

Eight Things to Revisit on your Policy Anniversary

Expert
Take



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Most individuals buy their first policy as a compulsive tax-saving tool or on recommendation by close relatives or friends. They rarely think about it as a financial planning tool, or factor in inflation or lifecycle changes. However, that doesn't mean that one can't rectify or modify the decision. In fact, the best time to take up the exercise is during the policy anniversary. Here is an eight-fold path that would guide you in your endeavour:

LIFE CYCLE CHANGES

Is your marriage on the cards around the policy anniversary? Check if your would-be spouse has

a life cover. If s/he is an earning member, you would have to calculate a combined human life value (HLV), the expected life-time earnings of an individual, and change the life cover accordingly. You must also revisit the nominations. Birth of a child is another occasion when you have to think about building a corpus for the child's future. Similarly, increase in income is a good indication to consider an enhancement in your insurance cover. However, you should check if your policy provides flexibility of premium payment at a later date or have an option to stagger the premium payment if you lose a job or run into losses.

There is always a choice of enhancing one's cover or investing in policies that factor in inflation. For instance, in a term plan one can hedge against the rising cost of living with an option of increasing the sum assured. One could also add riders, if needed, to their existing policies for higher protection margin.

An individual may also invest additional amounts in regular Ulip policy premiums. Most Ulip plans offer a unique feature of top-up premiums.

MODE OF PAYMENT & PAYMENT FREQUENCY

There is always the flexibility to rework the process of payment. Remembering premium due dates can be a cumbersome task. Switching to an automated ECS facility can be an effective solution.

ADHERENCE TO NEW TAX NORMS

The Union Budget usually has an impact on individuals and their finances. Customers should speak to financial planners after every Budget to understand their existing portfolio and watch out for changes before making any future purchase.

REVISITING THE HEALTH COVER

Given that health care expenditure are rapidly increasing year on year, families may want to reconsider or rework their health cover amounts. This is a good time to add to the health cover in case if it does not match the changing cost scenario. In a case where a dependent has a serious ailment which has strong chances of recurrence, options to increase the medical cover may become limited. In situations like these one can consider buying a unit-linked health plan.

PLAN YOUR PARTIAL WITHDRAWALS AND LOANS

One should ascertain the minimum and maximum withdrawal limit, corpus goals and interest rates offered by the company on his/her policy.

ADDING MORE TOOLS FOR ENHANCED SERVICE

This is a good time to evaluate the need for the various services and tools introduced by your insurance company in the last fiscal.

KEEPING TABS ON INSURER'S SERVICE EFFICIENCY

Before purchasing an insurance plan one must study the service efficiencies of the company, especially in the area of claims settlement or investment performance.

INFORM NOMINEES ABOUT FINANCIAL DECISIONS

All precautions taken by you while filling up the proposal form could come to naught if you fail to inform your nominees about the whereabouts of your policy documents. Some people refrain from telling the nominees about the policy either out of a feeling of insecurity or ignorance. One must remain watchful and avoid such situations.