Cut the premiums & keep your cover

Priya Kapoor, ET Bureau Sep 29, 2010, 04.56am IST

It's always a good time to learn how to reduce your bills. But when inflation is breathing fire at 8.51% for the month-ended August, these tips and tricks can be the lifeline for your strained budget. More so, when the bills in question are insurance premiums.

It may not be apparent, but the total cost of your health, car and life insurance policies puts you back by a few thousands every year. If you have a few traditional plans in your kitty, the sum will be well over `50,000 annually. So even a 25% cut in that expense can add `12,500 to your annual surplus. Is this possible without compromising on the total sum assured? Yes it is. Read on to find out how.

Kick The Butt

Here's yet another reason for you to quit smoking. Insurers like Met Life, Max New York Life, Kotak Life and Birla Sun Life offer special term plans for non-smokers, which are cheaper by 20-40%. The only catch is that these schemes are not available for term plans with low cover. Says Veer Sardesai, a Pune-based certified financial planner: "People must compare these special policies with other term plans and opt for the cheapest option."

Pay Annually

Higher the payment frequency, greater is the total premium outgo from your pocket due to loading. So experts recommend paying annually vis-à-vis monthly to avail the rebate. However, only traditional policies offer this difference in pricing.

Not only are individual health plans expensive, you are also unlikely to use up the entire cover. Say, you are 45 years old and have bought a `5-lakh policy for each of the four members of your family. On one hapnd, the annual premiums will total a hefty `29,640 and on the other, a major chunk of the cover will be unutilised, as total medical expenses of the family will rarely touch `20 lakh. So, it is better to choose a family floater policy under which all the members can share a cover of `5 lakh. The cost benefit — about `10,000 a year. Of course, if you have a chronically ill or an old patient at home, an additional cover for them may be necessary.

Exploit Group Advantage

Another trick to reduce your health cover premiums is to extend the employer-sponsored group insurance to your family. These plans are 20-25% cheaper than family floater plans. **"The actual cost of these plans depends on the scope of the cover, past experience of the insurer with the company and the number of employees in the organisation. But they are certainly cheaper that individual or floater plans," confirms V Ramakrishna, managing director of India Insure Risk Management.**

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