CHILDREN INSURANCE PLANS: A COLLATIVE AND ANALYTICAL STUDY OF SELECTED LIFE INSUERS

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ABSTRACT

It is the primary responsibility of all parents to fulfill the child's dreams and aspirations. With mounting inflation and hence a higher cost of living, parents have to ensure that their child is able to lead a life of respect and self-esteem with a financially secured future. Children's plans offered by life insurers have emerged as a smart way to propose financial security to the children. The study examines the children's plans offered by selected life insurers in India. It is found that plans floated by insurers are unique in providing financial means to children to pursue their goals, and these plans are the best available alternative to save and invest for the safe and bright future of the child. However, it is problematic for an individual to comprehend the trick of inherent and latent charges in these plans. The study observed that children's plan SMART Steps Plus of Max New York Life and Young Star Plus II of HDFC SL are worth considering to save for child's better future. On the basis of study it can be inferred that Young Star Plus II of HDFC SL is better in terms of inherent features and diverse charges as compared to SMART Steps Plus of Max New York Life.

Keywords: Financial security, insurer, goals, latent charges, better future.

INTRODUCTION

Financial planning is an essential feature of life for every individual or a family. It aims at ensuring the future financial well-being of one's dependents. It helps reducing uncertainty, promotes peace of mind, eliminates dependency, encourages savings and investment, improves efficiency, ensures credit facility, protects society's wealth, and helps maintain standard of living. These days one of the major concerns of the parents is the financial security of their child. In present days, providing a good education, establishing a professional career, setting up a business or even a modest marriage is quite expensive. Costs are increasing day by day. Now, the concept of 'good old days' has become a dream. In old days, the education and marriage of child was though expensive but it was not high-priced.

The investments in PPF, NSCs, and FDRs earned satisfactory return to meet these expenses and other financial requirements of the future such as setting up business. So, planning for the children's future was not a big issue. Recently, the rate of return has reduced on these investments, and hence these are not very attractive. Further, inflation is another barrier which can dent and tear down the parents' dream of providing higher education and meeting the children's marriage expenses. So, there is a need of planning for children's security in future. Amongst all the available investment avenues for securing kids future, child insurance plans come to mind at the foremost option. These plans may help in building up adequate corpus of funds to cater to the future needs of child.

CHILDREN INSURANCE BUSINESS IN INDIA: KEY STATISTICS

Life insurance market continues to boom, fuelled by an increasing demand of child and pension products. Child insurance in India is one of the foremost growth areas for the insurance business. Children's plans are contributing about 33%, 20%, and 50% of the total insurance business at HDFC Standard Life, ING Life, and Max New York Life Insurance (MNYL) respectively. At MNYL, children's plan business grew by 50% in 2007-08 as compared to the previous year. The annual growth rate of the business is about 10%-15% per annum. Further, head of product management in MNYL observes that it has become easier to market child insurance plan in comparison to regular endowment plans. The survey conducted by MNYL-NCAER observed that 81 percent of the households save for their children's education. The study pointed out that parents generally choose a term that coincides with the child's turning age of 18-25 years. This term varies depending on the targets such as child's graduation, higher education, and marriage. Child insurance business in India is growing day by day because it provides the guardians to protect not only their child's future but also provides better option to the parents. The total market investment in child insurance business in India is worth Rs28200 crore, and it has been growing at a rate of 15% compounded over the last five years. Bharti AXA has made an initial investment of Rs130crore, and the company has plan to further infuse another Rs645crore over the next five years. Rahul Aggarwal, CEO,Optima Insurance Brokers, mentioning about the changing trend in insurance stated that child's insurance business holds approximately 50% share in the insurance industry. As child insurance plans present a way to save money for the special purpose of life, so investment is driving into these plans. Child insurance is the fastest growing segment of the insurance company's portfolio. Escalating cost of higher and overseas education, and parents' ever growing desire of providing quality education to their

children, is leading to the growth of the children insurance portfolio. Another factor accountable for children insurance is the marriage of the child in future. As individuals are becoming more conscious about securing their child's future, child insurance business is expected to perform well.

A COMPARISON OF ALTERNATIVES TO SECURE FINANCIAL FUTURE OF CHILD

There are various options available to build a corpus to accomplish the children's future financial needs. The investments in avenues such as mutual funds and equities have the potential to deliver a huge maturity value. However, investment in these instruments needs a regular investment, and this process may end up in case of an unfortunate demise of the investor. Another investment alternative is a combination of term plan and investment in mutual funds. However, it is also not a right way out for the entire future needs of the children. To safeguard the financial future of kids, child plan is the most appropriate and reliable solution. Child insurance plans are unique in the sense that these plans aim at securing the child's future financial needs even in case of death or disability of the parent or guardian during the policy term. In case of death or total permanent disability of parent, the insurer pays the sum assured immediately to the nominees. Besides this, under the 'waiver of premium' benefit, the policy continues and the insurer continues to pay the premium amount into the same plan. The corpus continues to grow and stands payable to child at the end of the term. Hence, these policies ensure that the goal of child insurance will be achieved even in the absence of parents or guardians due to any mishap.

REVIEW OF LITERATURE

In the insurance literature, the researchers have been investigated diverse aspects of the sector, and it comprises various theoretical and empirical studies. A synoptic review of the selected studies in the insurance sector is presented as follows:

Kakar and Shukla(2010) documented that **s**ocial security is virtually non-existent in India. While governments play a role providing some security to poor households (through the public distribution system targeted at households below the poverty line), in general financial security remains the responsibility of individuals. Life insurance is one of the most important social security measures undertaken in the country. Based on primary data generated through the National Council of Applied Economic Research's (NCAER) National Survey of Household Income and Expenditure (NSHIE), this study attempts to identify determinants of life insurance ownership in the country. An analysis using logistic regression has

corroborated that insured households tend to be more prosperous, more educated and more optimistic about future security than non-insured households. Both the level of education and occupation of the chief earner of a household are major determinants of life insurance participation, apart from asset-ownership. Further, households that are more optimistic about the adequacy of future income and savings show higher levels of participation. No rural–urban divide has been noticed with respect to these influencing factors.

Thipathi Deva Sena et al (2007) conducted research on, "A Study on Consumer Preference and Comparative Analysis of All Life Insurance Companies". The study observed that the insurance industry in India has seen an array of changes in the past one decade. The year saw an uprise in the Indian insurance sector as major structural changes took place with the ending of the government monopoly and the route of the Insurance Regulatory and Development Authority (IRDA) Bill lifting all entry restrictions for private players and allowing foreign players with some entry restriction and limits on direct investment ownership. With the fast changing liberalization, globalization and privatization policies, the changing and growing needs and demands of people have made the insurance industry more competitive. Both public and private players now offer greater choice in terms of products and services. They also make valuable efforts to create awareness about the benefits and significance of insurance although there is still a blocking point among the people. This paper rates all the life insurance companies by analyzing certain variables, the effect of privatization, and measuring the customer perception, purchase behavior, and consumer awareness regarding the life insurance industry.

Gosalia Chirag (2008) in his research paper on, "A Study on Financial Performance of Indian Non-Life Insurance Industry" conducted an analysis of financial performance of the Non-Life insurance sector in India using financial ratios such as claims ratio and combined ratio. It also involves assessment of compliance with IRDA regulations - Solvency margins and Rural and Social Sector Obligations - by the existing insurers.

Sinha Tapen (2006) in his study revealed that India is fast becoming a global economic power. With a relatively youthful population, India will become an attractive insurance market over the next decades. This paper examines the Indian insurance industry. It starts by examining the details of the regulatory regime that existed before independence. This is important because the culmination of the Insurance Act of 1938 became the backbone of the current legislation in place. It highlights the importance of the rural sector - where the majority of the Indians still live. It shows how the recent privatization is playing out in the

market. Based on recent economic estimates, the paper provides projections of segments of the market for 2025.

Panda et al. (2007) investigated the, "FDI in Insurance Sector: Following the Cap Debate." The researchers observed that the debate relating to Foreign Direct Investment (FDI) in the insurance sector is gaining importance. The Law Commission report, on overhauling of insurance law in India, has made some of the suggestions relating to the operational areas of insurance business and suggested the Insurance Regulatory Development Authority (IRDA), to appoint a specialized committee to look into the investment and capital portfolios of the insurance companies. The K P Narasimhan (KPN) committee appointed for such purpose has recommended increasing the share of FDI to 49% in the insurance companies. The proposal is objected and protested by some of the political parties. A debate is on cards to fix a cap on the FDI investment in India after considering the model of South Korea.

Siddiqui S. (2009) conducted a research on the topic, "Indian Life Insurance Sector: An Overview." This paper produced an overview of present position of Life Insurance Sector in India and study various economic indicators related to all Life Insurance Companies operating in India. He revealed that the history of life insurance in India dates back to the year 1818, with the Oriental Lie Insurance Company in Calcutta. In 1870, the first company to charge same premium for both Indian and non-Indian lives was, The Bombay Mutual Life Insurance Society. The life insurance regulation formally began in India in 1912 after the passage of The Life Insurance Companies Act of 1912 and the Provident Fund Act of 1912. The Government of India liberalized the insurance sector in March 2000, with the passage of the Insurance Regulatory and Development Authority (IRDA) Bill. This act lifted all entry barriers for private and foreign companies to enter the Indian market.

Sinha (2007) investigated the Productivity and Efficiency of Indian General Insurance Industry. The study revealed that the deregulation of general insurance industry in India is having far-reaching consequences in terms of market size, structure and operational practices. The penetration level of general insurance in India is quite low compared to the international standards and, therefore, has tremendous potential for growth. The study compared the performance of 12 general insurance companies in respect of technical and scale efficiency and total factor productivity in a three-output three-input framework, for the years 2003-04 and 2004-05, by using Data Envelopment Analysis and Total Factor Productivity Index. The public sector insurers dominate the private sector insurers in terms of mean technical efficiency in constant returns to scale, while the private sector insurers have a slightly higher

mean technical efficiency than the public sector insurers in variable returns to scale. A further comparison of total factor productivity and gross income is also made in respect of both public and private sector insurance companies.

Chennappa, D. (2006) examined the Results of Liberalized India's Insurance Sector: Challenges and Opportunities. The study found that the insurance industry is one of the fastest growing industries in the country, and is growing at a rate of 26% per annum. The outcome of liberalization over a period of five years has been positive in terms of the premium underwritten and the annual growth rate. Private life insurers have captured 26% of the market share. While bancassurance being in its nascent stage has made little progress in improving penetration of insurance business, the proposed government's move to withdraw the guarantee of the 16 crore policies of LIC of India may prove to be a hurdle for the growth of the insurance business in the coming years. With more than 60% of the rural people uncovered, the role of private insurance players becomes all the more significant.

STATEMENT OF THE PROBLEM

The extensive survey of the literature review revealed that none of the researchers has so for conducted a study on the child insurance plans in India. The researcher observed that child insurance is almost an untouched area in the insurance sector, and there is lot of scope to contribute on the selected topic. Hence, the researchers have decided to conduct an analytical study on the child insurance plans. Child insurance in India is emerging as a vital and money-spinning business prospect for the insurance sector. Child insurance is a life insurance product designed to meet the specific financial needs of the children. There are various exercisable options available to parents for investing in child insurance products viz., Traditional/Conventional plans, and unit linked child insurance plans. As per IRDA sources, there are 20 life insurers offering 30 units linked and 20 conventional/traditional child insurance plans. So, there are a large number of plans to choose from by parents according to their risk profile and investment horizon. But such a wide range of plans often confuses the parents. Sometimes, they are not able to identify the best plan according to their means and they have to pay heavy charges, to the insurers. Further, surrender of purchased policy again leads to losses to the insured. These problems have evoked the interest to analyze the child plans of insurers in India.

OBJECTIVES OF THE STUDY

The present study is an attempt to collate and explore different child insurance plans on the basis of selected parameters. The present study examines the diverse features and charges

inherent in child insurance plans of the selected life insurers in India and also evaluates the performance of selected child insurance plans of leading private sector life insurers in India. Further, the aim of the study is to spot and recommend the best child insurance plan on selected parameters.

RESEARCH DESIGN

The present study is descriptive and analytical in nature. It examines the structure of charges, features, and growth performance of the child insurance plans of leading private sector life insurers. The scope of the study is limited to investigation of the structure and performance of Young Star Plus II of HDFC Standard Life, Smart kid new unit linked-RP of ICICI Prudential, SMART Steps Plus of Max New York Life, Headstart Assure Wealth of Kotak, and Little Master of AVIVA. The study is based on secondary data. The data has been collected through brochures, web-sites, benefit illustrations, and information obtained from financial advisros and business development managers. Further, for the purpose of study, the benefit illustrations have been obtained from the financial advisors of the selected life insurers subject to predetermined criteria. To compare the plans, benefit illustrations of the selected life insurers have been obtained for the criteria i.e. annual target premium of Rs 50000 per annum with a sum assured of Rs500000, at 25 years of age of the parent and one year age of the child/beneficiary, for 20 years policy term. The information obtained have been compiled in the form of tables, and then analyzed to achieve the objectives of the study.

RESULTS AND DISCUSSION

1. The study observed that child insurance plan can be started with annual premium as low as Rs10000 for Smart kid new ULRP of ICICI Pru; it is followed by Young Star Plus II of HDFC SL with annual premium of Rs12000. The minimum annual premium of plans of AVIVA Little Master and Kotak Life-Headstart Assure Wealth is Rs 15000. The minimum annual premium is on the higher side, i.e., Rs20000 for Smart Steps Plus of Max New York Life.

2. There is uniformity in all the plans as for policy term is concerned. The minimum policy term for all the plans with regular premium is 10 Years, and the maximum policy term for all the selected child insurance plans is 25 years. Hence, depending on the age of the child, parents can choose a term ranging from 10 to 25 years.

3. The entry age of parent for purchasing a child plan is minimum of 18 years for Young Star Plus II of HDFC SL, Kotak Life-Headstart Assure Wealth, and AVIVA-Little Master; whereas it is 20 years and 21 year for ICICI Pru Smart kid new ULRP and Max New York

Life-Smart Steps Plus. However, the maximum entry age of parent for buying a child insurance plan varies between 50 to 65 years for plans of different insurers.

4. The study finds diversity in the minimum age of child for buying a child insurance plan. Parent can buy the children plan Smart kid new ULRP of ICICI Pru and Kotak Life-Headstart Assure Wealth of Kotak Life since the birth of the child, whereas this age is minimum of 91 days for Smart Steps Plus of Max New York Life and 365 days for AVIVA's-Little Master.

Table 1

Features of Child Insurance Plans of Selected Insurers

Features	**HDFC SL-Young Star Plus II**	**ICICI Pru-Smart Kid**	**Max New York Life-Smart Steps Plus**	**Kotak Life-Headstart Assure Wealth**	**AVIVA-Little Master**
Min Annual Premium (Rs)	12000	10000	20000	15000 (RP), 50000(3 Yr Term), 25000(4-10 yr term)	15000 (Min Policy term 10yr>) & 25000 (policy term<10yr)
Eligibility Criteria					
Min/Max age (Parent)	18-65 yr	20-60	21-50 yr	18-60 yr	18-50 yr
Min/Max age (Child)	Not Mentioned	0-15	91 days to 15 yr	0-17	1-17 yr
Maturity age (Parent)	Max 75 yr	Max 75 yr	Max 60 yr	Max 75 yr	Max 70 yr
Maturity age (Child)	Not Mentioned	18-25 yr	16-25 yr	18-25 yr	18-25 yr
Policy Term	10-25 yr	10-25 yr	10-25 yr	Min 10 yr	8-25 yr* conditions apply
Death Benefit					
Immediate Sum Assured	Yes	Yes	Yes	Yes	Yes
Waiver of future Premium	Yes	Yes	Yes	Yes	Yes

Co pays future premium	Yes	Yes	Yes	Yes	Yes(Single Payment)
Family Income Benefit	Optional	Optional	Yes	N.A.	Optional
Policy Continues	Yes	Yes	Yes	N.A.	Yes
Other Benefits					
Loyalty units	Loyalty units @ 0.10% added to fund every year	Not Available	Not Available	1%, 5%, 2% of F.V. in 10, 15 & 20 years respectively	Up to 8% guaranteed additional units at maturity
Partial withdrawals	After 5 years		After 5 years	After 5 yrs, conditions apply	After 3/5 years subject to conditions
Riders	Critical illness Benefit	Income Benefit, Accident & Disability Benefit, Waiver of Premium	In Built Dread disease benefit	Critical illness Benefit, Permanent Disability Benefit, Accidental Death Benefit	Income Benefit, Critical Health Benefit
Maturity	Fund Value	Fund Value	Fund Value	Fund Value	Fund Value
Settlement Option	Available	Available	Available	Available	Available

5. The child has to be of at least 18 years of age at the time of maturity of plans of ICICI Pru Smart kid new ULRP, Kotak Life-Headstart Assure Wealth and AVIVA Little Master. The minimum age of child at the time of maturity of children plan ought to be 16 years for Max New York Life-Smart Steps Plus.

6. There is uniformity on the maximum age of children at the time of maturity of plan which is 25 years for all the selected insurers. Further, the maximum age of parent at the time of maturity of the plan must not exceed 75 years for the selected insurers, except SMART Steps Plus of Max New York Life and Little Master of AVIVA where it is 60 year and 70 year respectively.

7. The study observed that death benefit is given to the nominees by all the selected insurers immediately if the insured dies during the term of the plan, or suffers total and partial

disability in an accident. All the companies offer 'waiver of premium' or 'premium protection option. In case of Young Star Plus II of HDFC Standard Life, Smart kid new unit linked-RP of ICICI Prudential, SMART Steps Plus of Max New York Life, sum assured is paid to nominees immediately and the company continues to pay premium for the remaining policy term. In case of Little Master of AVIVA and Headstart Assure Wealth of Kotak, the sum assured is paid to nominees immediately and a lump sum amount equal to the premium multiplied by the number of outstanding premiums is immediately put into the fund.

8. Three out of five plans viz., Young Star Plus II of HDFC Standard Life, Headstart Assure Wealth of Kotak, and Little Master of AVIVA offer loyalty bonus in addition to fund value on maturity These loyalty units are given to the insured on successful payment of regular premiums for the policy term. Further, all the companies offer an option to get the maturity value as lump sum payment or in pre specified instalments over a five year period.

9. The study observes that child insurance plans are flexible. These plans offers top up facility, partial withdrawal facility, premium redirection facility, increase/decrease in premiums as well as sum assured, diverse riders are also available at extra costs subject to some terms and conditions. An insured can avail these facilities depending on his requirements and circumstances.

10. It is observed that it is really very difficult to select a plan which has lowest charges on all fronts.

Table 2

Charges of Unit Linked Children Insurance Plans of Selected Insurers

Description of Charges	**HDFC L-Young Star Plus II**	**ICICI Pru-Smart Kid**	**Max New York Life-Smart Steps Plus**	**Kotak Life-Headstart Assure Wealth**	**AVIVA-Little Master**
Premium Allocation Charge (Total Deduction in first 5 years)	64%	40%	38%	59%	42%
Fund Management Charge	0.8%	0.75%-1.5%	0.9%-1.35%	0.60%-1.75%	1.0%-1.6%
Policy Administration	Rs62 p.m.	Rs60 p.m.	Rs50p.m.	1st Yr: Rs75 p.m.	Rs54 p.m.

Charge				2nd Yr>: Rs40 p.m	
Switching Charge	24 free switches per year, Rs 100 per switch thereafter	4 free switches per year, Rs 100 per switch thereafter	6 free switches per year, Rs 500 per switch thereafter	4 free switches per year, Rs 500 per switch thereafter	4 free switches per year, 0.5% of switched amount thereafter
Surrender Charges	100%-2% in Year 1 to 4, Nil: 5th year onward	100%-2% in Year 1 to 4, Nil: 5th year Onward	100%-15% in Year 1 to 9. Nil: 10th year onward	Not Mentioned	100%-10% in Year 1 to 5. Nil: 6th Year Onward

Source: Brochures of the insurers

11. HDFC SL Young Star Plus II is the best plan so for as free switching is concerned. It offers 24 free switches for every policy year, with a charge of Rs100 per switch thereafter. It is followed by Max New York Life-Smart Steps Plus which offers 6 free switches per year, with a switching charge of Rs500 thereafter. Headstart Assure Wealth of Kotak is the costliest amongst all the selected child insurance plans in relation to switching charges. This plan offers 4 free switches per year, and switching charges are Rs500 per switch thereafter.

12. The study observed that there is free exit without any surrender charges after 5th year in case of Young Star Plus II of HDFC Standard Life and Smart kid new ULRP of ICICI Prudential. There is no surrender charge after 6th year for Little Master of AVIVA. However, there is free exit only after 9th year in case of Max New York Life-Smart Steps Plus. Hence, this plan discourages early exit as child insurance plan is meant for long term.

13. On the basis of assumed accumulated losses due to premium allocation charge Headstart Assure Wealth plan of Kotak is given 1st rank due to its lowest charges ,i.e., Rs26250, and Young Star Plus II of HDFC SL is given 5th rank due to the highest charges, i.e., Rs51500. Children insurance plan Smart kid New ULRP of ICICI Pru, SMART Steps Plus of MNYL, Little Star of AVIVA are at 2nd, 3rd and 4th rank.

Table 3

Assumed Accumulated Losses on Premium Allocation Charge

Plan	Life Insurer	Accumulated Losses on Premium Allocation Charge**	Rank
Headstart Assure Wealth	KOTAK	26250	1
Smart kid New ULRP	ICICI Pru	31994	2
SMART Steps Plus	MNYL	36951	3
Little Master	AVIVA	43000	4
Young Star Plus II	HDFC SL	51500	5

Source: compiled from benefit illustration of insurers

**Accumulated charges for 20 years term on assumed non-guaranteed return of 10 percent

14. On the basis of assumed accumulated losses due to policy administration charge, children insurance plans namely, Headstart Assure Wealth of Kotak, Smart kid New ULRP of ICICI Pru, Little Star of AVIVA, Young Star Plus II of HDFC SL, SMART Steps Plus of MNYL have been assigned 1st, 2nd,3rd,4th, and 5th rank respectively.

Table 4

Assumed Accumulated Losses on Policy Administration Charge

Plan	Life Insurer	Accumulated Losses on Policy Administration Charge**	Rank
Headstart Assure Wealth	KOTAK	10020	1
Smart kid New ULRP	ICICI Pru	15880	2
Little Master	AVIVA	21425	3
Young Star Plus II	HDFC SL	21714	4
SMART Steps Plus	MNYL	21884	5

Source: Benefit illustration of insurers

**Accumulated charges for 20 years term on assumed non-guaranteed return of 10 percent

15. Young Star Plus II of HDFC SL, SMART Steps Plus of MNYL, Little Star of AVIVA, Smart kid New ULRP of ICICI Pru, Headstart Assure Wealth of Kotak stood at 1st,

2nd,3rd,4th, and 5th rank so for as accumulated loss due to fund management charge is concerned.

Table5

Accumulated Losses on Fund Management Charge

Plan	Life Insurer	Accumulated Losses on Fund Management Charge**	Rank
Young Star Plus II	HDFC SL	210389	1
SMART Steps Plus	MNYL	237369	2
Little Master	AVIVA	257741	3
Smart kid New ULRP	ICICI Pru	300094	4
Headstart Assure Wealth	KOTAK	311660	5

Source: compiled from benefit illustration of insurers

**Accumulated charges for 20 years term on assumed non-guaranteed return of 10 percent

16. Young Star Plus II of HDFC SL, Little Master of AVIVA, Headstart Assure Wealth of Kotak, SMART Steps Plus of MNYL, and Smart kid New ULRP of ICICI Pru are given 1st, 2nd, 3rd, 4th, and 5th rank on the basis of accumulated loss due to total charges. So, assumed accumulated losses due to total charges are lowest for the child plan Young Star Plus II of HDFC SL, and highest for Smart kid New ULRP of ICICI Pru.

Table 6

Accumulated Losses on Total Charges

Plan	Life Insurer	Accumulated Losses on Total Charges	Rank
Young Star Plus II	HDFC SL	351199	1
Little Master	AVIVA	358790	2
Headstart Assure Wealth	KOTAK	359334	3
SMART Steps Plus	MNYL	361448	4
Smart kid New ULRP	ICICI Pru	396734	5

Source: compiled from benefit illustration of insurers

**Accumulated charges for 20 years term on assumed non-guaranteed return of 10 percent

17. It is found that fund value on maturity (non-guaranteed benefits at 10% p.a.) of Headstart Assure Wealth of Kotak is highest, i.e. ,Rs2451623 with net yield of 7.97% per

annum, and it is followed by fund value ,i.e., Rs2291338 with net yield of 7.93% of Little Star of AVIVA. So, children insurance plans of Kotak and Aviva have been assigned first and second rank on the basis of their projected fund values and net yields. Smart kid New

Table 7

Total FV and Net Yield

Child Plan	Insurer	Total FV	Net Yield	Rank
Headstart Assure Wealth	KOTAK	2451623	7.97%	1
Little Master	AVIVA	2291338	7.93%	2
Smart kid New ULRP	ICICI Pru	2252179	7.68%	3
SMART Steps Plus	MYNL	2272953	7.30%	4
Young Star Plus II	HDFC SL	2264839	7.27%	5

Source: compiled from benefit illustration of insurers

**Accumulated charges for 20 years term on assumed non-guaranteed return of 10 percent

ULRP of ICICI Pru, SMART Steps Plus of MNYL, Young Star Plus II of HDFC SL stood at, 3rd,4th, and 5th ranks. It is to be kept in mind that these accumulated values and net yields are on the basis of assumed returns of 10 percent and net yields are the percentage returns after adjustments of the diverse charges of the companies. Actual returns may vary from the assumed returns demonstrated by the sales benefit illustrations provided by the insurers.

18. The analysis of high risk funds of selected plans depicts that the performance of Growth Super Fund of MNYL, Growth Fund II and Equity Managed Fund II of HDFC SL, Kotak Opportunity Fund is quite impressive over the short term. In this category, Growth Super Fund of MNYL has emerged as the best fund with a growth of 53.37 percent, 63.99 percent, and -3.90 percent over last 3 months, 6 months and last 1 year respectively.

Table 8

Performance of High Risk Funds*

INSURER & PLAN	FUND	Last 3 month Return (%age)	Last 6 month Return (%age)	Last 1 year Return (%age)
HDFC SL- Young Star Plus II	Equity Managed Fund II	46.66	39.29	-11.23
	Growth Fund II	51.57	43.57	-19.41
ICICI Pru -	RICH Fund II	43.76	31.84	-7.31

INSURER & PLAN	FUND	Last 3 month Return (%age)	Last 6 month Return (%age)	Last 1 year Return (%age)
Smart kid New ULRP	Multiplier Fund II	44.67	34.72	-10.99
	Flexi Growth II	44.44	32.81	-10.45
MNYL SMART Steps Plus	Growth Super Fund	53.37	63.99	-3.90
	Growth Fund	29.30	36.06	0.67
Kotak Life-Headstart Assure Wealth	Kotak opportunity fund	49.25	35.31	N.A.
	Kotak aggressive growth fund	41.41	41.83	-18.43
	Kotak dynamic qowth fund	24.27	27.36	-18.58
	Kotak dynamic floor fund	21.27	24.81	24.22
AVIVA-Little Master	Growth Fund	34.98	37.71	0.67

* Performance as on 22 May, 2009

19. Balanced funds are good for an individual with moderate risk appetite. In this category, the last one year returns of Defensive Managed Fund of HDFC SL, Balanced Fund of ICICI Pru, and Balanced Fund of AVIVA are 7.56 percent, 6.07 percent, and 4.08 percent respectively. During this period, Balanced Managed Fund II of HDFC SL and Kotak Dynamic Balanced Fund of Kotak have shown a negative return of -7.75 percent and -9.74 respectively. However, Balanced Managed Fund II of HDFC SL has registered a growth of 28.21 percent and 26.52 percent, whereas Kotak Dynamic Balanced Fund of Kotal has shown a positive return of 21.27 percent and 24.81 percent during last 3 months and last 6 months. Among the moderate risk category funds, the performance of Balanced Managed Fund II of HDFC SL is better than Kotak Dynamic Balanced Fund. So, in the moderate risk funds category, the performance of funds of HDFC SL is worth appreciating and deserves consideration by the parents/investors.

Table 9

Performance of Moderate Risk Funds

INSURER & PLAN	**FUND**	**Last 3 month Return (%age)**	**Last 6 month Return (%age)**	**Last 1 year Return (%age)**
HDFC SL-	Defensive Managed Fund II	13.12	18.10	7.56

INSURER & PLAN	FUND	Last 3 month Return (%age)	Last 6 month Return (%age)	Last 1 year Return (%age)
Young Star Plus II	Balanced Managed Fund II	28.21	26.52	-7.75
ICICI Pru – Smart kid New ULRP	Balancer Fund II	19.87	13.94	6.07
	Flexi Balanced II	22.41	17.61	-0.26
MNYL-SMART Steps Plus	Balanced Fund	13.07	19.46	2.89
Kotak Life-Headstart Assure Wealth	Kotak dynamic bal fund	21.27	24.81	-9.74
AVIVA-Little Master	Balanced	12.11	16.59	4.08

* Performance as on 22 May, 2009

20. Low risk funds are good for an individual with low risk appetite. On the basis of short term performance of these funds, Kotak Dynamic Bond Fund, Kotak Dynamic Gilt Fund, and Secure fund of MNYL are at 1st, 2nd, and 3rd rank respectively.

Table 10

Performance of Low Risk Funds

INSURER & PLAN	FUND	Last 3 month Return (%age)	Last 6 month Return (%age)	Last 1 year Return (%age)
HDFC SL-Young Star Plus II	Liquid Fund II	2.45	4.62	9.15
	Stable Managed Fund II	2.34	4.82	8.58
	Secure Managed Fund II	2.74	6.03	11.31
ICICI Pru-Smart kid New ULRP	Preserver Fund	2.70	4.57	10.75
	Protector Fund II	3.73	2.93	13.11
	Return Guarantee Fund	5.14	5.22	N.A.
MNYL-SMART Steps Plus	Secure Fund	3.65	11.99	16.11

INSURER & PLAN	FUND	Last 3 month Return (%age)	Last 6 month Return (%age)	Last 1 year Return (%age)
Kotak Life-Headstart Assure Wealth	Kotak dynamic bond Fund	4.36	14.19	18.04
	Kotak dynamic floating rate fund	1.57	4.84	9.77
	Kotak dynamic gilt fund	3.94	8.88	16.57
	Kotak dynamic money market fund	N.A.	N.A.	N.A.
AVIVA-Little Master	Secure	2.48	7.63	10.07
	Protector	1.69	6.63	10.78

* Performance as on 22 May, 2009

CONCLUSION& RECOMMENDATIONS:

Child insurance has emerged as the leading and fastest growing areas of insurance business in India today. It is a double edged instrument in the sense that it serves tax saving purpose and also provides an investment avenue in addition to the risk cover to the insured. It is in fact complicated to understand the gimmick of inherent charges in the child insurance plans. In the present study, it is found that Growth Super Fund of SMART Steps Plus (MNYL) is the best performing fund amongst the high risk funds, and the performance of funds of HDFC SL is worth consideration in the moderate risk funds category. Before making any final decision, it is recommended that a parent should note that the accumulated losses due to total charges are higher for the SMART Steps Plus of MNYL in comparison to Young Star Plus II of HDFC SL. The reason for higher charges in SMART Steps Plus (MYNL) is that it provides an inbuilt cover of dreaded diseases to the insured. It is recommended, that that a parent should consider Young Star Plus II of HDFC SL is better in case one want early exit from the plan as there is no surrender charges in the policy after 5th year whereas it is costly to make an exit in case of the SMART Steps Plus of MNYL as there is some surrender charge in the policy up to first nine years. On the basis of this comprehensive analysis, it is recommended that parent can select either a child insurance plan Young Star Plus II of HDFC SL or SMART Steps Plus of MNYL depending on their vision, needs, spectrum of time horizon and probability slot of risk profile.

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