

Abhinav Gulechha, CFP^{CM}

Individual Personal Accident Insurance



The right strategy is that first one should aim at getting sufficient term and pure mediclaim insurance, and then turn focus towards getting an IPA cover. There is no use having an IPA cover without having the basic term and mediclaim covers in place.

Author is a Chartered Accountant, Certified Financial Planner. Presently working with TATA AIG General Insurance Co. Ltd. As Manager-ERM

Email: abhinav.gulechha@gmail.com

Amit's story

Amit was resident of Mumbai, with a family of wife and 2 small kids. He was finance professional and had a well paid job in an MNC. He was very keen to secure his family's future and had already taken term insurance and a pure mediclaim product. He used to commute by local train and one fine day while returning home, due to the rush in the compartment, he fell from the train on the tracks. Unconscious, he was taken to the hospital wherein the doctor later told him that his leg had to be amputated and he will not be able to walk again on his own. Shocked, Amit realised that he might not be able to work like he did, again...



Amit's term insurance was not of use as he was alive. His mediclaim did take care for the hospitalisation expenses, but only for a limited period. But what about the permanent disability that resulted in all his planning for important financial goals, about kid's education, about daughter's wedding, crashing to the ground....

Do you think that this can't be yours and my story? Well I sincerely hope that it doesn't.... However, if you agree that it is one's duty to protect oneself and the family's future from such contingencies, please read on.....

What is individual personal accident insurance?

You must have read it everywhere that one should get term insurance, health insurance, but what is this new stuff? Well, don't get hassled!....

Different categories of insurance are designed to mitigate different types of insurance risks. While term insurance covers your family against the financial loss due to unfortunate death, mediclaim product covers you against expenses of hospitalisation. However, these products do not cover for financial loss due to permanent or temporary disablement due to accident, which can stop you from working and earning a living.

An individual personal accident (IPA) policy is basically designed to offer some sort of compensation to the insured person who suffers bodily injury solely as a result of an accident which is external, violent and visible. Hence, death or injury due to any illness or disease is not covered by the policy.

Let's look at what risks can be covered by an IPA policy:

Coverage

A standard IPA policy covers you against the following risks:

1. **Accidental death:** A lump sum payout is made in case of death due to accident

2. Permanent total disablement: A disability which is permanent and results in a complete loss of gainful employment
3. Permanent partial disablement: A disability which is permanent and but results in a partial loss of gainful employment
4. Temporary disablement: A disability which is temporary and impacts the possibility of earning gainful employment for a limited period of time
5. Children's education fund: In case of children studying full time in an educational institution, the policy provides for payout of a specific % of Sum assured, to take care of their needs.
6. Transportation of mortal remains and funeral expenses: In case of accidental death, the insurance company pays for this also but payout is limited to a specific amount say Rs. 5,000.
7. Emergency ambulance charges: In case the person needs to be transferred by ambulance from place of accident to hospital, ambulance charges are reimbursed up to a specified amount say Rs. 2,000.
8. Medical expenses and in-patient hospitalisation due to accident: In case due to the accident, the person gets admitted to a hospital and there are hospitalisation and medical expenses as a result of that, a specified % of sum assured is paid out to take care of that.

So you can guess that the coverage is very comprehensive, and it takes care of several risks that a term product or a mediclaim product cannot cover. But note that this is a broad indicative list of coverage in an IPA policy which differs from company to company. For a complete list of coverage and exclusions, please visit the respective company's website and check out the policy brochure/ policy wordings.

Other points/ features

Some other features worth noting about IPA policies are as follows:

- The policy can also cover spouse and dependent children/ parents but the sum assured applicable to spouse/ parents is generally not more than 50% of sum assured chosen by the insured.
- Family discount of around 5-10% is offered in case insurance is done for the entire family
- Cover is offered from 5 years to up to 70 years. In policies offered by almost all companies, cover is not available after 70 years of age.
- The policy generally covers you for injuries sustained anywhere in the world, and not just within India.

Sum assured and premium rates

Every insurance company fixes the upper cap of sum assured

that one can opt for. For e.g. Apollo Munich Health Insurance prescribes sum assured up to 10 times gross annual income. Thus, if your gross annual income is Rs. 5 lacs, you can get yourself assured for up to Rs. 50 lacs.

Coming to premium, one interesting point to note is that the premium rates in case of IPA policies is not dependent on age. It depends on the kind of your occupation and the level of hazard/ risk involved in it. For e.g. product brochure of Bajaj Allianz personal guard specifies the following three levels for charging premiums:

- Risk Level I: Administrative / managing functions, accountants, doctors, lawyers, architects, teachers and similar occupations
- Risk Level II: Manual labour, garage mechanic, machine operator, paid driver, (car / truck / heavy vehicles) cash carrying employee, builder, contractor, veterinary doctor and similar occupations.
- Risk Level III: Workers in underground mines, electric installations, with high tension supply. Jockey, circus performers, big game hunters, mountaineers, professional river rafters and similar occupations.

The premium will be lowest for risk level I and highest for risk level III. For e.g. for a sum assured of Rs. 25 lacs, premium in case of Level 1 customer (lowest risk) is Rs. 2,650, while for Level 3 customer, it will be Rs. 5,450....yes, almost twice the cost!!

IPA vs. Other accident insurance options

A question may be running in your mind, is that wouldn't a term plan with an accident rider serve the purpose and why is there a need to have a separate policy for accident?

If you read the terms and conditions of an accident rider attached with a term insurance cover closely, you will note that the coverage offered is very basic and that too it comes at a significant cost. Thus, it is always advisable that instead of buying a rider attached with term product, go for a stand-alone personal accident policy so that you get proper coverage for the amount spent.

Conclusion

IPA cover is a must-have for everybody. Having said that, please remember that term insurance and pure-mediclaim insurance should be the first priority of everyone's insurance portfolio. The right strategy is that first one should aim at getting sufficient term and pure mediclaim insurance, and then turn focus towards getting an IPA cover. There is no use having an IPA cover without having the basic term and mediclaim covers in place.

Note: The author is a Certified Financial Planner (CFP) professional and is presently in full time employment with Tata AIG General Insurance Co. Ltd. The author also writes on personal finance on his blog www.letsimplifymoney.com. The views expressed above and on the blog are his own and don't necessarily represent the Tata Group's positions, strategies or opinions.