in on 'child insurance plans' that were ideally suited to meet the long-term needs of parents and had an edge over other financial tools, owing to the unique benefits they offered. Child insurance plans, besides offering a lump-sum payment on the death of the policyholder, continue investing money on behalf of the policyholder thereby securing the child's future.



Features to Know

- In most plans the premium is based on the sum assured so that the policy continues to prosper even when it matures.
- In some policies the term (plan period) of the policy depends on the existing age of the child.
- Most of the policies assure death benefit to the proposer.
- Some of the child benefit plans allow non-repayable partial withdrawals during the running of the policy.
- A few companies offer loans against the policy's security.

Limitations

- None of the policies offer life cover to the beneficiary (child) for whose benefit the policies are apparently made.
- Many policies contain a list of charges (given below) that are deducted from the premium, thereby partially reducing the growth of the fund proportionately.
 - ✓ Premium allocation charge
 - ✓ Fund management charge
 - ✓ Policy administration charge
 - ✓ Mortality charge
 - ✓ Surrender/discontinuance charge
 - ✓ Switch charge
 - ✓ Premium redirection charge
 - ✓ Partial withdrawal charge
- Wherever 'surrender value' is offered after five years, policies offer partial withdrawals but no loans are allowed. Where surrender value is available after three years, partial withdrawals are not allowed but loans are allowed.
- Death benefit to the proposer is given up to 105 per cent of the basic sum assured in most of the policies.

Parameters to Consider

Premium amount

This depends on the sum assured and maturity amount you choose.

Payment of regular premium

The premium is paid on a regular basis. This can be yearly, half yearly, quarterly or monthly.

Sum assured

The sum assured should ideally be around 10 times of your present annual income.

Policy term

An ideal policy term for a plan depends on when you think you will need that amount – it may be a year from now when the child will need to go to university or will become an adult. Ideally, if your child is 10 years old, your policy term should be a minimum of eight years.

Maturity amount

Work out a maturity amount taking into account the inflation rate and other such factors.

CV RECOMMENDATIONS

Best Buy

LIC New Endowment Plan

Good Buys

HDFC Life Insurance Young Star

Super Premium

Reliance Life Insurance Child Plan

Waiver of premium

This is a kind of rider that comes inbuilt in child plans. Even if this is not a part of the policy, it is always advisable to opt for the same. In case of death of the insured, this rider enables the policy to continue by passing off the financial burden to pay the rest of the premium to the insurer.

Riders and benefits

These are the add-ons that make your coverage financially and qualitatively more valuable. These may include premium waiver benefit, accidental death and disability benefit, and critical illness rider benefit.



The 14 Plans on 13 Points

Based on the offerings by various insurance companies and relevant information available in the public domain, we compared 14 child benefit insurance plans on 13 parameters. Points were assigned to each parameter considering their importance in the decision-making capabilities of users.

Standalone Features

We have underlined some standalone features of each policy in an effort to help you know their unique selling proposition.

◆ **Reliance Child Plan**

A guaranteed periodic benefit of 25 per cent of 'basic sum assured' plus 'high sum assured' additional benefit (if any) is paid on each of the last three policy anniversaries before maturity, irrespective of the survival of the life assured.

◆ **HDFC Young Star Super Premium**

In case of diagnosis of any of the covered critical illnesses before the end of the policy term, the benefit payable will be determined based on the 'benefit payment preference' (save benefit or save-in-gain benefit) chosen by you.

◆ **LIC New Endowment Plan**

This plan offers an accidental death and disability benefit rider (optional on payment of additional premium). The accident benefit sum assured is payable as a lump-sum along with the 'death benefit' under the basic plan. In case of 'accidental permanent disability' arising due to accident (within 180 days from the date of accident), an amount equal to the 'accident benefit sum assured' is paid in equal monthly installments (EMI) spread over 10 years. Also, future premiums payable for 'accident benefit sum assured' as well as 'basic sum assured' are waived off.

◆ **PNB Met Life Smart Child**

Under the 'tick and take' plan, you can buy a policy without undergoing the hassles of any medicals and with minimum paperwork.

◆ **Star Union Dai-ichi Bright Child**

The plan has two offerings: Career Endowment and Wedding Endowment. Under both, the policy provides graduation expenses, tuition-fee support



(for graduation as well as post-graduation courses between the age of 18 and 21), and support to start own business or pursue higher studies or wedding at the age of 24.

◆ **Max Life Shiksha Plus Super**

Under this plan, a family income benefit (FIB) following or coinciding with the death of the 'life insured' equalling to 10 per cent of the 'sum assured' is paid on each 'policy anniversary' till the end of the term, but not exceeding 10 such installments.

◆ **Aviva Life Young Scholar Advantage**

The unique attraction of this policy is the specially designed death benefit that offers comprehensive protection to the child in the unfortunate event of the proposer's death, by paying 'sum assured' after paying all future premiums (as a lump-sum) into the fund and continuing the policy with all the investment benefits intact till maturity of the policy.

◆ **Kotak Life Headstart Child Assure**

This policy offers seven unique fund options to choose from, with varying degrees of equity exposure. These include funds combining equity, debt and money market instruments for getting a meaningful amount at maturity.

CV Weightage (Criteria) Points →			5	5	5	10	10	5	
Sl No.	Company	Product	Entry Age – Minimum (in years)	Entry Age – Maximum (in years)	Minimum Sum Assured (Rs 000s)	Annual Premium (Rs 000s)	Maximum Sum Assured (Rs 000s)	Minimum Policy Term (in years)	
1	Reliance Life Insurance	Reliance Child Plan	20 (2)	60 (5)	25 (5)	2.5 (10)	No limit (10)	10 (5)	
2	HDFC Life Insurance	Young Star Super Premium	18 (3)	65 (5)	*10 x AP (3)	15 (7)	40 x AP (10)	10 (5)	
3	Life Insurance Corporation of India	New Endowment Plan	18 (3)	55 (3)	100 (5)	8.3 (10)	No limit (10)	12 (3)	
4	PNB Met Life Insurance	Met Smart Child	18 (3)	55 (5)	10 x AP (3)	18 (7)	10 x AP (3)	10 (5)	
5	Star Union Dai-ichi Life Insurance	Bright Child	19 (2)	45 (2)	500 (2)	24 (4)	500 (10)	**24 – child's age (5)	
6	Max Life Insurance	Shiksha Plus Super	21 (2)	50 (3)	500 (2)	25 (4)	No limit (10)	5 (5)	
7	Aviva Life Insurance	Young Scholar Advantage	21 (2)	45 (2)	10 x AP (3)	25 (4)	10 x AP (5)	10 (5)	
8	Kotak Life Insurance	Headstart Child Assure	18 (3)	60 (5)	10 x AP (3)	20 (7)	25 x AP (10)	10 (5)	
9	SBI Life Insurance	Smart Scholar	18 (3)	57 (5)	10 x AP (3)	24 (4)	20 x AP (5)	8 (5)	
10	Aegon Religare	Rising Star	18 (3)	48 (3)	7 x AP (3)	20 (7)	18 x AP (5)	25 – child's age (5)	
11	Edelweiss Tokio	Wealth Builder	91 days (5)	55 (3)	10 x AP (3)	15 (7)	10 x AP (3)	10 (5)	
12	Birla Sun Life	Vision LifeIncome Plan	1 (5)	60 (5)	200 (3)	18 (7)	No limit (10)	15 (3)	
13	IDBI Federal	Childsurance	18 (3)	50 (3)	7 x AP (5)	18 (7)	10 x AP (3)	10 (5)	
14	Shriram Life	New Shri Vidya	18 (3)	50 (3)	100 (5)	10 (10)	No limit (10)	10 (5)	

Notes:

*Minimum and maximum sum assured is calculated on the number of times of the annual premium (AP), which is shown in the table above as 'no. of years x AP'.

	10	2	3	5	5	5	10	20	100
	Maximum Policy Term (in years)	Premium Modes	Loan Available	Partial Withdrawal	Surrender Value(after how many years)	Rider Benefit	Claim-Settlement Ratio (in %) 2012-13	Customer Feedback	Grand Total
	20 (3)	Y/HY/Q/M (2)	Yes (3)	No (0)	3 (5)	No (0)	86.45 (10)	9	69
	20 (3)	Y (1)	No (0)	Yes (5)	5 (2)	Yes (5)	95.76 (10)	12	71
	35 (10)	Y/HY/Q/M (2)	Yes (3)	No (0)	3 (5)	Yes (5)	97.73 (10)	16	85
	20 (3)	Y/HY/Q/M (2)	No (0)	Yes (5)	5 (2)	No (0)	83.87 (6)	8	48
	24 – child's age (5)	Y/HY/Q/M (2)	No (0)	No (0)	3 (5)	No (0)	89.7 (10)	12	59
	25 (5)	Y/HY/Q/M (2)	No (0)	Yes (5)	5 (2)	No (0)	94.25 (10)	13	63
	26 (5)	Y/HY/M (1)	No (0)	Yes (5)	5 (2)	Yes (5)	87.71 (10)	13	62
	27 (5)	Y/HY (1)	No	Yes (5)	5 (2)	No (0)	92.05 (10)	10	66
	28 (5)	Y/HY/Q/M (2)	No (0)	Yes (5)	5 (2)	Yes (5)	94.41 (10)	14	68
	25 – child's age (5)	Y/HY/M (1)	No (0)	Yes (5)	5 (2)	No (0)	66.82 (3)	8	50
	30 (5)	Y/HY/M (1)	Yes (3)	No (0)	3 (5)	Yes (5)	45.45 (3)	5	53
	40 (3)	Y/HY/Q/M (2)	Yes (3)	No (0)	3 (5)	Yes (5)	82.55 (6)	10	67
	25 (5)	Y/M (1)	Yes (3)	No (0)	3 (5)	No (0)	80.06 (6)	10	56
	25 (5)	Y/HY/Q/M (2)	No (0)	No (0)	3 (5)	Yes (5)	67.35 (3)	4	60

***Minimum/Maximum policy term is fixed based on the maximum years as reduced by the existing age of the child as on the date of purchasing the policy.*

◆ SBI Life Smart Scholar

The policy offers 'accident benefit' that includes 'accidental death benefit' and 'accidental total and permanent disability (accident TPD) benefit'.

◆ Aegon Religare Rising Star

This policy offers top-up premium that is to be paid over and above the contractual basic premium with a minimum of Rs 5,000. Such top-up can be opted for till the last five years before the policy term ends. The top-up also enhances the 'sum assured', thus enhancing the life cover.

◆ Edelweiss Tokio Wealth Builder

This policy can give you medical-claim benefits under Section 80D if you opt for 'rider benefit for critical illness', in addition to the usual Section 80C (on premium paid) and Section 10-10D (policy repayment on maturity) of Income Tax Act. The policy further offers death benefit up to 115 per cent of the basic 'sum assured' in case of death of proposer.

◆ Birla Sun Life Vision LifeIncome Plan

This policy provides income for life – five per cent of the 'sum assured' is guaranteed, plus bonus every year after the premium paying term (15 to 40 years). The policy also ensures safety for one's family through comprehensive financial protection till 100 years of age of proposer.

◆ IDBI Federal Childsurance

It offers an additional premium discount for women. The basic premium payable by a woman proposer will be equivalent to the premium for a man younger by three years (for example, a healthy woman of 30 years will pay the premium equivalent to that applicable to 27-year-old man).

◆ Shriram Life New Shri Vidya

This policy offers a premium rebate of three per cent for a 'sum assured' of Rs 5 lakh and four per cent for 'sum assured' above Rs 10 lakh.

