

Insurance plays a pivotal role in life. We create portfolio for investment but no investment is secured without having an insurance portfolio. Insurance portfolio plays a pivotal role in financial planning. No financial planning can be done without having an in-depth analysis of Insurance portfolio. Cleaning of insurance portfolio is very vital for improvisation of financial planning. Often it has been found that excessive policies and the premium burden related to the same, leaves negligible corpus for investment and wealth creation. Identification of bad insurance policies and getting rid of them is the key to create long term wealth creation. No financial planning can be done if someone has bad investment decisions.



What is Insurance Portfolio & what are the common flaws?

Insurance portfolio means basket of all the various type of insurance which one has purchased over the period and an analysis of the same.

One of the most common things which every investor have in terms of insurance is that they have huge list of papers of multiple insurance products. Most of the investors don't know what type of insurance they are having under their cupboard. When a crisis strikes in a family then scrambling of sheets begin for them. Most of the investor doesn't know what their various insurance products will pay them after a defined period. They even don't know what type of policies they have purchased, the term of paying and the biggest shock will be to know that these people don't even know what they will get after 10 years, 15years or 20 years.

Every time you're Insurance agent comes up with new policy features. Well you have already become a number 1 customer for your agent. Your agent sales every year some unique insurance policy but the premium is paid by you. The burden keeps piling up and you miss opportunities for investing in other instrument.

The burden of premium payment becomes a nightmare for a particular family. Premium is the price paid for the protection and security of the family and oneself. Excessive premium payment is nothing but paying the money which should be invested for long term wealth creation.

Most of the multiple insurance policies taken by an individual or family are endowment policies. These police never take into account the inflation factor and hence they are very poor for long term benefits. The battle; between endowment and return based product often creates confusion and low benefit to the end user over a long term.

Steps to Insurance Portfolio Analysis

- Analysis of the current status of the Insurance already taken by the family
- Analysis of the Insurance policies and the benefits to be achieved at a later date
- Understanding the feasibility of requirement of the various policies already taken
- Analysing which insurance to be carried till the end of the tenure and which one to be stopped immediately
- One should analyse the purpose, objectives and the end benefit of the existing insurance policies they hold. This will help to de-clutter the Insurance portfolio.
- Protection and insurance are two separate things and hence protection should be kept separately.
- One should not stop paying premium for those policies where around 60% to 70% of the premium has been already paid.
- Accessing the alternative best insurance products against the existing bulk of policies
- Term Policy and health policy are the key mandatory policies should be there in the insurance portfolio
- There will be certain insurance products where the end term for premium payment is nearby. These policies should not be scrapped since they will lose the benefit.
- Avoid taking insurance policies for tax saving purpose. This is one the key areas where multiple insurance products just gets piled up.
- One should check that after scrapping of policies which are unnecessary certain critical aspects needs to be added or should be maintained like accidental death cover ,partial disability, critical illness and any such type of covers.



Conclusion:

Insurance portfolio analysis plays a pivotal role for financial planning. Many families are often deprived of proper benefits since the policies are longer term and premium paying ability becomes burden. Portfolio analysis of Insurance is very important exercise to be carried out every year since the risk of life cycle changes over the time and hence it is important to have review of the portfolio. Bad insurance needs to be identified as well as new creation of wrong choices needs to be avoided. Before buying any insurance ask yourself do you need this policy and what is the objective of taking this new policy. Always remember premium payment is your liability and not of your insurance agent.

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