

A COMPARATIVE ANALYSIS : LIC'S KOMAL JEEVAN VS. ICICI'S SMART KID & TATA AIG'S MAHALIFE JR.

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Life's aspirations come in the guise of "CHILDREN" said Tagore. These aspirations come true if people provide valuable insurance protection to their wards. Hence our motto should be "CATCH THEM YOUNG", in order to provide a BRIGHT FUTURE to our future citizen.

"Life Insurance is just like a fun,
The older you get, the more it costs".

POSITIVE ASPECTS: -

1. Low premium – comparable to other plans of Insurance.
2. Automatic adoption at the age of 18 or 21.
3. Income tax benefits to parents.
4. Premium waiver benefit – the valuable insurance protection on the lives of the proposer during the deferment period can be availed by paying a meagre additional premium.
5. To inculcate the habit of savings in the minds of children at the earliest age.
6. Affinity between the parents and child may grow.
7. Large insurance protection can be availed irrespective of the future health and habit of the child.

Life Insurance Corporation of India has come out with a new "Komal Jeevan" Policy with effect from 14th November, 2002 to realise the dreams of each and every parent for providing higher education to his child and satisfying the need of financial support for entering business/career. This is a money back plan with guaranteed addition and payment of premium ceases on the policy anniversary immediately after the child attains 18 years of age. The plan, besides offering risk cover, also offers payment of sum assured in instalments at age 18, 20, 22, 24 and guaranteed and loyalty additions (if any) at age 26. In ICICI Pru Smart Kid, 20% is paid out at the end of term chosen minus seven years, 25% at end of term minus five years, 25% at end of term minus two years while 30% plus bonus at term. The minimum term here is 10 years while the maximum age at maturity has to be between 22 to 25 years. ICICI Pru Smartkid

is so designed that it provides money at important milestones. Whatever be the uncertainty, these payments will be made to your child at the critical milestones in the child's life.

Tata-AIG's Mahalife Jr. is a whole life – cum- annuity policy offering lifetime cover with periodic receipts. The key benefit of this policy is that premiums are payable for just 12 years after which you start receiving guaranteed annual receipts of 5% per annum on the sum assured from the 13th year onwards for the rest of your life. In addition to these yearly receipts, cash dividends from year 6, based on company's performance are also payable.

The Table - I shows the summarised comparison of LIC's Komal Jeevan vs. ICICI's Smart Kid and Tata-AIG's Mahalife Jr.

To compare the above plans on equal footing, we can take the sales illustration for 4 lacs and life expectancy of 80 years in case of Mahalife Jr. as base and project the maturity value and Survival Benefits payable under Komal Jeevan and Smart Kid at the end of 80 years to make the comparison more realistic.

MAHALIFE JR.

Sales illustration for 4 lakh cover and life expectancy of 80 years :

| | |
|-----------------------|---------------|
| Age at start of cover | 5years |
| Yearly premium | Rs. 27000 |
| Total premium | Rs. 3,24,000 |
| Cash income | Rs. 86,81,867 |

(annual payment of Rs. 20,000 and accumulated with the Company at a projected interest rate of 5% which is not guaranteed)

Special bonus Rs. 3,78,000

(based on Company's performance, conditions apply, please refer to policy wordings for details. The bonus has been assumed @ 0.5% in the years 6-9, 1% in the years 10-19 & 1.5% from years 20 onwards)

Sum Assured Rs. 4,00,000

Total benefit Rs. 94,59,867

KOMAL JEEVAN

| | |
|----------------------|--------------|
| Age | = 6 years |
| Sum Assured | = 2.50 lacs |
| Annual premium | = Rs. 27,557 |
| Total annual premium | = Rs. 330684 |

| | Benefits SB/Maturity | Benefits reinvested @ |
|-----------------------------|-------------------------|---------------------------|
| 5% at 80 th year | | |
| 18 th year | 50,000 | 10,29,690 |
| 20 th year | 50,000 | 9,33,959 |
| 22 nd year | 75,000 | 12,70,693 |
| 24 th year | 75,000 | 11,52,556 |
| 26 th year | 3,93,750 | + 54,88,362 |
| | | (loyalty addition if any) |
| Total | | 98,75,260 (+) |
| | | (loyalty addition if any) |

SMART KID

| | | | |
|-------------------------|-------------------------------------|---------------|---------------|
| Age | 12 (child) | 35 (proposer) | Term 12 years |
| Maturity | 24 | 59 (proposer) | |
| Yly premium (approx.) = | Rs. 27,025 (includes IBR + ADBR) | | |

| At the end of | Child's age | Benefits SB/Mat. | Benefits Reinvested @5% at 80 th yr. |
|-----------------------|-------------|---------------------|---|
| 5 th year | 17 yrs. | 50,000 | 10,81,175 |
| 7 th year | 19 yrs. | 62,500 | 12,25,822 |
| 10 th year | 22 yrs. | 62,500 | 10,58,911 |
| on maturity | 24 yrs. | 75,000) | 31,84,727 |
| | | | 207239 |
| | | + *1,32,239) | |
| | | | 65,50,635 |

- guaranteed addition of 3.5% compounded annually for the first 4 years and bonuses thereafter have been assumed at a similar compounded rate of 3.5%.

The investment in LIC's Komal Jeevan is giving Rs. 4,15,393/- more in comparison to Tata-AIGs Mahalife Jr. The net financial gain in LIC's Komal Jeevan Policy over ICICI's Smart Kid is Rs. 33,24,265/-.

SUMMING UP :-

Planning for your child's higher education is critical. Providing for children's higher education is generally done in an ad-hoc fashion. The cost of higher education has changed vastly in two ways over the last few years. The state subsidy for higher education has come down drastically, pushing up costs vertically. The new choices that are opening in both India and abroad are proving to be cash guzzlers. As a concerned parent, it is essential to make provision for the best education to your children which can be expensive.

The real benefits under LIC's "Komal Jeevan" plan however, is the total guaranteed additions on the maturity date. In case of fall of interest, the life assured is fully protected because of the contractual obligations as envisaged in the policy. In the case of increase in interest rate, the life assured will get enhanced benefit under the plan through loyalty additions. Thus, the life assured is a gainer whether it is "heads" or "tails" – the dynamics in market operation with regard to interest rate besides fulfilling the most cherished ambition of his parent.

DISCLAIMER: The views expressed above are based on the market information available and all efforts have been made to represent the facts in the best possible manner. The terms and conditions on which the policies are sold by insurance companies are subject to changes from time to time depending on various factors. The author does not guarantee that the information in the article reflects the latest amendments/information.

| SR NO. | FEATURES | LIC KOMAL JEEVAN | ICICI SMART KID | TATA AIG MAHALIFE JR |
|--------|---|---|--|---|
| 1 | Term | 18 - age of the child | chosen age at maturity - age of the child min. term 10 years, max, term -25 years | 12 years |
| 2 | Commencement of risk | 2 years from the date of commencement of policy or from policy anniversary immediately following completion of 7 yrs of age whichever is later. | — | — |
| 3 | Periodical payments | SA will be paid in instalments as under : 20% on policy anniversary following attainment of age 18 20% “ “ at age 20 30% “ “ at age 22 30% “ “ at age 24 | At the end of Structure I (% of SA) St. II (% of SA) Term 7 20% of SA 25% of SA Term 5 25% of SA 20% of SA Term 2 25% of SA 20% of SA Term - 20% of SA On Mat. 30% of SA + 20% of SA + guaran.additns. Guaran.additns. + est. bonus + est. bonus | Annual payment of 5% of the sum assured from 13th year onwards till the end of his life |
| 4 | Accident benefit | Not available | Available as accident & disability benefit rider on payment of additional premium | — |
| a. | On death due to accident | not available | - do - Max.limit = 10 lacs | Information not available. |
| b. | On disability due to accdt. | not available | -do- | |
| 5 | Minimum SA | Min. SA 1,00,000 Max. SA 25,00,000 (Pol. Will be issued only in multiples of Rs. 25,000/-) | Min. SA 1,00,000 Max. SA 30,00,000 | Rs. 50,000/- |
| 6 | Mode of payment | single premium, yearly, half-yearly, SSS and quarterly | Monthly, half-yearly and yearly. The monthly mode is only available through ECS (Electronic Clearing Service) | Annual, bi-annual, qly or monthly. |
| 7 | Loan | No loan can be granted | — | Eligible to avail a loan against |
| 8 | Rebate for mode of prem. payment & yly & hly) & high SA | a) Rebate on mode for yly mode - 2% of the tab. premium for hly mode - 1% of the tab. premium b) Rebate on large SA Rs. 2 lacs & above - Rs. 1/- per Rs. 1000 SA | — | — |
| 9 | Bonus | — | Rs. 3.5% compounded annually for the first 4 years & bonuses thereafter (vested bonuses) applicable as per the performance of the Co. | Bonus from 6th years onwards. The bonus is declared based on company's performance & has been assumed at the rate of 0.5% in the years 6-9, 1% in |

| SR NO. | FEATURES | LIC KOMAL JEEVAN | ICICI SMART KID | TATA AIG MAHALIFE JR |
|--------|--|--|--|---|
| | | | | the years 10-19 & 1.5% from year 20 onwards |
| 10 | Guaranteed additions | Rs. 75/- per annum per thousand SA | — | — |
| 11 | Loyalty additions | will be payable based on the rates declared from time to time depending upon the experience of the Corporation. | — | — |
| 12 | Maturity benefit | guaranteed additions plus loyalty addition if any | Balance SA + GA+Est.Bonus | Payment of sum assured on maturity of policy at 100 years. |
| 13 | Death benefit | a) before commencement of risk - refund of premium in full b) after commencement of risk - sum assured plus guaranteed addition plus loyalty additions without any deduction/adjustment of instalment benefit received earlier. | If unfortunate were to happen to the proposer parent - sum assured is paid immediately, waiver of future premium, future benefits guaranteed-which means that the future of the child remains secure. | Payment of SA on death. |
| 14 | Vesting | Policy anniversary immediately after the life assured attaining 18 years of age & no premium is payable thereafter. | — | — |
| 15 | Min. age at entry Maxim. Age at entry Maturity age | 0 years (LBD) last birthday 10 years (LBD) 26 years (LBD) | 0 Years (child) - 20 yrs. proposer 12 years (child) - 60 yrs. proposer 22 to 25 years | 30 days 17 years 100 years |
| 16 | Medical examinations | No medical examination of LA is required. | — | No medical tests |
| 17 | Claim concession | Applicable under this plan | — | — |
| 18 | Tax benefits | Under Section 88 & Section 10(10D) as per the prevailing Income Tax Laws. | Tax benefit under Sec.88 for premium paid | All benefits tax - free. Premiums eligible for tax exemption as per current Income Tax Act. |
| 19 | Minimum premium | Rs. 7,281/- per year | Rs. 8,400/- per year | — |
| 20 | Premium waiver benefit (optional) | available for the proposers upto the age of 50 (nearer birthday) on payment of additional meagre premium, whereby if the proposer dies before the maturity of the policy all the future premiums get waived. | Income benefit rider - takes care of the extra-curricular activities, sports, picnic, trips etc. to ensure the all-round development of the child through payment of 10% of SA annually to your child on each policy anniversary following as unfortunate demise till maturity of the policy on payment of additional premium. Max. limit equal to 10 lakhs. | — |

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|--------|----------------------------|---|-----------------|---|
| 21 | Term rider benefit (optl.) | The proposer will also be given optional insurance cover to the extent of 20% of the basic SA (not exceeding Rs. 1 lac) on payment of additional premium whereby if the proposer dies before 18 years of child, a sum equal to 20% of the basic SA becomes payable to the family. | — | — |
| 22 | Product Mix | <p>Combination with Jeevan Chhaya would be an ideal product mix to receive the instalments of cash flow before the attainment of majority for new born child. Similar combination at later stage would supplement with cash flow during early settlement in career.</p> <p>Combination with Jeevan Kishore would be an ideal product mix to receive the instalments of cash flow for education and lumpsum amount (maturity of Jeevan Kishore) would provide for the start in life for the child.</p> <p>Combination with another Komal Jeevan policy with back dating would fine tune the cash flow from 18 years of age so that the child receives the instalments every calendar year till the maturity of the policies.</p> <p>Komal Jeevan supplemented with T.No. 14 i.e. Endowment Plan at the appropriate time also makes a very good product mix to plan for cash flow at planned intervals.</p> | — | Option to attach any of Tata AIG's other benefits like Accident Benefit, Disability Benefit, Term Benefit or critical illness to this plan. |