

Term cover is not enough, buy personal accident cover too

This policy is especially handy when an accident results in disability, impairing a person's earning capacity

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Businessman Cyrus Mistry's death in a car crash on September 4 has brought the risks related to road travel into the national spotlight. It has also highlighted the need to purchase a personal accident (PA) insurance cover.

What's covered

Even if a person has a term insurance cover, he should still buy a PA cover. "A PA policy provides coverage against accidents leading to death, disability (partial or complete), and bodily injuries," says Naval Goel, founder and chief executive officer (CEO), PolicyX.com. While a term insurance cover will make a payout on death, it will not pay anything if a person suffers a disability and can't work. It is this crucial gap in coverage that a PA policy fulfils.

"It will pay a benefit if you have a permanent disability. Some of these policies will also pay if you have a temporary but total disability," says Kapil Mehta, co-founder and chief executive officer, SecureNow. On the death of a policyholder in an accident, the family receives a lump sum amount. PA insurance also covers hospitalisation and post-hospitalisation expenses. Many of these policies also offer cash allowance for a period.

According to Tarun Mathur, chief business officer (CBO)-general insurance, Policybazaar.com, "Apart from providing coverage against disability and death, many PA covers also provide financial support to the insured's dependants. They offer education

benefits to their children because the individual's earning capacity may reduce completely or partially after the accident."

Some policies also cover legal and funeral expenses.

Key exclusions

Those buying this policy must understand the exclusions. "It will not make any payout in case of a suicide, natural death, pre-existing disability, or if the person was under the influence of alcohol or drugs," says Goel.

According to Mehta, if you have broken a law, no payout will be made. He adds that the insured may also not receive a payout if there was extreme negligence on his part, or if the injury occurred while participating in an adventure sport. (While most PA policies don't cover adventure sports, one or two do.) According to Mathur, policies could also have exclusions related to hazardous occupations.

Who should buy a PA cover

People working in jobs where there is a high probability of accidents must buy this cover. Mehta says, "This cover is also relevant for most people below the age of 50 because they have a higher probability of suffering an accidental death as compared to a natural death."

Buying adequate sum insured is important. "The sum insured should be up to 100 times an individual's monthly income. If someone travels abroad frequently, then worldwide coverage is a must-have benefit," says Mathur.

According to T A Ramalingam, chief technical



WHAT DETERMINES PA INSURANCE PREMIUMS

■ Premiums for PA covers vary from a few hundred rupees to a few thousand

■ Premiums are higher for people in jobs that involve a lot of travelling

■ Age, income, and amount of cover are other key determinants

■ Policies that cover only permanent total disablement will be cheaper than those that also cover permanent

partial disablement

■ Cover for child's education will also bump up the premium

■ Loan protector feature adds significantly to premium

■ Other covers like day care procedures, dental treatment, home hospitalisation for accidental injuries, daily hospital cash cover also raise the premium amount

officer (CTO), Bajaj Allianz General Insurance, "When opting for a PA cover, it's critical to make an assessment of the number of breadwinners and dependants in the household."

Motor insurance and accidents

Motor insurance policies also have a PA cover for the owner-driver. This is a compulsory extension that must be purchased by the vehicle owner, irrespective of whether he is buying a third-party liability cover or a comprehensive cover. This compulsory PA cover must be in the name of the vehicle owner.

"The PA cover under the motor insurance policy will pay compensation in case of bodily injuries, death or any perma-

nent disability due to an accident. The limit of the coverage is defined as ₹15 lakh by the Insurance Regulatory and Development Authority of India," says Saurabh Jhunjhunwala, assistant vice president (AVP), insurance products & sales, Prabhudas Lilladher Wealth.

The owner of either a two- or a four-wheeler must have a PA cover. In case of accidental death or total disability, the insurance company will pay the entire sum insured to the nominee.

Motor insurance payout amounts are low for personal accidents. "It is generally much better to buy a large sum insured that is available in the standalone PA policy," says Mehta. Goel adds that the

absence of a PA cover can lead to legal consequences.

Common queries answered

In most cases, whether a PA policy will make a payout depends on the terms and conditions, which can vary from one insurer to another, and also from one policy to another.

One common question is whether a person's claim would be accepted if he met with an accident while not wearing a helmet. "These claims are admissible since the insurer can't establish that the accident or death happened due to not wearing a helmet," says Sanjay Datta, chief underwriting, claims and reinsurance, ICICI Lombard General Insurance. He, however, adds that such claims are not legally tenable.

According to Mehta, if the local laws require that the person should wear a helmet, then the claim will not be paid.

The same applies to a person not wearing a seatbelt.

As far as over-speeding goes, Datta says, "This is subjective and depends on the First Information Report (FIR) establishing that the accident occurred due to over-speeding and gross negligence on the driver's part."

Jhunjhunwala adds, "If it is proved that an accident occurred as a result of carelessness or reckless behaviour, such as failing to use a seat belt or helmet, or driving too fast, the insurer may refuse to accept the claim."

Another question is whether a person will receive a claim if he meets with an accident in a different country. Ramalingam says, "If the insured has opted for a geography extension for the motor policy, and the insured has met with an accident in a reciprocal geography, then the PA claim will be settled according to policy terms and conditions."