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# Accident cover to guard against disability

The young should buy a personal accident cover before adding other policies

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The heavy toll that road accidents take in India has been highlighted by the latest report of the ministry of road transport and highways. The number was up 2.5 per cent to 501,000 in 2015, from the previous year, while the number of deaths was up 4.6 per cent to 150,000. Delhi, the national capital, had the highest death toll (1,622), while Mumbai had the highest number of accidents (23,468). Clearly, the risk of accidental death and disability that we face in our day-to-day lives is rising by the year, making it necessary for us to have enough protection.

**First cover for youth:** Usually, the belief is that a term policy and medical insurance will take care of the essentials in case of an accident — death and treatment.

But, there is an in-between

— disability due to accident. A personal insurance (PA) cover comes into play here. It makes a payout if the insured becomes a victim of accidental death. It also makes a payout if the insured suffers a permanent or temporary disability resulting in loss of income.

In fact, for people just starting their careers and who have no dependants, a PA cover is the first one that should be bought because a life cover might make little sense to their families, who would be more bereaved by the loss of/to the family member than the sum assured they receive. "The personal accident cover is especially useful if you have a disability and are not able to work," says Abhijeet Ghosh, head, health administration team, Bajaj Allianz General Insurance.

They are also cheaper than term policies. "For a young-

ster who doesn't have a term cover, it would be worthwhile to at least have a PA cover. Besides, when a person is younger, the probability of fatality due to an accident is higher than due to natural causes," says Arvind Laddha, chief executive officer, Vantage Insurance Brokers.

**Important cover for ones with dependants:** For those who are older and have dependants, it is an absolute necessity. They also need to check whether they have adequate insurance (term policy) to pay off loans, maintain the family in the lifestyle it is accustomed to, and meet future financial obligations like children's education and marriage.

While 10 times the annual income (plus your loans) is considered the adequate for a term cover, in case of PA cover it should be 100 times monthly salary (plus loans, if

## PREMIUMS FOR A PERSONAL ACCIDENT POLICY

Insurer	Sum assured (₹)		
	25 lakh	50 lakh	1 crore
Bajaj Allianz	1,582	3,163	6,325
ICICI Lombard	2,999	8,290	15,352
National	1,815	3,410	6,710

Premium rates are for cost of accidental death cover and permanent (total and partial) disability

Source: Ideal Insurance Brokers

any). Of course, a PA policy will cover the risk of death only partially (by accident), but it is also a less expensive option and might be used by those who lack the funds to buy more term cover.

In addition, buy a PA cover as a standalone policy and not as a rider. "A standalone policy is likely to be cheaper than a rider. Also, the disability cover is not comprehensive in a rider," says Laddha.

### Add family members:

Besides the earning member, add other important members. "Buying a cover for the spouse who is a homemaker is a good idea, as she is exposed to a number of risks," says Rahul Mohata, chief operating officer, Ideal Insurance Brokers. Insurers usually cover a homemaker for up to 50 per cent of the husband's sum assured. "If the spouse also earns, buy a higher cover for her and



not only 50 per cent of the husband's sum assured," says Anurag Rastogi, appointed actuary, HDFC Ergo General Insurance. Children might be covered for 10-25 per cent of the head of the family's sum assured.

**Have these features:** Your PA policy should have four essential covers — death benefit, permanent total disability, permanent partial disability and temporary

disability. In case of permanent disability, 100 per cent of the sum assured is paid as compensation. For permanent partial disability, depending on severity, the payout will be 10-40 per cent. A temporary total disability is one where a person is laid up for a few weeks, say, due to a fracture. So long as he is bedridden, this cover, also called a weekly indemnity cover, will typically pay one

per cent of the sum assured per week. "Death is rare, while temporary disablement is more common in accidents," says Rastogi. Most companies make a payout of ₹1,000-5,000 per day for temporary disability.

**Things to watch out for:** Accidents that occur due to negligence, rash driving or under the influence of alcohol are not covered. Mohata says that medical problems not caused by an accident, an old disability and self-inflicted injuries will also not be covered. Most policies also don't cover adventure sports, though Bajaj Allianz just launched one.

"Look at the number of sports covered and understand the caveats around the cover. Adventure sports might only be covered if you undertake these under proper guidance and with a reputed agency," says Laddha.

If a particular disability is not mentioned in the policy wordings, it could become a matter of dispute. In that case, a doctor's opinion is taken on the extent of disability.