

# Make sure your insurance policy doesn't lapse during lockdown

Premium payment for general, life insurance policyholders extended

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With the lockdown due to Covid-19 expected to be extended, policyholders with life and general insurance policies would be worried about lapsation due to delay in payment. This is especially true for general insurance policyholders, who have to restore their motor, health, and other policies. Gurdeep Singh Batra, head-retail underwriting, Bajaj Allianz General Insurance, says: "The Insurance Regulatory and Development Authority of India gave a week's extension after the lockdown. It has said that during the lockdown period between March 25 and April 14, if an insurance holder is unable to make the premium payment, he can do the same on or before April 21. It will not be considered a break."

Unless the government extends the deadline, all insurance companies are expected to open from April 15. This means if you have an electronic clearance service (ECS) payment soon, make sure you arrange for the necessary funds.

Those who have auto-debit renewal on a credit card have to ensure the card is active and the amount is available to cover the premium. If you can't make funds available in the bank account, and the ECS bounces beyond the Irdai's stipulated date, your policy stands to lapse unless the lockdown is extended and the insurance regulator comes up with the revised dates.

Vaidyanathan Ramani, head-products and innovations, PolicyBazaar, says: "In non-life insurance, it's a one-year contract. If the payment for renewing the policy is not made on the day the old policy ends, the new policy does not come into effect. Of course, you can buy a new policy at a later date, but the cover will start only after that." But say, if you have motor insurance or health insurance whose premium

has lapsed, it is unlikely that you will have extensive cover if something happens in the interim. Usually, general insurers give 30 days for health and 90 days for auto insurance policyholders to pay renewal premiums, even after the due date has passed. However, you get to carry forward only a few benefits.

After the lapsation of the 30- and 90-day period, you will have to buy a new policy and start all over with no benefits. You especially stand to lose the no-claim bonus that may have accumulated over the years. In a normal scenario, Batra says: "if your policy expires on March 15, you have time till April 15 to make payment. If on March 25 you make a payment, the company will not cover the 10 days break period from March 15-25, according to Section 64 VB under the



## WHEN TO GO PAID-UP

(For life insurance policyholders)

- Use this option as the very last route if you just can't pay the premium even after 60 days
- A policy can be converted to a paid-up policy once it acquires a surrender value. This is typically after 2-3 annual premiums are paid for a traditional plan
- A paid-up policy is one that requires no further premium payments and continues to provide benefits until maturity
- This is a useful option when one is stuck with an unsuitable product. But in difficult times, this can come handy

Insurance Act. But this has been relaxed. During the lockdown, the company will cover the risk if the premium is paid on or before the 21st for this break period."

In the case of life insurance, things are simpler. Yusuf Pachmariwala, head of operations, Tata AIA Life Insurance, says: "The Irdai had asked insurers to allow additional 30 days of grace period for payment of renewal premium for life insurance policies, and has now extended the grace period to 60 days." This means you have ample time, as of now, to make sure you have funds available. Anuj Mathur, MD and CEO, Canara HSBC Oriental Bank of

Commerce Life Insurance Company, says: "In such times, customers should not let their policies lapse. Even after 60 days, if you don't have the necessary funds, make a credit card payment. Or, try to make arrangements and request the insurance company to present the ECS again. If internet connectivity is an issue, we also provide secure interactive voice response payment options."