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INSURANCE



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From the Editor's Desk

Life holds many uncertainties, some of which can result in substantial financial losses. Although there is no way to prevent loss in all instances, instruments such as insurance provide a financial safety net to an individual, their family or business entities.

Insurance, therefore is a financial matter of paramount importance for every individual and business entity. The cost of this cover is so low that it should have been a no brainer to buy these products. Despite such incredible benefits, Insurance is a much-maligned subject. The key reason for this has been that it is a poorly understood product and unfortunately the sales agents take undue advantage of this ignorance.

Insurance are long term products, so the other issue that raises doubts in the mind is what happens if the insurance company goes bankrupt. In India the insurance companies are governed by Insurance Regulatory Development Authority (IRDA). Besides enacting laws for the insurance sector, IRDA also lays down very strict financial norms for Insurance Companies. As per current regulations, at any given time an Insurance company has to maintain a reserve of 1.5 times the outstanding dues. This will ensure that whatever may happen, claims will be settled.

The aim of this edition is to simply spread awareness of various insurance products without getting in to the technicalities and enable readers to select the right policy that would meet their requirements. For details please contact your financial advisor

Best,
Team Meri Punji



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BASICS OF INSURANCE



Why Insurance?

Insurance is an intangible financial product which protects against any future contingency. It is a risk cover product with a low cost/Premium and provides high financial coverage. It gives financial protection to the family and acts as a safety net. It can be bought for any and everything like Life, Health, House, Vehicle, Business, and Profession etc. The benefits of having an insurance product are as follows: -

- Protection against future contingency
- Provides Financial Security to the Family/Business
- Provides Peace of Mind
- Helps in achieving financial goals
- Provides legacy for the family
- Gives tax Benefit under Income Tax Act

What are different types of Insurance?

Insurance is broadly categorised into two types i.e. Life Insurance and Non-Life Insurance.

Life Insurance

As the name defines Life insurance deals with Human Life. The main purpose of life insurance is to provide financial protection to the family in case of demise of the bread winner of the family. Life Insurance can also be taken as an investment product but one should clearly understand that this investment is not for higher returns but for certain pre-defined specific objectives. Life Insurance can be divided into 2 distinct categories viz. -

- Pure Life Risk Plans
- Life Risk plus Investment Plans

Non-Life General Insurance Plans

Non-life insurance covers property, businesses and individuals unlike life insurance which covers lives for assured benefits, non-life insurance provides coverage for damages on indemnity basis. It protects insured monetarily by providing money in the event of an accidental loss. Non-life Insurance can be divided into 2 distinct categories viz. -

- Personal Non-life Insurance products
- Commercial/ Business General Insurance Products

Points to be Considered Before Taking an Insurance Policy

Before buying any Insurance policy one should take following things into account: -

Life Insurance

One should first identify the needs i.e. what are the basic insurance products which is required to protect against the future contingency for self and business. Then the value of cover from the insurance product and can distribute the cost of premium.

Cover and Exclusions

One should always look what is covered and what are the major exclusions in a policy. The exclusions need to be understood carefully for future reference.

Cost to Benefit Analysis

There are many players in the market who provide almost same kind of Insurance products. One should look after what are the benefits and period of the policy provided by each insurance company. One can do the cost benefit analysis of each product online or can take help from Insurance brokers who work with multiple insurance companies.

Review

As the person evolves over the period of time, the needs also changes around it. One should always the review the insurance products based on current/ future needs and add the products accordingly.

TERM PLAN

In today's fast-moving world full of uncertainties, one should always be prepared for financial contingencies. Most Individuals/ families plan their financial goals and requirements in advance and they invest in varied products to achieve the goal.

However, in case of sudden demise of the sole earner of family there can be a financial crisis. In such cases an insurance product can bridge the gap between the amount required for achieving financial goals and current savings. Insurance products are designed to support the family financially in case of early demise of the bread earner. Amongst all the Insurance products available, Term Insurance is most economical that provides a very high coverage against very low premium.

Term Plan is the simplest form of Insurance product that provides risk cover only in the event of death. In case the insured person outlives the term period of the policy there is no payment made by the insurance company. Even with this condition it is the most relevant and sought out product by the people.



The benefits of having a term plan are as follows: -

- It gives higher risk cover with low premium
- There is flexibility while choosing the amount and period for which one wants to take the term policy.
- Provides tax benefit under section 80 C of Income Tax.
- Provides financial stability and legacy to the family
- Provides peace of mind and financial security against future liabilities.



Points to be considered while selecting for a term plan are as follows

Amount of Risk Cover and Premium:

One should first ascertain the amount for which one needs the risk cover based on financial need, as currently we don't have an insurance product with reducing value/risk cover. The basic rule to calculate risk cover is to take an amount 5 times the annual income that would be after 5-6 yr or based on financial planning risk cover can be taken equivalent to the cost of expenses. Once the amount of risk cover is finalized, cost benefit analysis of term plans provided from different companies can help to get the lowest premium for required risk cover.

Insurance companies provide term plan for different period i.e. ranging from 15 years of policy period to 100 years of age of the insured. With age the gap between the corpus required to meet all financial goals and the existing corpus keeps reducing. Generally with proper financial planning, it can be safely assumed that by the age of around 70 years one would be free of all financial liabilities and would have also created a sufficient corpus for retirement a term plan till age of 75-80 years is good. Any plan beyond that is of little relevance as there is no risk to be covered.

Period of the Plan

Types of Term Plan

There are 3 options within the term plan which is as follows:-

- **Pure Term Plan** – It is a plain vanilla product. In this one has to pay for the complete policy period to be covered. When one stops the payment of premium the cover also ceases to exist. The Only benefit of this product is death benefit, in the case of death during policy period. If one outlives the policy period no benefit amount is paid by the company.
- **Term Plan with return of premium-** In this the insurance cover is till the period of policy in case of continued payment of premium. The only benefit of this plan is that if one outlives the policy period the total premium paid for the policy is returned back to the policyholder. The cost of this option is higher than pure term plan.
- **Term Plan with Additional Benefits** – The additional benefits in a term plan comes as a rider which is either inbuilt in the plan or taken additionally. The riders which come are mostly provided by the companies are as follows
 - Accidental Benefit
 - Critical illness Benefit
 - Accidental Death Benefit
 - Accidental and permanent disability benefit
 - Waiver of Premium Benefit
 - Hospital Cash Benefit etc

With the additional benefits along with term plan the cost of the policy also increases.



Premium Paying Option

Term plans come with 2 different premium paying option.

- **Regular premium paying option** – it is for pure term plan, in this the premium is paid for complete policy period. If the premium stops the policy cover also stops.
- **Limited Premium paying option** – In this the buyer gets an option to pay the premium for limited time period of time and stay covered for complete policy period. In this the cost of the policy is higher than regular premium paying option.

Based on the points one should opt for the best policy per suitability and requirement.



LIFE INSURANCE

The primary purpose of life insurance is to provide financial protection to the family in case of early demise of the bread winner of the family. However, there are life insurance products that provide an investment option along with life cover. In such products one should clearly understand that this investment is not for higher returns but for certain pre-defined specific objectives. There are different types of insurance plans that provide for Risk plus Investment.

1. Endowment Plan

This is a limited period product, where there is an option to choose premium paying term and policy period is then automatically calculated. The life cover is for the policy period. It provides risk cover in the event of death or survival benefits on the maturity of the policy.

2. Money Back Plan

It is almost similar to Endowment plans; the only advantage of buying a Money back plan is that it gives back the proportionate maturity value at regular intervals. In this plan other than guaranteed maturity value, certain amount of bonus is also added to it, if declared by the company.

3. Retirement/Annuity Plan

It is a savings plus insurance plan, which helps in retirement planning and provides death benefit. The premium collected over a period of time or lumpsum amount paid provides a stream of funds which creates a replica of your current regular income after retirement as planned.

RISK PLUS INVESTMENT PLANS

4. Child Plan

It is a product for securing a child's future financial requirement. The policy maturity period is so opted that maturity benefits are payable when the child attains the age of 18 years. These benefits can be paid either annually or lumpsum as opted by the policyholder. In case of demise of the policyholder future premiums are waived off and the policy continues till the end of policy period. The maturity benefits are paid out as per the policy plan. Some products provide additional death benefit i.e. a lumpsum payment at the time of death and thereafter maturity benefits on completion of policy period.

5. ULIP (Unit linked Insurance Plan)

It is an insurance cum investment product. A small part of premium goes into insurance i.e. risk cover and the balance amount goes into investment. The insurance company invests in market linked instruments. The investment product is chosen by the policyholder. The maturity value is dependent on the products market performance. These plans have a benefit of partial withdrawal of funds after 5 yrs.

PERSONAL NON-LIFE/ GENERAL INSURANCE



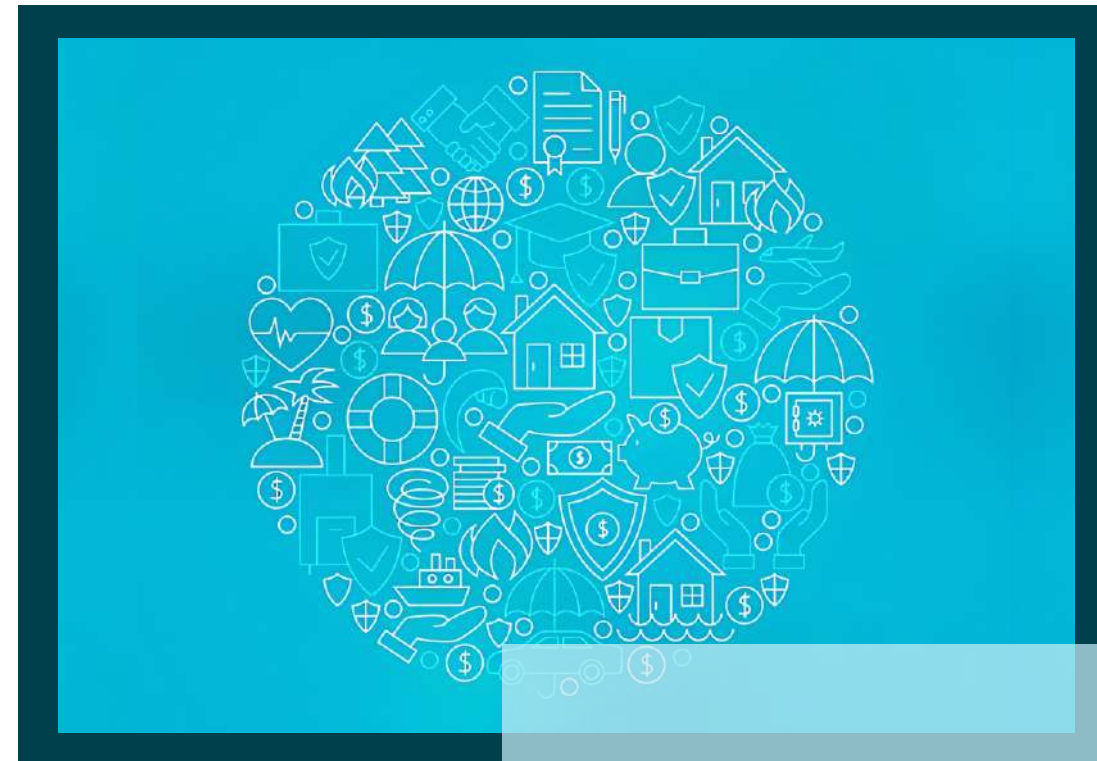
It is any policy which does not provides life cover. It protects the Individual and business against various losses. The time period for general Insurance is mostly of 1 year. Different types of General Insurance are as follows:

Motor Insurance – This Insurance is for two-wheeler/Three Wheeler and Four Wheelers. It is taken to protect against either man-made or natural damages. The extent of compensation depends on Insurer to Insurer. It is mandatory to have a motor Insurance as per current Indian Laws.

Health Insurance – It is said “health is wealth” and today this is absolutely apt. Medical expenses can create a huge dent in one's saving and can often spiral out of control. This Insurance covers the expenses related to whole or a part of medical expenses borne by an Individual or a family due to major health Issues.

Home Insurance – This is taken to protect the home and the items within against the loss caused due to fire, burglary, natural calamities etc.

Travel Insurance – This Insurance is taken to protect the Individual/family during the time period of domestic or International travel. It covers major issues related to travel i.e. trip cancellation, lost luggage, health concerns etc.



Before buying any Insurance policy one should take following things into account:

- **Need and Quantum** – One should first identify the needs i.e. what are the basic insurance products which is required to protect against the future contingency for self and business. Then the value of cover from the insurance product and can distribute the cost of premium.
- **Cover and Exclusions** - One should always look what is covered and what are the major exclusions in a policy. The exclusions need to be understood carefully for future reference.
- **Cost Benefit Analysis** - There are many players in the market who provide almost same kind of Insurance products. One should look after what are the benefits and period of the policy provided by each insurance company. One can do the cost benefit analysis of each product online or can take help from Insurance brokers who work with multiple insurance companies.
- **Review** - As the person evolves over the period of time, the needs also changes around it. One should always the review the insurance products based on current/future needs and add the products accordingly.



Commercial/ Business General Insurance

Simply put, Commercial/ Business Insurance is designed to protect businesses. It covers the business against the loss arising out of damage to the property, injury to the employees or is a term to label core business insurance that also covers public liability or employer's liability.



Type of Business Insurance

Liability Insurance

Liability insurance protects the business while a claim is arising out of third-party injury or damage to property. It covers the legal costs for which the company or insured is held responsible.

Directors & Officers Liability Insurance

This liability insurance is meant for Directors and Officers of a company, which covers the personal liability of Directors & Officers arising from wrongful act in their professional tenure. This includes alleged breach of duty, misstatement, negligence or errors.

Shop owners Insurance

This policy is tailor-made to cover all the possible risks and damages faced by small to medium-sized (SME) shop owners. This policy ensures a free state of mind by providing a financial shield against damage to the insured property and the other interest of the insured regarding the business. It protects the shop owners from the probable risks from the natural disasters, theft or burglary as well.

Office Package Policy

An Office Package Policy is a full-fledged insurance package to cover one's business. This comprehensive insurance offers coverage to fire, burglary, machinery breakdown etc. under a single roof. This is the one-stop solution for all contingencies that your business may expose to. There exists an option to take the cover separately for the said events.



Marine Insurance

Marine insurance is a misnomer and often thought as an insurance cover of transportation by sea. In actual Marine Insurance covers transportation of goods and property by any means i.e. is Road, Rail, Aircraft, Inland water and Sea. The policy against the loss due to any perils or casualties including fire, war, pirates, perils etc.

Construction's All Risk Insurance

This policy offers extensive coverage against the loss during construction, contract work, construction machinery etc. This policy is specially designed for architects, financiers, construction engineers, which covers the destruction of any ongoing projects. Apart from the material damage, it also covers third party liability arising out of fatal injury, property damage etc. Perils like fire, earthquake, water damage, storm, cyclone etc. are also covered.

Workmen Compensation

This policy covers the employer during a statutory liability arising out of death or injuries caused to the workers during the course of employment. The policy mainly covers bodily injury, death or temporary disability, permanent total disability, legal costs arising with the company's consent etc.

Business Insurance

Business insurance is necessary to protect a business from financial loss arising due to property damage, fire, natural disasters, theft or legal liabilities.

Erection All Risk Insurance

This policy provides comprehensive coverage against loss or damage to the installation of machinery or equipment. It protects the contractor or employer against physical loss or damage to the contract work, construction plant or machinery. It covers third party liability damage or injury as well.

Plant & Machinery Insurance

The policy largely covers damage or loss to the contractor's construction machinery such as excavators, cranes, compressors, etc. While machinery is an important element of a construction site, damage or breakdown of the same can't be affordable. With this plan, the employer can mitigate the financial burden of repair or replacement in case of machinery breakdown.





General Liability Insurance

General liability insurance pays for the liability claims arising out of bodily injury, proper damage to a third party within the business premises.

Public Liability Insurance

Similar to general insurance, Public Liability insurance also bears those liability expenses arising out of third-party bodily injury, property damage within the premises.

Comprehensive General Liability Insurance

The policy covers all the expenses, which the insured or the employer held responsible to pay for the damages as an outcome of accidental death, bodily injury, disability to the third party or third-party property damage.

Cyber insurance

Cyber insurance policies are designed to help businesses overcome the effects of cybercrimes like ransomware, malware, distributed denial-of-service (DDoS) attacks, etc. that may be used to compromise a network and the confidential information. It is also termed as security insurance or cyber risk insurance; these products are customized to help organizations mitigate.

Employer-Employee Insurance Scheme

It is an arrangement in which an employer purchases a life insurance scheme for its employees. It means that the premiums are paid by the employer, but the beneficiaries of the policy are their employees. It acts as an additional benefit provided by an employer to their existing employees.

Keyman Insurance

Keyman insurance is important, particularly for family businesses that are highly dependent upon a few individuals. It helps ensure that the business can absorb the financial strain of an early death and continue sustainably. The low cost and ease of securing a keyman insurance policy makes this very important business decision a simple one.

Partnership Insurance

Partnership Insurance refers to Life Insurance taken by a partnership firm on the lives of partners. The objective is to enable the partnership firm / remaining partners to buy the deceased partner's share without disturbing the firm's financial position. A partnership firm has an insurable interest in the lives of its partners to the extent of capital invested by each partner.

Keyman Vs Employer Employee Insurance

It is very common to get confused between Employer – Employee Insurance and Keyman Insurance. However, the two terms are completely different. On one hand, where keyman is only a term life insurance, on the other hand, employee – employer structure is used for any kind of insurance plan that benefits the employee. In a keyman insurance policy, the benefit of insurance is paid on the death to the company. Whereas, in an employer – employee policy, the benefits are paid to the employee.





Some Important Aspects

Business owners can apply for the compensation only if:

- There is an actual loss of business income.
- Need to make critical repairs as soon as possible. As the insurer will need to know the repairing costs and will also ask for proper evidence.
- Business owners need to inform the insurer about all aspects of the business. If any fact is not disclosed, it might invalidate the cover.
- If the damage is caused due to lack of maintenance, the claim might be rejected.

Exclusions Under Business Insurance

There are few perils which are not covered under this policy. These include proper loss or damage caused by:

■ Wildlife	■ Governmental actions
■ Power failure	■ Expansion and shrinking of property
■ Wear and tear	■ Action because of Law enforcement
■ Military action	■ Illegal activities performed by the insured
■ Nuclear hazards	■ Any type of pollution





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Every individual is unique and so are his or her investment needs. Investment planning must always be aligned with one's goals. Hence, our approach is to help you chalk out an investment strategy that is best fit for 'you'.

We see ourselves as educators rather than advisors. Our endeavor is to build awareness about the various kinds of investment products in the market. After all, an informed decision is always a better decision.

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