

# Plug protection gap with accident cover

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**T**ERM plans are a critical investment options for financial security of one's family in the event of the policyholder's death. However, is a term plan adequate to cover you against accidental disability too, which might render you incapable of earning an income?

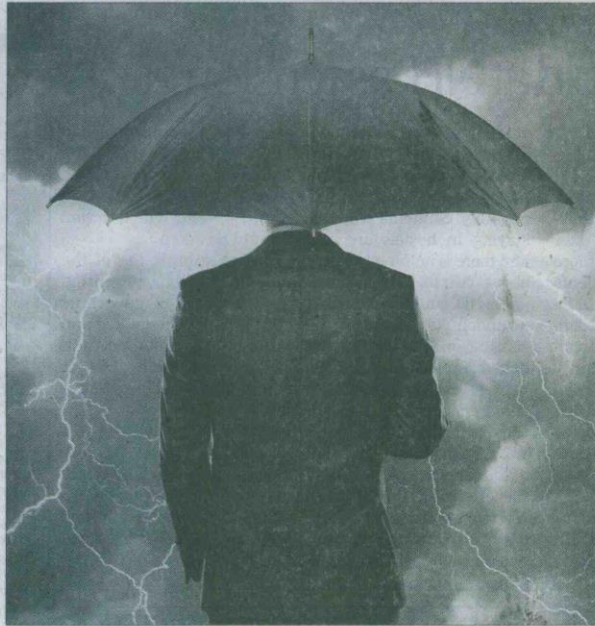
In case of any accidental disability, a term plan would fail to trigger and a health insurance will cover only hospitalisation expenses. What will salvage this situation is a personal accident (PA) policy, which will provide a cover for accidental disability or death, while also compensating you for loss of income during recovery. Secondly, even minor accidents such as falling off a bicycle and breaking an arm, or fracturing a leg to disabilities due to natural catastrophes are covered under the policy.

## How a personal accident policy complements a term plan

A term life insurance plan is meant to cover accidental or natural death and is also called a "death only policy". In the event of the insured's death, the nominee would be compensated with 100% of the sum assured, along with the bonuses accumulated during the policy period. Though a term plan covers only death, the scope of coverage can be enhanced by buying add-on products that cover accidental disability. However, term plans do not provide a cover for all disabilities or loss of income in case you are out of action for a certain number of days due to an accidental injury, but a personal accident policy does.

Under a personal accident policy, disabilities are categorised into

- **Permanent total disabilities** (complete and irreversible loss of both hands, legs, vision, etc) where the range of compensation varies from 100% to 200% of your sum insured.
- **For permanent partial disabilities** (loss of hand, leg, eye, finger etc), you would be compensated in the



range of 10% to 75% based on the type of disability.

- In case of **temporary total disabilities** such as fractures, the weekly compensation for up to 100 weeks is paid out for loss of income during that period.

In case of an insured's death, a PA policy not only compensates the family with 100% of the sum insured, but also provides for children's education bonus – an allowance paid towards cost of education of dependent children. It also provides a daily hospitalisation allowance for a maximum of 30 days.

## Premiums

Unlike term plans where premiums are dependent on the time period, sum assured and your age, personal accident policies calculate premiums based on your income and risk levels determined by your occupation. A dependent spouse or children, students, senior citizens or working pro-

fessionals would fall under the low-risk category. Self-employed people, blue collar workers or individuals exposed to occupational hazards are considered medium to high risks. Personal accident policies are low-priced policies, for as little as ₹500, you can get a cover of ₹10,00,000.

Let's understand it better with an example. Rohit is a 30-year-old IT professional with a monthly income of ₹1,00,000, who is looking for complete financial protection against death and disability. He already has a term insurance plan worth ₹1 crore for which he paid a premium of ₹13,000.

- For financial protection against disability, he could avail of a personal accident policy for a sum insured of ₹50,00,000, which could cover death, permanent total and partial disability by paying a premium of ₹5,500. He will be entitled to a claim of:

- ₹62,50,000 in case of permanent

total disability.

- ₹37,50,000 in case of permanent partial disability.

- If he wants a comprehensive plan that also covers temporary disabilities that render him bed ridden for a certain time, he could get a minimum of Rs 5,000 per week for 100 weeks (up to Rs 20,000 per week depending on the plan selected) by paying an additional premium of Rs 800.

- In Rohit's case, his total outgo for the complete protection against death and disability would be Rs 19,000 (Rs 13,000 as premium for a term plan + Rs 6,000 as premium for a PA plan), which is less than 2% of his annual income.

(\*This is an illustration for better understanding of a PA cover; premiums may differ from insurer to insurer)

You can take a cover up to 10 times your annual salary. It is always advisable to read these conditions before you sign the contract with your insurer. You can buy an independent personal accident policy or bundle it with your health or motor insurance covers. It is recommended to opt for a healthy mix of both these financial instruments, in your planning as they fill the gap left by each.

The following comparison will help understand the coverage offered by a personal accident cover and a term plan.

- While a PA plan offers a cover for temporary total disabilities, loss of income/wages, children education benefit, accidental hospitalisation and daily cash benefit due to hospitalisation, the same are not covered under a term plan.

- Also, a cover for permanent total disabilities and permanent partial disabilities covered under a PA plan may be opted as add-on covers under a term plan.

*The author is head, health insurance, Bajaj Allianz General Insurance. The views expressed in this article are his own.*