

Cheapest may not always be the best



By Magicgyan Team,

When it comes to products or services we always have multiple choices. Prices of products vary from brand to brand. Let's take an example of simple household cleaning and disinfectant product like phenyle. There are branded products in this segment from big FMCG's who face stiff competition from locally produced and relatively unknown brands priced as much as 60% lower. Purchasing the cheapest phenyle available does not make a big difference to many people as it is the price which matters more for them.

When it comes to purchasing a term plan, cheapest may not always be the best.

Let us first understand how an insurance company calculates the premium payable on life insurance. The amount of insurance premiums charged by the insurance companies is determined by statistics and mathematical calculations done by the underwriting department of the insurance company.

Factors that are considered for calculation of tabular premium rates for term plans include mortality rates, rate of interest and management expenses. Premium rates also vary depending on age and health of the customer. Smokers are charged a higher premium as compared to non-smokers.

Apart from the price there are factors you need to keep in mind while choosing a term plan.

Claim settlement ratio of the insurance company

Why this matters?

It is one of the most important factors you should consider while purchasing a term insurance policy. There is only one obvious reason why a person purchases a term insurance policy; to provide financial protection to his dependents in case of his death. This objective of providing financial protection is rendered totally useless if the death claim is rejected by the insurance company. Hence it would be a wise decision to take a look at the past claim settlement ratio of the insurance company from which you are purchasing the policy.