



KARVY BAZAAR BAATEIN

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A Slice More of Home Insurance

Householder's insurance cover is a very important component of the comprehensive insurance requirements usual for an individual. Some awareness about a few finer aspects of this insurance cover can be of great help in getting the best possible cover

In the last couple of issues of Karvy Bazaar Baatein, we have looked at the importance of insuring a house and its contents at the correct value and how a householder's insurance policy comprehensively covers almost all of the usual contents of a house. Continuing with the theme of householder's insurance policy, we will briefly discuss some of the supplementary aspects in this article which will help in better appreciation of the importance of this insurance category as well as in getting a really good deal.

How does one know if the householder's insurance cover is actually required?

A large number of people are puzzled if they actually do need to go in for a householder's insurance policy. While all of the people reside in some house or the other, it is often difficult for them to decide on whether to secure this particular shelter or not. A positive response to one or more of the following questions is an indication for the real requirement for this insurance cover.

- ☛ Is the structure (super structure) of the house worth over Rs.500,000? Here, we are looking at the reinstatement value of the building and not the market value of the property.
- ☛ Does the house have valuable plate glass doors and windows?
- ☛ Does the individual living in the house own electronic gadgets worth over Rs.200,000?
- ☛ Is the house located in an area that is prone to the risks of floods, earthquakes or burglaries?
- ☛ Is the individual living in a rented house, but owns high-value domestic and electronic appliances? OR does he / she have expensive furniture or other articles insurable under a householder's insurance policy?

Insurance cover for various types of accommodations

Many times, the accommodation looked at for being insured is not an independent house owned by the prospective policy holder. We will now look at how best some of such properties can be still be insured under a householder's insurance policy.

Insuring Apartments – An apartment complex usually has many owners and it does not make sense for individual owners to insure their homes separately. Here, the concerned society or association should insure the entire complex at the reinstatement value (i.e. the present cost of constructing the same building).

Generally, an apartment complex does not only include flats, but also substantial common areas and amenities. And as such it really makes sense in insuring an entire apartment complex as a single property rather than the same being insured in bits and pieces by individual flat owners. Also, group discount can be availed in case of insurance for the entire apartment complex which can reduce the premium to a great extent.

Insuring rented accommodation – In case of rented accommodation, the tenant may be required to insure the property if this forms a part of the obligations of the tenant as under the lease agreement.

Otherwise, the rented house may be insured only against the contents as well as leasehold improvements such as additions of false ceilings, partition walls, renovations to the bathroom, etc, as these are expenses borne by the lessee. At this juncture, it will be important to mention that exist a few policies which provide insurance cover to only the contents of a house. Under such an insurance policy, the policy holder will need to give a list of the insured items which are specifically covered under

the policy. Alternately, the policy holder can give a lump sum value of the sum insured without disclosing the sum insured of each item.

Insuring stand-alone structures – For certain stand-alone structures such as properties purchased more as long-term investments than as a place of residence, long-term policies of 10 years can be purchased either at significant discounts or with a provision for an inbuilt annual increase in sum insured. The premium rate for such policies gets calculated to less than Rs.2 per day for a house with a re-instatement value of Rs.10 lakh for fire and burglary risk.

Insuring additions or alterations in the already insured house – For the purpose of undertaking significant additions and alterations to be made to an already insured house during the term of the policy, the policy holder can take an omission to include additions and alterations add-on cover, which can be valued at up to 5 per cent of the sum insured. If no additions or alterations are made during the policy term, the amount paid for this cover is refunded.

Householder’s insurance cover is a small cost for protection against a great financial risk

Every year, Sourav very promptly renews his householder’s insurance cover. Although he has not made any claims till date, his reasoning for the maintenance of the cover year-after-year

is something that will be difficult to challenge. Sourav rightly believes that with lot of hard work he has managed to build a home and acquire valuables, the loss or damage of which will be large and could be irreversible without an adequate insurance cover. His householder’s insurance cover comes at a meager cost of Rs.12 a day, which is even less than the minimum taxi fare. And as such this cover is quite affordable to Sourav as it forms a miniscule part of his annual income of over Rs.11 lakh.

A householder’s insurance policy is a very important part of the overall insurance cover requirements for an individual. Interestingly, the insurance cover for the building and its contents comes at very inexpensive premium rates. However, still the penetration of this cover is very low. In fact, the ex-chairman of Insurance Regulatory and Development Authority, Mr. C. S. Rao has also pointed out about the awareness for taking home insurance being low as compared to the awareness about life insurance and health cover.

Most of the people in India don’t really know that the premium to be paid for a householder’s insurance policy is considerably small for the value insured.

In the next issue of Karvy Bazaar Baatein, we will look at the some important benefits of home insurance and some points that need to be considered when a home insurance cover is purchased.

Product Showcase :: HOPE

HOPE (Health Of Privileged Elderly) is a specified disease insurance policy for senior citizens and has been introduced by The Oriental Insurance Company Limited.

Policy features

The policy is exclusively meant for people aged 60 years and more.

It aims at the financial provision of hospitalization of the insured person. The policy reimburses the payment of hospitalization and / or domiciliary hospitalization expenses for the specified diseases contracted or injury sustained by the insured persons.

The policy is available as an individual cover policy only. In other words, only one person can be covered under one policy.

Cover for specified diseases: The policy covers specified diseases only. The details of the coverage as a percentage of the sum insured chosen by the policy holder are:

S. No.	Disease	Coverage limit per illness * as a % of sum insured
1	Accidental Injury	100%
2	Knee Replacement	70%
3	Cardio Vascular Diseases	50%
4	Chronic Renal Failure	50%
5	Cancer	50%
6	Hepato-Biliary Disorders	50%
7	Chronic Obstructive Lung Diseases	20%
8	Stroke	20%
9	Benign Prostrate	15%
10	Orthopaedic Diseases	15%
11	Ophthalmic Diseases	10%

* including domiciliary hospitalization benefit, if any

Compulsory co-payment: Policy conditions require the insured to compulsorily bear 20% of admissible claim amount in each and every claim. Admissible claim amount for this purpose will be lower of the actual admissible expenses incurred by the client or the limit specified (as discussed above).

Voluntary co-payment: The insured has the option to bear a part of the claim amount and avail discount on the premium payable. This voluntary co-payment is in addition to compulsory co-payment. The details of this co-payment are:

Voluntary co-payment % opted for	Discount available as % of premium payable
10%	10%
20%	20%
30%	30%
40%	40%
50% & above	50%

'No Claim' Discount: Policy will provide 'No Claim' Discount at the rate of 5% of the renewal premium payable after every claim free policy year, subject to a maximum of 20%. This discount is subject to policy conditions and shall become 'nil' once a claim is paid or becomes payable under the policy, irrespective of the amount of claim.

Eligibility parameters

Choice of sum insured: Rs.1 lac, Rs.2 lacs, Rs.3 lacs, Rs.4 lacs or Rs.5 lacs

Policy is available subject to satisfactory report of the medical tests as required by the insurance company. This requirement will also be applicable for renewal of policy where there is a break in policy period. The cost of such check up shall be borne by the insured. However in case of fresh proposals, the insurance company shall deduct lowest of the following from the premium amount provided the proposal is accepted by the insurance company:

50% cost of medical check up or 10% of premium chargeable or Rs.1000/- per person.

Policy covers

Hospitalization expenses: Policy covers the following expenses incurred in relation to the hospitalization of the insured person:

1. Room, boarding and nursing expenses as provided by the hospital / nursing home and not exceeding 1% of the sum insured per day.

2. I.C.U. (Intensive Care Unit) expenses not exceeding 2% of the sum insured per day. The stay in room and stay in I.C.U., if required, should not exceed total number of days of admission in the hospital.
3. Fees of the surgeon, anesthetist, medical practitioner, consultants and specialists.
4. Ambulance Services Charges per illness by registered ambulance – actual expenses or Rs.1000/- whichever is less shall be reimbursable in case patient has to be shifted from residence to hospital in case of admission in Emergency Ward / I.C.U. or from one hospital / nursing home to another hospital / nursing home for hospitalization.
5. Anaesthesia, blood, oxygen, operation theatre charges, surgical appliances, medicines & drugs, dialysis, chemotherapy, radiotherapy, artificial limbs, cost of prosthetic devices implanted during surgical procedure like pacemaker, relevant laboratory / diagnostic test, X-Ray etc.

Out patient expenses: Expenses incurred towards hospitalization are admissible only if hospitalization is for a minimum period of 24 hours. However, this time limit shall not apply to specific treatments taken in the networked hospital / nursing home where the insured is discharged on the same day.

Such 'out-patient' treatment shall be considered to be taken under hospitalization benefit and include: Haemo Dialysis; Parenteral Chemotherapy; Radiotherapy; Eye Surgery; Lithotripsy (kidney stone removal); Dental surgery following an accident; Coronary Angioplasty; Coronary Angiography; Surgery of Gall bladder, Pancreas and bile duct; Surgery of Prostrate; Treatment of fractures / dislocation excluding hair line fracture, Contracture releases and minor reconstructive procedures of limbs which otherwise require hospitalization; Arthroscopic Knee surgery; Laproscopic therapeutic surgeries; Surgery under General Anaesthesia; or any such procedure agreed by TPA/Company before treatment.

The reimbursement of treatment expenses will be subject to policy conditions and relaxations.

Pre and post hospitalization expenses: Policy covers relevant medical expenses incurred during the period of upto 30 days prior to hospitalization on covered disease / illness / injury sustained. Similarly, the relevant medical expenses incurred for the immediate period of 60 days after hospitalization (i.e. after discharge from hospital) on covered disease/illness/injury sustained shall be considered as part of claim.

Indicative premium

The details of the indicative premium payable under the policy are:

Age Group (in years)	Sum Insured				
	Rs.1,00,000	Rs.2,00,000	Rs.3,00,000	Rs.4,00,000	Rs.5,00,000
	Premium payable				
60 to 65	Rs.4,500	Rs.8,700	Rs.12,400	Rs.16,100	Rs.19,700
66 to 70	Rs.4,800	Rs.9,100	Rs.13,100	Rs.16,900	Rs.20,700
71 to 75	Rs.5,700	Rs.11,400	Rs.16,300	Rs.21,500	Rs.26,100
76 to 80	Rs.6,100	Rs.12,000	Rs.17,100	Rs.22,700	Rs.27,600
Above 80	Rs.6,400	Rs.12,600	Rs.18,100	Rs.23,800	Rs.29,000

The above premium will be loaded by 10% for new entrants to the policy.

Tax benefit

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

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

Product Showcase :: Bright Stars

Bright Stars is a unit linked insurance policy from Bharti AXA Life Insurance Company Limited. The policy aims at provision of wealth creation with an additional lump sum amount to take care of the financial requirements at the key stages of a child's life. The policy provides a life assurance cover on the life of the parent. This is a non-participating policy.

Unique features

Jumpstart benefit: The maturity benefit under the policy comprises jumpstart benefit which is equal to 5% of the average of the policy fund value(s) as on the end of each of the preceding 36 policy months.

Decrease in premium: The policy allows for a decrease in the premium amount to help the policy holder in case of a financial crisis. This facility is available any time after completion of two policy years. Decrease in premium will result in a decrease of the policy sum assured in the same proportion and is subject to the minimum premium payable under the policy.

Top up premium: Top up premium can enhance the fund value.

Top up premium can be paid any time after the first policy year and the minimum amount of a top-up premium is Rs.2,500. The total amount of top-up in a policy year cannot be more than 25% of total regular premiums paid till that date.

Top-up premium does not effect the policy sum assured.

Cover continuance option: If in case the policy holder is unable to pay the premium, he can opt for the cover continuance option. When this is opted for the policy continues with all benefits. Once this option is operational, the policy holder can not pay any further premiums or top-ups under the policy.

The availability of this option depends on the choice of the policy term, the details for which are as in the below table.

Policy term	7 years	10 years	15 years	17 years	20 years
Cover continuance option is available after payment of	3 annualized regular premiums	3 annualized regular premiums	5 annualized regular premiums	5 annualized regular premiums	5 annualized regular premiums

At any time during the policy benefit period, after completion of 3 policy years, if the policy fund value falls below 120% of the annualized regular premium, then the policy will be terminated and the surrender value will be paid out.

Policy benefits

Death benefit: In the unfortunate event of death of the parent (the life assured) during the policy term, the sum assured amount will be paid to the child / nominee.

Further, the insurance company will pay all of the future premiums into the chosen investment fund(s), so as to ensure the wealth creation over the entire policy tenure as initially planned. The policy will thus continue for the entire term duration.

Maturity benefit: At the end of the policy term, the policy sum assured and the jumpstart benefit amount will be paid to the policy holder / child.

The maturity benefits can be taken as a lump sum or in installments under the settlement option available under the policy.

Eligibility parameters

Age at entry (for parent): minimum – 18 years; maximum – 70 years less the chosen policy term

Maximum age at maturity: 70 years

Policy term options: 7 years, 10 years, 15 years, 17 years and 20 years

Premium payment frequencies: annual, semi-annual and monthly (through ECS only)

Minimum annual premium: Rs.15,000 for annual and semi-annual premium payments and Rs.18,000 for monthly premium payments

Sum assured value: Calculation of the sum assured depends on the choice of the premium amount and the policy term. Details of this calculation are:

Policy term	Value of sum assured
7 years	5 times the annualized regular premium
10 years	5 times the annualized regular premium
15 years	8 times the annualized regular premium
17 years	10 times the annualized regular premium
20 years	10 times the annualized regular premium

Investment fund choice

Policy holder can choose from any one or more of the 4 investments funds available under the policy. The details for these funds are:

Fund Name	Investment Objective	Risk Return Profile	Asset Allocation in			
			Listed equities	Cash & money market instruments	Corporate bonds	Government bond & securities
Growth Opportunities Fund	Long term capital appreciation by investing in stocks of all market capitalization ranges (Large, Medium or Small)	High	80% to 100%	0% to 40%	0%	0%
Grow Money Fund	Long term capital appreciation through investing across diversified high quality equity portfolio.	High	80% to 100%	0% to 40%	0%	0%
Save'n'grow Money Fund	Steady accumulation of income in medium to long term by investing in high quality debt papers and government securities, with a limited opportunity of capital appreciation.	Moderate	0% to 60%	0% to 40%	0% to 50%	0% to 40%
Steady Money Fund	Steady accumulation of income in medium to long term by investing in high quality debt papers and government securities.	Low	0%	0% to 40%	20% to 80%	20% to 80%

Policy provides for the premium re-direction facility to change the allocation for future premiums. This facility is available after the first policy year and can be availed any number of times free of charge. The minimum allocation in any chosen investment fund should be 5%.

Policy also provides the option of switching between the funds. Four switches are available free-of-charge in a policy year. The minimum value of a switch should be Rs.2,500.

Policy charges

Premium allocation charge: This charge is levied as a percentage of the regular premium amount and varies depending on the premium amount and the policy term. The details are:

Policy Year	Premium Band	Premium allocation charge as a % of premium for policy term of				
		7 years	10 years	15 years	17 years	20 years
1	1	35%	35%	38%	40%	45%
	2	32%	32%	32%	34%	39%
2	1 & 2	10%	15%	25%	25%	25%
3	1 & 2	8%	8%	8%	8%	8%
4 & 5	1 & 2	2%	2%	2%	2%	2%
6 & onwards	1 & 2	0%	0%	0%	0%	0%

Premium Band 1 is equal to annualized regular premium between Rs.15,000 and Rs.99,999. Premium Band 2 is equal to annualized regular premium of Rs.1,00,000 & above.

For top up premium, the premium allocation charge is 1.50%.

Mortality charge: This charge is levied for the provision of the life assurance cover and depends on the age at entry of the life assured. This charge is deducted on a monthly basis and will remain the same throughout the policy term.

Policy administration charge: This is a fixed charge and is deducted on a monthly basis. This charge is Rs.65 / month for policies where premium is paid annually and semi-annually and is Rs.80 / month for policies where premium is paid every month.

Fund management charge: This charge is levied on the fund value being managed under each of the chosen investment fund(s) and gets calculated on a daily basis. The charge details are:

Fund Name	Growth Opportunities Fund	Grow Money Fund	Save'n'Grow Money	Steady Money Fund
Fund Management Charge	1.75%	1.50%	1.25%	1.00%

Surrender charge: The details of the surrender charge, expressed as a percentage of the fund value and depending on the chosen policy term, are:

Year of Surrender	Surrender charge as a % of the fund value as in for a policy term of				
	7 years	10 years	15 years	17 years	20 years
1 st policy year	65%	65%	90%	90%	90%
2 nd policy year	40%	40%	75%	75%	75%
3 rd policy year	20%	20%	50%	50%	50%
4 th policy year	0%	0%	15%	15%	15%
5 th policy year	0%	0%	3%	3%	3%
6 th policy year & onwards	0%	0%	0%	0%	0%

Switching charge: A switch subsequent to four free-of-charge switches in a policy year is to be charged at Rs.100 / switch.

Partial withdrawal charge: A subsequent partial withdrawal after four free-of-charge switches in a policy year is to be charged at Rs.100 / partial withdrawal.

The above policy charges are subject to revisions as per the policy conditions.

Partial withdrawal facility

The partial withdrawal facility is available any time after completion of three policy years. Minimum partial withdrawal is Rs.5,000 and is subject to policy fund value of not be less than 120% of the annualized regular premium remaining after the withdrawal. Four partial withdrawals are free of charge in a policy year.

Policy surrender

Policy can be surrendered at any during the policy term. If the surrender happens within the first three policy years then the surrender value as on the date of intimation of surrender will be paid only after the completion of three policy years. The surrender value paid is subject to deduction of the surrender charges as detailed in the policy charges section.

Rider available

Critical Illness Benefit Rider: The protection under the policy can be enhanced by adding Critical Illness Benefit Rider. This rider will pay the chosen rider sum assured in case the life assured is diagnosed with any of the below mentioned critical illnesses, subject to policy terms and conditions in this regard. The critical illnesses covered are:

- ☛ Cancer
- ☛ Coronary Artery Bypass Surgery
- ☛ Heart Attack
- ☛ Kidney Failure
- ☛ Major Organ Transplant
- ☛ Stroke

Tax benefits

Premium paid under the policy is eligible for deduction under Section 80C of the Income Tax Act, 1961. The policy benefits are exemption from tax under Section 10(10D) of the Act.

Important: In this Policy, the investment risk in the investment portfolio is borne by the Policyholder.

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