CAPITAL UP
Own Your Future

23 Q's simplifying 'Term Insurance'.

1. What is Term Insurance?

Term insurance is a legal agreement between the insured (you) and the insurer (insurance companies) where death benefit is provided to the nominee if the life insured dies during policy tenure. Normally a term insurance provides a substantial life insurance cover at an affordable premium.

2. Why is term insurance important & why should one buy it?

-A term insurance provides substantial life insurance cover at an affordable premium

-The sum assured helps your family members to live the same standard of living in your absence.

-It gives you peace of mind by ensuring your family will have financial support even when you are not there.

3. What are the benefits of term life insurance

-Term insurance plans provide a substantial life insurance cover at affordable premiums

-Premium paid towards term insurance provides tax benefits under section 80C up to Rs. 1.5 lacs and the sum assured your family receives is also tax free.

4. When should you apply for term insurance?

If you have started earning and there are dependents on your income, then you should not delay in buying term insurance.

5. How much cover should one take in a term plan?

The thumb rule for deciding the cover of your term plan is that it should be at least 20 times your annual income and/or covering your liabilities. For example, a person earning ₹10 lakh annually must have a term policy of about ₹2 Crore for adequate support to his family after his death. One should also consider loans, child education and other liabilities if any.

6. What is the Tax Treatment of Term Insurance?

One can enjoy a tax benefit of up to ₹1.5 lakh under Sec 80C from the taxable income for paying the premium of the term insurance plans.

The proceeds received from a term insurance plan after the demise of the policy holder is also tax exempt under section 10(10D).

7. Can NRI take term insurance in India?

Yes. Non-Resident Indian can buy a term insurance plan in India.

8. How to buy a term plan?

You can buy a term plan both online or offline. Preferably consult your advisor with whom you can talk in detail and understand terms and conditions.

9. Can we buy term insurance from 2 companies?

Yes, you can always buy term insurance from two separate companies. Both the insurers from which you've purchased term insurance plans are liable to pay claim to the nominee in case of the policyholder's demise during the policy period.

10. Shall I disclose my existing term insurance policy for applying for a new policy?

Yes, you should disclose the details of your existing term insurance policies at the time of applying for a new one.

11. How do personal habits like smoking, drinking etc. matter while choosing a term insurance plan?

The premium terms generally vary for smoker & non-smoker, premiums are generally higher for a smoker as she/he comes in a high-risk category. For hassle free claim settlement kindly disclose personal habits of smoking or drinking.

12. How does a term insurance plan differ from an accidental insurance plan?

An accidental insurance plan specifically provides the death benefit in case the policy holder dies in an accident. However, a term insurance plan includes death due to any reason, be it natural or accidental.

13. Can the premiums change after a period of time?

Normally term insurance offers a level premium throughout the term. This depends on several factors like addition of riders or declaration of habits like smoking, drinking etc. or the declaration pertaining to a hazardous employment nature etc.

14. How does term insurance differ from life insurance?

A life insurance policy includes maturity benefits while a term insurance plan includes no such benefits and simply entitles the nominee(s) of the policy holder to the sum assured in the event of the policy holder's demise during the term of the plan.

15. Are there no maturity proceeds available with term insurance?

Many insurance providers now-a-days include the clause for return of premium, which entitles the policy holder to receive the paid premiums in the event of plan maturity, although this increases the payable premiums substantially.

16. Is the death of the insured person considered if she/he dies outside Indian Territory?

Yes. Term insurance, once in effect, entitles the nominee(s) of the person even if she/he has died outside India.

17. What are the general exclusions of Term Insurance? (Most Important)

1. Natural disaster or war / war like situation.
2. Participation of criminal & hazardous or extreme sports activities.
3. Misrepresentation or suppression of facts at the time of signing.
4. Death occurred due to Drug, Alcohol abuse or Sexually Transmitted Disease.
5. Death by Homicide if the perpetrator happens to be a nominee.
6. Suicidal death not covered within 12 months from the purchase of policy.

18. Why should I buy an individual insurance plan when I have life insurance through my employer?

Corporate Insurance plans provided by the insurer can prove beneficial. However, these covers are often not sufficient, and you need a higher sum assured for your family's security. In addition, the corporate insurance cover from your employer is discontinued once you stop working for them.

19. What should be the ideal tenure of term plans?

The tenure of a term plan must ideally be selected up to the length of your total earning span or liability span. For instance, if you plan on retiring at the age of 60, opt for tenure up to that age. In case you're looking for a whole-life coverage, choose an option which covers your entire life.

20. Do term insurance plans provide riders?

Many term-insurance plan offers riders to the policyholders. Opting for riders enhances the value of your coverage. It is an additional protection layer for your long-term security. Moreover, analyze your needs before investing in riders.

21. What are different types of Term Plan?

Level Term Plans, Increasing Term Plans, Decreasing Term Plans, Return of Premium Term Plans.

22. What is the 'MWP Act' in Term Insurance?

The Married Women's Property Act or the MWP is a legal safeguard available to protect the financial interest of a dependent wife, children, or both in case of sudden demise of the policyholder. The MWP Act is applicable on term insurance and life insurance policies to ensure that the sum assured is protected for use of

only wife/child/children or both (wife and children) and no other liability (loan payoff, debt payoff, joint family rights etc.) is attached to this sum.

23. How can you buy term insurance under MWP Act?

At the time of buying the policy you need to fill a separate form for MWP. Once a policy issue under MWP Act, beneficiaries cannot be modified or changed.

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