Q&A | QUERY CORNER
INSURANCE

STATE NEW AILMENTS FOR POLICY RENEWAL IF YOU WANT HIGHER COVER

DECLARING NEW AILMENTS FOR POLICY RENEWAL

My parents have bought a medical insurance policy from New India Assurance. They have been paying premium regularly for the past 10 years. During this period, my father suffered from blood pressure and my mother was detected with type 2 diabetes. However, there have been no claims on the policy so far. I want to know whether they should declare these ailments to the insurance company or should they continue paying their premiums every year. What happens in case they want to increase their sum assured? Will they have to pay a loading for the same? —RAMESH TAKLE

If your parents are renewing the existing plan without increasing the insurance amount, then they do not need to declare their medical status since these are diseases which are not pre-existing. However, if they wish to increase the sum assured, then this information is very critical and must be declared in the proposal form. On the basis of the medical information that you provide, the insurance company may ask for a loading in premium or may increase the sum assured with the exclusion of pre-existing diseases for a pre-defined period or may even deny the increase in health insurance coverage.

LOGIC BEHIND CONTINUING OLD POLICIES

In one of your earlier columns you had mentioned that we should not discontinue old policies if we are buying new policies just to reduce premiums. Even if a new company offers a fresh policy with lower premium, we must not discontinue the old policies but simply add the new one. I want to know the logic behind this argument. Four years ago, I bought an endowment policy with a 20-year term from LIC. I pay a premium of ₹8,500 per annum for ₹6-lakh cover in case of an accident and will get ₹4 lakh if the policy matures. However, I find that similar plans available in the current market are much cheaper. —RAHUL GUPTA

The plan described by you seems to be a profit-based (a plan that offers bonus) one from LIC which will give you a maturity amount. This maturity amount will be a total of the sum assured, bonuses (accrued every year) and a lump sum. During the term of the policy, you will have a life cover as stated by you and according to the terms of the policy. This, according to me, is a traditional plan. The fact is that premiums of traditional plans have not come down and only the rate of bonuses change over a period of time. My previous advice, as mentioned by you, primarily pertains to term insurance plans but the advice holds true for traditional plans as well. The logic for you is that if you discontinue your policy, your policy shall lapse and you

HEALTH INSURANCE VS MEDICAL REIMBURSEMENT

I am an employee of Patni Computer Systems and get a medical reimbursement of ₹15,000 per annum from the company. Do I still need to take health insurance? Is there any tax benefit if I take a cover from an insurance company other than LIC? —ROHIT GUPTA

Medical reimbursement is different from health insurance. All those who are working in private sector should consider buying their own health insurance in addition to the one provided by the employer. The health insurance provided by employer is only subject to employment with the respective company. The employer-sponsored health insurance shall not be applicable in case of a change of job, attrition or job loss that can happen because of prolonged illness too. Moreover, in your case the medical reimbursement is limited to ₹15,000 in a year and, therefore, health insurance is almost non-existent. Tax benefit on health insurance is available under Section 80-D and in Life Insurance under Section 80ccc.

HOUSE INSURANCE FOR A RENTED FLAT

After I bought a new house in 1995, I bought a house insurance policy. However, I was transferred from Mumbai to Bangalore. Hence, in the middle of the term, I moved out and rented the flat. Will the person to whom I have rented out the flat benefit from the policy? —PARESH R

The insurance coverage is on the house and not on the person living inside. You can be rest assured that the house that you own and insured is covered by insurance irrespective of whether you are staying or have rented the same. In fact, I will consider it prudent to always insure your house whether it is self-occupied, on rent or vacant, to safeguard yourself against any loss. You will always have the insurable interest in the house.

CLAIMING CAR INSURANCE

My car was stolen 15 days ago when I had parked it outside a hospital. I have already registered a First Information Report (FIR). The car was around one-and-a half years old and I have been regular in paying my insurance premiums. When will I get the proceeds from the insurance company? Will they compensate me for the entire loss? —RAMESH

You can expect your claim to be settled in 3-5 months from the date of lodging the claim. After having filed you FIR and making a claim with your insurance company, you have to wait for the untraceable report from the police department of the respective city, which usually takes some time. The insurance company will pay you an amount equal to IDV less compulsory deductible (₹500 to ₹1,000). The Insured's Declared Value (IDV) is estimated on the basis of the manufacturer's listed selling price of the model of the vehicle including accessories at the time of commencement of the car insurance, after reduction for depreciation every year.

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