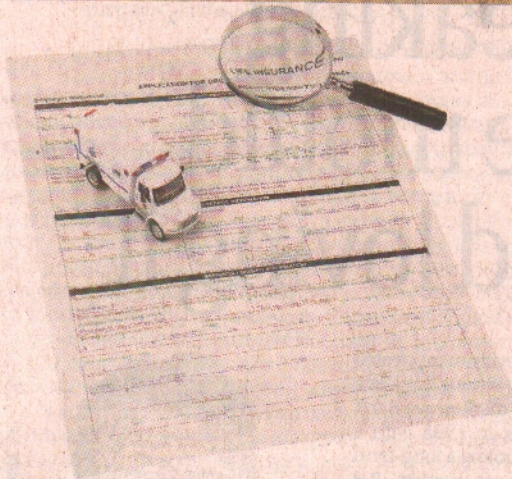




QUERY CORNER INSURANCE

AN EMPLOYEE'S COVER CAN BE BASED ON ORGANISATIONAL HIERARCHY



CLAIM FOR DEATH WHILE ON DUTY ABROAD

My 30-year old daughter, who was a B.E in Computers, died on duty early this year while on an assignment with a leading IT company in California in the US. She worked as an assistant system engineer, consultant and design engineer for the company. While a person visiting the US is insured for a minimum \$200,000, my daughter had a cover of \$50,000. Was it an error on the company's part? My daughter was the sole breadwinner of the family and we (her) parents are senior citizens. Is the state of California covered by any special rules regarding insurance, social security and other applicable benefits? We are yet to receive any communication from the company though it's been seven months since our daughter passed away. In this regard, I would also like to mention an article which appeared in the Times of India on September 2, 2010 which mentioned that a cook employed on a shipping company for three months died on duty and received a claim amount of ₹46 lakh. —SEBASTIAN

Insurance is part of the employer's policy and it can also be based on the hierarchy in the organisation. Another basis is the risk associated with the nature of duty or place of occupation. Generally, an overseas insurance starts at \$500,000 — and not \$200,000, as stated by you. The quantum of health, life and accidental insurance is stated in the employees' appointment letter and you can refer to your daughter's appointment letter to ascertain the actual cover provided by the company to her. Since your daughter was the sole bread earner of the family, she should have bought her own insurances, too. The example of the cook employed by a shipping company that you have mentioned is one such case where the risk of accidents are higher when on a ship and in case of an eventuality a limited treatment can be given on board. Therefore, the employees who work on ships are paid higher and their insurance is also higher.

RETURNING AN INSURANCE POLICY

I bought a Jeevan Saral policy on June 17, 2010 and received policy documents on September 1. My agent told me that the policy will earn more returns than a PPF as it will give 9.00% per annum if I keep the policy for at least 10 years. However, the company's website states that the policyholder will get the loyalty addition only after 10 years. So, will I get loyalty addition for all the 10 years or only in the 10th year? I also want to know that if I surrender the policy in the 4th, 5th and 6th year, how much will I get at the rate 8-9%? The policy offers a term insurance as well which I was not aware of at the time of availing of the policy. Can I go for it now? Also, what is the procedure to return the policy within 15 days of receiving the policy document? — MEHUL INGALE

Jeevan Saral policy is an insurance plan from Life Insurance Corporation Of India. The returns are not guaranteed as such but the same are not market-linked also. The money shall be invested as per the Insurance Regulatory Development Authority (Irda) norms wherein the money is primarily invested in government securities comprising more than 50% and the balance in approved investments. You can expect a stable return which is debt-based but not a guaranteed return as is being expected by you. In this plan, bonuses are replaced by loyalty addition which shall be credited only after 10 years of policy being in force and the accrued loyalty addition for the initial 10 years shall also be credited to your policy. Term insurance is a separate policy which can be bought anytime by you. A period of 15 days is available to the policyholder to review the policy. If the policyholder does not find the policy suitable, the policy document must be returned to the company within 15 days from the date of receipt of the same. On receipt of the policy bond, the company shall refund the premiums after deducting the stamp duty and any cost incurred on medical examination of the policyholder.

BUYING TERM PLAN FROM MULTIPLE INSURERS

I am 26 years old, in good health and I plan to take a term insurance policy for ₹50 lakh. Should I buy a term plan from a single company or from more than one insurance firm. Does it make more sense to diversify my risk by buying an insurance cover from two or three insurance companies? —RAMESH

It is wiser to buy the entire ₹50 lakh term insurance from one company instead of going for two or three companies. If you look at the premium with different companies, you will find that the premium for a ₹50 lakh coverage will be pro-rata basis lesser than for a ₹25 lakh insurance cover. Further, in case of any claim, your dependents or legal heirs will not be required to approach different companies to claim the benefit. Also, I would like to add another word of caution: do not discontinue your old policies if you are buying newer insurance cover just to minimise the premiums. In other words, if the new company is giving you a new policy for lesser premium do not discontinue paying for the old policies. Just add the new cover to the existing one



AMIT SURI

CFP, AUM FINANCIAL PLANNERS

Our expert guides you in matters relating to insurance