



Factors impacting your term insurance premium

The premium paid per year increases if one chooses a limited premium payment period, say for 10 years rather than throughout the cover period

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While considering the most simple and cost effective way in which an individual can secure and protect their family to be able to have financial independence in their absence is Term Insurance. In its simplest form, in the unfortunate event of demise of the person insured, a term life insurance policy pays a fixed amount, known as the Sum Assured, to the nominee of the insured. To purchase this pure risk cover, one has to pay a premium to the insurer which is fixed at the time of the purchase of the policy.

A natural query that a prospective buyer may have is what really determines the amount of premium that s/he is required to pay for purchasing an amount of Sum Assured, say Rs 1 Crore Sum Assured policy. Furthermore, it is important for an individual to understand term insurance premium and factors that help optimize the term insurance coverage for a given premium, a few are as follows.

● Age and gender

Term premium increases with age at which you purchase the policy. While you can't turn the clock back on age, it is smart to purchase term insurance early on in your life, ideally as soon as you have people in your family who in some way or the other are financially dependent on you. Once you have decided on the time of purchase, your term premium stays fixed for the policy period, and you need not worry about any increase in premium for the policy for the tenure that you are covered for.

Premiums are relatively lower when one is young. Once a buyer crosses 40 years of age, the premium will increase by a significant amount every year. Hence, do not delay in securing the appropriate level of term cover. Females pay lower premiums for the same age as compared to males.

● Cover period ('policy term')

The longer the cover period, the higher the premium. The premium increases significantly if a person extends the cover period to older ages, for example, a term cover to age 75 would be a little higher than that for a cover till age 65. Ideally one should take cover till the period that the family is likely to have dependence on the income. Do note that if you expect your spouse to be dependent on you even post retirement then you should ensure optimum term cover that can support you both to be financially independent in later stages of life.

● Payment period ('policy payment term') and frequency of payment

The premium paid per year increases if one chooses a limited premium payment period, say for 10 years rather than throughout the cover period. The total premiums paid however are lower; so in effect one may pay lower total premium paid if the payment period is shorter. Also, one may have to pay slightly higher premiums if they were to pay monthly as compared to annual mode.

● Are you a smoker?

The smoking status of an individual is one of the most significant factors for determining the term premium. Hence, being a non-smoker is not just great for the health but also saves one from paying a higher term premium.

- **Your health status and medical tests**

Finally, if the customer is in good health then it is likely to have standard premium rates. If the insurer assesses that the health status of the person to be insured does not meet the parameters basis the health questions and medical tests, one may have to pay higher premiums or in some cases policy may even be declined or postponed. It is however of utmost importance that one answers the health questions correctly and honestly to ensure that insurer can assess case correctly and there is no risk of claims being impacted due to non-disclosure or false disclosure.

Link:- <https://www.money9.com/news/insurance/factors-impacting-your-term-insurance-premium-74347.html>