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SINGLE-PREMIUM unit-linked insurance products are popular among investors due to the convenience and less worries. However, the new Ulip season has seen very few such products. The Wealth Insurance Plan from Bajaj Allianz Insurance Company is one among the few new products. This is a single-premium whole life unit-linked insurance policy. It is a vanilla product, with the maturity age fixed at 75 years. The plan offers a comprehensive basket of investment options (funds), with varied proportion of equity and debt, for one to choose from as per the risk and return appetite. For instance, the equity growth, pure stock and accelerator mid-cap options are equity-based, whereas liquid and bond funds are debt-based. Those looking for a balanced portfolio can opt for the asset allocation fund. This plan also offers an index fund option for those who want returns that mirror the stock market.

COST STRUCTURE: The Wealth Insurance Plan has a reasonable cost structure. The premium allocation charge and the policy administration charge add up to 10.3 % of the single premium over the five-year period. This implies that

Rs5,150 will be deducted as expense on a single premium of Rs50,000. In compliance with the new guidelines of the insurance regulator, IRDA, this policy does not have any surrender charge; the lock-in period remains five years. The fund management charge is comparable with the other products in the market.

BENEFITS: This is a vanilla, single-premium product with not many features. The policy gives loyalty units ranging from 3 % - 7 % of the single premium at the end of the fifth year of the policy. Apart from that, it allows policyholders to decrease the sum assured if required. The policy has a settlement option that allows policyholders to take the maturity proceeds in installments over a period (not exceeding five years). The policy also offers riders of accidental death and disability benefit on payment of additional charges.

PERFORMANCE: This plan was launched only recently, but the funds have been in place for quite some time. All of its funds have outperformed their respective benchmarks over the

Simple & Effective

Bajaj Allianz Wealth Insurance Plan is a vanilla, single-premium product with not many features. The policy gives loyalty units ranging from 3-7% of the single premium at the end of the fifth year of the policy

period. Its equity funds like equity growth and accelerator mid-cap fund have given absolute returns of 22.8% and 23.2% respectively over a period of eight months. The index option of the fund has replicated the Nifty quite well. The pure stock fund option is quite a new concept. It invests in sectors that are ethical. So, it does not

expectations.

PORTFOLIO REVIEW: Bajaj Allianz follows a conservative investment approach. The fund portfolio is quite exhaustive, with almost all kinds of investment option available under it. The company has high mid-cap equity exposure. Almost 20 % of the equity fund and 40 % of the pure stock fund is parked in mid-cap stocks. Apart from this, it has a fund dedicated to mid-cap stocks for investors with high-risk appetite.

The funds have high exposure in cyclical sectors such as financial services and oil & gas. This has been balanced out with sufficient exposure in growing but low-beta sectors, such as FMCG and healthcare. Interestingly, this company also has relatively high exposure in telecom, which has not performed well in recent times. The fund manager

churning is not frequent and is mostly done in mid-cap stocks rather than in large caps.

DEATH/MATURITY BENEFITS:

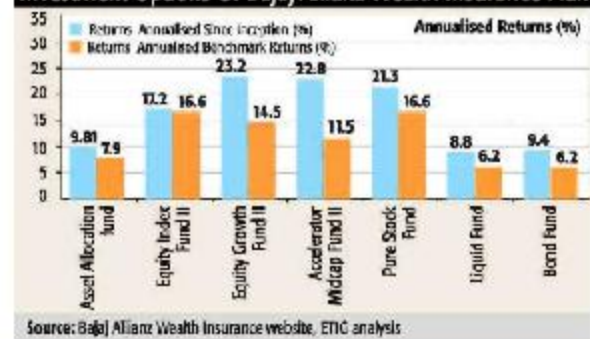
The Wealth Insurance plan is a whole-life plan. The maturity age is fixed at 75 years. On attaining this age, the policyholder receives the amount accumulated in the fund. In case of sudden demise of the person, the survivor will receive either the fund value or the sum assured, whichever is higher, less the partial withdrawal in the past 24 months. For instance, say a 35-year-old healthy male invests Rs200,000 in the equity growth fund. Assuming that the sum assured is equivalent to five times the annual premium, the total sum assured receivable, in case of any eventuality, would be Rs10 lakh. Now by the end of 40 years, assuming a rate of return of 6 % and 10 %, the fund value shall be Rs3,25,666

OUR VIEW: If we compare the Wealth Insurance plan with a term plan, we will find that a 30-year term plan for the 35-year-old male with Rs10 lakh as sum assured will cost between Rs4,700 and Rs5,500 per annum. This implies that over a period of 30 years, almost Rs140,000 to Rs165,000 will be shelled out as premium.

The premium will become an expense and the coverage received will also be only for 30 years. But in the single-premium plan, the coverage is till 75 years of age, and there in lies an opportunity to invest the premium in the market and receive an accumulated corpus back in the form of fund value. Hence, we recommend this plan over a term plan.

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Investment Options Of Bajaj Allianz Wealth Insurance Plan



invest in sectors like gambling, hotels, banks etc. The has performed relatively well despite the financial services sector not being a part of it. The absolute return of this fund over

three years has been 78.6%. This implies that Rs100 invested in this scheme three years ago would be worth Rs178.6 today. Another interesting investment avenue is the asset allocation fund. This fund is directly controlled by the fund manager, who based on the macro economic news valuation of companies, takes a call the proportion of debt and equity. Currently, only 33 % of the fund's

is invested in the equity market. The concept of the fund is good, but its returns have not met the

Bajaj Allianz Wealth Insurance Plan's Cost Structure

Premium Allocation Charges	2% of SP
Allocation Charge on Top-Up	2%
Fund Management Charges #	0.95% - 1.35% per annum
Policy Administration Charges*	1.5 % of SP
Surrender Charges	Nil

varies in proportion to equity exposure of fund
* Policy Administration Charge is to be paid for 5 years and it increases by 5% every year
SP- Single premium

Source: Company Website

SECTORAL EXPOSURE

Average % split of sectors across the funds of Bajaj Allianz Wealth Insurance Plan

