



KARVY BAZAAR BAATEIN

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Home Insurance – The Right Way

The right insurance cover for one's house is very important as it is the primary foundation required for the preservation of the wealth invested in the house.

In the last issue of Karvy Bazaar Baatein, we discussed about the need for insuring the house property at a correct value. The discussion mainly revolved around adequately covering the building against the possible risks which could cause a damage to the building and hence a loss in the financial value of the same. Today, homes have in them as contents, expensive items such as electronics, jewellery, electronic equipments, etc. A loss of or damage to these items can cause a considerable financial setback to the owner. In this issue, we will look at the main sections that provide insurance cover to the building, contents and occupants of a house.

Cover for fire and allied perils

This is the main section of the policy and provides for insurance protection to the house building against the risk of fire and allied perils. The list of allied perils is quite comprehensive and can include lightning, explosion and implosion, aircraft or articles dropped from there, riot, strike or malicious act, terrorism, earthquake fire and/or shock, subsidence and landslide (including rockslide) damage, flood, inundation, storm, tempest, typhoon, hurricane, tornado or cyclone, impact damages, contents subsidence and landslide (including rockslide) bursting and / or overflowing of (excluding money and valuables) water tanks, apparatus, and pipes, missile testing operations, leakage from automatic sprinkler installations and bush fire.

The insured can select from the above list of perils to get a tailor made insurance cover.

Cover for household electrical equipment

This section insures the household machines and electrical equipments such as the refrigerator, microwave, washing machine, mixer & grinders, etc. against the risk of mechanical and electrical

breakdowns. Here, it is always advisable to mention the details of the equipment insured. An example for this could be mentioning the details of washing machine as 'Electrolux Washing Machine – fully automatic – 5 litres – Sl. No. EL053243554'. Also, the insurance cover in this section should be preferably taken as on the re-instatement value basis.

Cover for electronic equipment

This section provides for the insurance cover of electronic gadgets such as television, computer (desktop computer usually), DVD / CD player against electrical or mechanical breakdown, accidents, etc. Here also, providing the details of the particular items insured may be advisable or insisted upon by the insurance company. Similarly, the insurance cover under this section should be taken as on re-instatement value basis.

All risk coverage for jewels

This section provides for insurance cover to jewellery, ornaments and precious stones. Here, detailed description of the jewellery to be insured is usually insisted for by the insurance company. The detail requirements could include submission of valuation details, photographs and original purchase receipt / bill for the jewellery in question.

Personal accident cover

This section provides for a financial compensation in case of loss of life of a family member or occupant of the insured house caused due to an accident.

Cover for plate glass

This section provides insurance cover against the accidental damage of the glass fitted onto the windows, doors, ventilators, etc. in the insured house.

Baggage insurance cover

This section basically aims at the provision of insurance cover to the baggage / luggage loss or damage while traveling in India and / or abroad.

Public liability cover

(a) towards domestic help: If a domestic help incurs bodily injury or dies due to an accident while working in the house, it becomes the liability of the house owner to provide for the compensation. Workman Compensation Insurance, available as part (public liability cause) of the home insurance policy, is inexpensive and provides cover for the liability that may arise under the Workman's Compensation Act, the Fatal Accident Act, and common law.

(b) towards outsiders: The cover under the public liability section also provides for compensation to outsiders for a bodily injury or death caused due to an accident inside the insured house.

Other than the above sections, insurance policies also do provide covers to articles such as household furniture, pedal cycle, cash (average value) kept in the house, etc. The first section, providing insurance cover against fire and allied perils is usually compulsory and the policy holder needs to choose one or more additional sections. Alternately, the policy might be available as a packaged cover policy providing all or more of the above mentioned covers.

A thorough individual assessment of ones unique needs for insurance protection of the house and its contents and finalizing on an insurance policy best suiting these needs is recommended.

Product Showcase :: InvestAssure Optima

InvestAssure Optima is a unit linked insurance policy from Tata AIG Life Insurance Company Limited.

Unique features

Guaranteed additions: The first year regular premium for the policy is utilized for the provision of the 'guaranteed additions' payable either on maturity or on an earlier death of the life assured (as in combination with the policy fund value, if this combination value is greater than the policy sum assured value)*. The details of this addition, expressed as a percentage of the first year regular premium amount, are:

Policy term	Guaranteed addition as a percentage of first year premium
10 years	110%
15 years	130%
20 years	160%
25 years	175%
30 years	200%

The guaranteed addition is not payable on surrender / lapse / termination of the policy.

*refer to Death Benefit in the Policy Benefits section

Premium holiday: On completion of 3 policy years and payment of initial 3 years regular premium, if the policy holder is unable to pay subsequent premiums, the policy will be deemed to be on a premium holiday for a maximum period of 2 years (allowed for revival). At the expiry of this 2 year tenure, the insurance cover and the premium holiday can further be continued at the

request of the policy holder, provided the total fund value is such that the policy surrender value (as discussed later) does not fall below an amount equal to one year's regular premium. On the fund value falling below this limit, the policy will automatically get terminated with the available surrender value paid to policy holder.

The life assurance cover will continue during the premium holiday period with the usual policy charges (administration charge, mortality charge and fund management charge) applicable.

Top up premium: Payment of top up premium is allowed anytime during the policy term. Minimum amount of top up premium is Rs.5,000 and premium payment shall be allowed for maximum 4 times in a policy year. Top up premiums can be allocated in any proportion as per the wish of the policy holder.

Further, the policy holder has the option to choose an additional sum assured equal to 1.25 / 2.5 / 3.75 / 5 / 'policy term' times the 'excess' top up premium paid, subject to underwriting guidelines and decisions.

Here, it will be important to mention that when the top up premium paid is less than 25% of the regular premium paid at any point of time during the policy term, then there will be no need for the additional sum assured. However, when the top up premium amount exceeds the limit of 25% of the regular premium amount, then this 'excess' top up premium amount will be used for provision of the additional sum assured as per the multiples mentioned above.

Increase / decrease of sum assured: Policy provides the option for increasing or decreasing the sum assured during the policy term subject to the underwriting guidelines and decisions and the limits for the maximum and minimum sum assured under the policy.

Policy benefits

Death benefit: In the unfortunate event of death of the life assured during the policy term, the death benefit payable to the nominee / beneficiary will be higher of the sum assured (less applicable deductions of partial withdrawals) or the regular premium fund value (plus the guaranteed addition).

The calculation of the death benefit will also take into consideration the top up premium fund value and the additional sum assured (from top up premium), if any.

If the life assured is aged less than 4 years at the time of death, then the above calculation will take into account only a proportion / percentage of the sum assured under the policy. The details for this are:

Life assured' age at death	Percentage of sum assured (including top up premium sum assured)
Less than 1 year	20%
Less than 2 years	40%
Less than 3 years	60%
Less than 4 years	80%
4 year and more	100%

Maturity benefit: The fund value (of regular premium and top up premium, if any) and the guaranteed addition comprises of the maturity benefit, when the life assured is surviving at the end of the policy term. This benefit can be received either as a lump sum or in structured installments spanning duration of upto 5 years under the settlement option. Even when the settlement option is selected for payout of the maturity benefits, the guaranteed additions amount will need to be compulsorily withdrawn at maturity.

Eligibility parameters

Age at entry: minimum – 30 days; maximum – 55 years for a 10 year and 15 year term, 50 years for a 20 year term, 45 years for a 25 year term, 40 years for a 30 year term.

Maximum age at maturity: 70 years

Policy term: minimum – 10 years; maximum – 30 years. Policy term will be in multiples of 5 years within this range and hence policy term options available will be 10 years, 15 years, 20 years, 25 years and 30 years.

Sum assured value: minimum – 5 times the regular annual premium amount; maximum – policy term multiplied by the regular annual premium amount

Minimum premium amount: Rs.15,000 p.a.

Premium payment term is same as the policy term

Premium payment frequency: annual, semi-annual, quarterly and monthly

Investment funds

Policy holder can choose one or more of investment funds from seven fund options, depending on his unique risk and return profile. The details for these funds are:

Fund Name	Investment Objective	Risk & return profile	Investment Allocation in		
			Equities	Cash/Money marketing instruments	Govt. / Corporate bonds
WL Mid-cap Equity	To generate long term capital appreciation from an investment portfolio of mainly Mid-Cap equity and equity linked avenues	High	Upto 100%	Upto 40%	0%
Select Equity	To provide income distribution over medium to long term while, at all times, emphasizing the importance of capital appreciation	High	Upto 100%	Upto 40%	0%
Large-cap Equity	To generate long term capital appreciation from an investment portfolio of mainly Large-Cap equity and equity linked avenues	High	80% to 100%	Upto 40%	0%

Fund Name	Investment Objective	Risk & return profile	Investment Allocation in		
			Equities	Cash/Money marketing instruments	Govt. / Corporate bonds
WL Aggressive Growth	To provide higher growth through investments predominantly in equities along with debt / money market instruments	High to Moderate	50% to 80%	Upto 20%	20% to 50%
WL Stable Growth	To provide stable returns by balancing investments in equities and debt / money market instruments	Moderate	30% to 50%	Upto 40%	50% to 70%
WL Short Term Fixed Income	To generate stable returns through investments in fixed income securities of short maturity periods	Low	0%	Upto 40%	Upto 100%
WL Income	To generate income through investment portfolio of a range of debt & money market instruments	Low	0%	Upto 40%	Upto 100%

The proportion of money market instrument investments should not exceed 40% in any of the above funds.

"WL" above denotes "Whole Life".

Policy provides the investment option of Systematic Transfer Plan (STP) which helps in averaging out the risks associated with equity investments to some extent. This option can be exercised at any policy anniversary and is free of charge, subject to policy conditions.

The premium re-direction facility is available to enable a change in the premium allocation of future premiums as per the changed financial and investment requirements. There is no charge for this facility and it is not allowed in the first policy year. This facility is also not available if the STP option is exercised.

Policy provides the option for switching the investment value from one fund to the other. 12 switches are free-of-charge in every policy year. This option is not available if the STP option is exercised and is not allowed in the first policy year.

Policy charges

The first year premium is fully utilized for the provision of the 'guaranteed additions' and as such no charges are deducted from this premium. The charges applicable from the second year onwards are:

Premium allocation charge – Details of the charge expressed as a percentage of the premium amount, are:

Policy year	Premium allocation charge as a % of the regular premium		
	For premium amount less than Rs.50,000	For premium amount equal to or more than Rs.50,000 but less than Rs.5,00,000	For premium amount equal to or more than Rs.5,00,000
1st year	NA	NA	NA
2nd year to 3rd year	8%	3%	0%
4th year to 5th year	5%	2%	0%
6th year to 9th year	3%	1%	0%
10th year onwards	0%	0%	0%

Policy administration charge: This is a fixed charge and depends on the premium value. For annual premium amount less than Rs.50,000, this charge is Rs.65 per month. For annual premium amount equal to or more than Rs.50,000, this charge is Rs.150 per month. This charge can be increased by maximum 5% p.a.

Fund management charge: This charge ranges between 0.65% p.a. to 1.20% p.a. depending on the choice of the investment fund(s).

Mortality charge: This charge is levied for the provision of the life assurance cover under the policy and depends on the age, gender and sum assured.

Switching charge: A subsequent switch after 12 free-of-charge switches is charged at Rs.100 per switch in a policy year. This charge can be increased to maximum Rs.250 per switch, subject to prior approval from IRDA.

Surrender charge: The surrender charge applicable as a percentage of the regular premium account and based on the policy term, are detailed as:

Year of policy surrender	Surrender Charge as a % of the fund value	
	For policy term of 10 years and 15 years	For policy term of 20 years, 25 years and 30 years
1st year to 3rd year	NA	NA
4th year	10%	10%
5th year	7%	9%
6th year	5%	7%
7th year	0%	5%
8th year onwards	0%	0%

There will however be no surrender charges applicable on the top up premium accounts(s), if any.

Partial withdrawal

Partial withdrawals are allowed from the regular premium investment fund account(s) any time after five years from the issuance of the policy. Partial withdrawals from the top up premium account(s), if any, are allowed after three years of the top up premium payment. Also, these withdrawals will need to be made first from the top up accounts, if any, and then from the regular premium accounts.

There are no partial withdrawal charges.

Partial withdrawal option can be exercised by the policy holder who has attained 18 years of age.

Minimum partial withdrawal amount is Rs.5,000 and the total fund value equivalent to a minimum of one year's premium should compulsorily remain after the withdrawal.

Maximum of 4 partial withdrawals are allowed in a policy year.

Policy surrender

Policy can be surrendered anytime after the completion of 3 policy years. If premiums are discontinued with the first 3 years and the policy is not revived, the same will be terminated and the surrender value will be paid to the policy holder at the end of the 3rd policy year or at the end of the revival period, whichever is later.

Here, the surrender value will be the outstanding fund value less the applicable surrender charges. Further, the conditions mentioned above in the discussion for premium holiday benefit are applicable.

Riders available

Payor Benefit Rider: provides for the waiver of all the future premiums for basic policy and riders, in the event of death or total and permanent disability of the person who is paying the policy premiums.

Critical Illness Lump Sum Benefit Rider: provides for a lump sum amount in case of the life assured being diagnosed with a critical illness or requiring a surgery, subject to the critical illnesses covered in this regard and the policy conditions.

Waiver of Premium Rider: provides for the waiver of all the future premiums in case of the life assured becoming disabled.

Accidental Death Benefit Rider: provides for an additional benefit amount equivalent to the policy sum assured, in case of death of the life assured caused due to an accident.

Accidental Death & Dismemberment Benefit Rider: provides for the accidental death benefit equal to policy sum assured as well as benefits proportional to the sum assured in case of dismemberment and severe burn injuries caused due to an accident.

Tax benefits

The premium payable under the policy is eligible for deduction under the provisions of Section 80C of the Income Tax Act, 1961. The policy benefits are exempt from tax under Section 10(10D) of the Act.

Important: In this policy, the investment risk in the investment portfolio is borne by the policy holder.

Product Showcase :: STAR Family Health Optima Insurance Plan

STAR Family Health Optima Insurance Plan is a health insurance policy from Star Health and Allied Insurance Company Limited.

Unique features of the policy

Family floater cover: The entire sum assured under the policy is available for utilization by any of the family members in form of expenses incurred towards hospitalization.

Here, family means the proposer, spouse and children who are aged less than 25 years and are economic dependant on the parents.

No claim bonus: A discount of 10% is allowed on the renewal premium if there is no claim in the immediately preceding year of the policy. This discount is not cumulative.

Policy benefits

The policy covers:

- ✂ Hospitalization benefit which provides the in-patient hospitalization expenses for a minimum of 24 hours. These expenses include room & boarding expenses upto a maximum of Rs.1500 per day (in Class A cities); Rs.750 per day (in Class B cities) or Rs.500 per day (in all other places).
- ✂ Nursing expenses
- ✂ Surgeon's fee, consultant's fee, anesthetist's and specialist's fee.
- ✂ Cost of blood, oxygen, diagnostic expenses, cost of pace maker, etc.
- ✂ Cost of medicines and drugs

- ✂ Emergency ambulance charges for transporting the insured patient to the hospital up-to a sum of Rs.750 per hospitalization and overall limit of Rs.1500 per policy period.

The policy also provides for pre hospitalization medical expenses of upto 30 days prior to the date of hospitalization or post hospitalization calculated at the rate of 7% of the hospitalization expenses (including room rent) subject to maximum of Rs.5,000.

Eligibility parameters

Age at entry (for the insured): minimum – 5 months; maximum – 60 years

The insured persons should be residing in India. The premium under the policy will be calculated based on the age of the oldest insured member of the family.

Sum insured options: Rs.1,00,000; Rs.2,00,000; Rs.3,00,000; Rs.4,00,000 and Rs.5,00,000

Non insurance benefits

- ✂ Free General Physician's advice
- ✂ Insurance company's web-enabled services give health tips to the customers
- ✂ 24 hour help-line number
- ✂ Cashless treatment in the network of hospitals

Indicative premium

The indicative annual premium payable under the policy is:

Sum Insured	Rs.1,00,000	Rs.2,00,000	Rs.3,00,000	Rs.4,00,000	Rs.5,00,000
Policy for 2 Adults					
Age range: 3 months to 35 years	Rs.1765	Rs.2890	Rs.3985	Rs.5195	Rs.5920
Age range: 36 years to 45 years		Rs.3140	Rs.4360	Rs.5565	Rs.6525
Age range: 46 years to 55 years	Not Available	Rs.5535	Rs.7605	Rs.10510	Rs.12010
Age range: 56 years to 60 years	Not Available	Rs.6400	Rs.10030	Rs.13515	Rs.15855
Policy for 2 Adults & 1 Children					
Age range: 3 months to 35 years	Rs.1890	Rs.3295	Rs.4190	Rs.5295	Rs.6345
Age range: 36 years to 45 years		Rs.3555	Rs.4830	Rs.5775	Rs.7045
Age range: 46 years to 55 years	Not Available	Rs.5925	Rs.7865	Rs.11270	Rs.12815
Age range: 56 years to 60 years	Not Available	Rs.6965	Rs.10625	Rs.14290	Rs.16750
Policy for 2 Adults + 2 Children					
Age range: 3 months to 35 years	Rs.2025	Rs.3455	Rs.4310	Rs.5645	Rs.6875
Age range: 36 years to 45 years		Rs.3675	Rs.5110	Rs.6240	Rs.7675
Age range: 46 years to 55 years	Not Available	Rs.6450	Rs.8400	Rs.11870	Rs.13210
Age range: 56 years to 60 years	Not Available	Rs.7360	Rs.11090	Rs.14890	Rs.17450

The above premium is exclusive of service tax. Age of the oldest family member covered should be taken for premium calculation.

Tax benefits

The premium paid under the policy by means of a cheque or credit card is eligible for deduction under Section 80D of the Income Tax Act, 1961.

Important: Please refer to the policy document for the exclusions and the policy details.

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