

EXPRESS CLINIC



NAME: NEERAJ AND MONIKA SHARMA, 35

RESIDES IN: DEHRADUN

PROFESSION: NEERAJ - SENIOR MANAGER & MONIKA - OPERATIONS MANAGER

NET ANNUAL INCOME
(₹ 16 LAKH)

OTHER DETAILS: THE COUPLE HAVE A SON ARNAV, 5

STATUS & GOALS

THOUGH NEERAJ IS QUITE SATISFIED WITH HIS JOB, INCOME AND GROWTH, HE STILL FEELS THAT THE FUTURE IS UNCERTAIN AND WANTS TO SECURE HIS FINANCES. HE IS MORE CONCERNED ABOUT HIS RETIREMENT AND ALSO WANTS TO PROVIDE GOOD EDUCATION TO HIS CHILD..

NEEDED

A financial plan that can provide for their goals and assure a good income after retirement.

MONTHLY INCOME (Post Tax)

₹ 1,33,333

TOTAL EXPENSES

₹ 81,000

NET MONTHLY SURPLUS

₹ 52,333

GOALS

IN ORDER OF PRIORITY

ARNAV'S EDUCATION

(Inflation assumed 10 per cent by 2021)

CURRENT VALUE

₹ 20 lakh

FUTURE VALUE

₹ 77.81 lakh

ARNAV'S MARRIAGE

(Inflation assumed 7 per cent by 2031)

CURRENT VALUE

₹ 10 lakh

FUTURE VALUE

₹ 58.04 lakh

RETIREMENT PLANNING (2034)

(Inflation at 7% p.a. and life expectancy 80 years)

MONTHLY EXPENSE

₹ 50,000

FUTURE VALUE (2034)

₹ 2.37 lakh

CORPUS REQUIRED

₹ 5.65 crore

CURRENT INVESTMENTS

SAVINGS BANK BALANCE ₹ 4 LAKH
FIXED DEPOSITS ₹ 10 LAKH
MUTUAL FUNDS ₹ 2 LAKH
ULIPs ₹ 4 LAKH

FINDINGS

EMERGENCY FUND

Idle money is lying in saving bank accounts as emergency funds.

INADEQUATE INSURANCE

The ULIPs they have does not provide adequate insurance coverage.

POOR ASSET ALLOCATION

Most of his investments are lying in safe investment vehicles, thus compromising on growth aspects

INCOME GROWTH

He expects his income to grow by 10 per cent year-on-year.

HOME LOAN

He has a loan of ₹ 16.76 lakh with a current balance of ₹ 7 lakh at a floating rate of 9 per cent. He wants to repay as soon as possible.

OBSERVATIONS

Neeraj has two child plans and two pension plans. He is afraid of stock market volatility and so avoids increase in equity mutual funds allocation. He strongly believes that if properly managed, equity can provide good returns.

RECOMMENDATIONS

EMERGENCY FUND: Maintain ₹ 2 lakh in savings account, as emergency fund to cope up with any kind of emergency.

Express Tip: Don't keep more than 3-4 months of expenses in emergency fund. Excess amount here will hamper long term growth of overall portfolio



HEALTH INSURANCE:

Buy a personal health cover of at least ₹ 5 lakh for each family member, over and above employer's cover. To start with you can go for floater policy but convert it to individual policy soon. Buy it along with critical illness rider. This should cost around ₹ 17,400 per annum.

Express Tip: To have cover, where employer insurance may prove to be inadequate, you need to have separate health insurance. Employer cover ceases when you leave your job.

LIFE INSURANCE

You should buy a term insurance policy with sum assurance of at least ₹ 1.6 crore. Get Monika a sum assured of ₹ 75 lakh. The total

PLAN BY: MANIKARAN SINGAL,
CERTIFIED FINANCIAL PLANNER,
MEMBER OF THE FINANCIAL PLANNERS' GUILD, INDIA (www.fpgindia.org)

For expert guidance on your financial planning email us your details at expressmoney@expressindia.com

■ LIFE INSURANCE

Be honest, don't hide facts while taking cover

Customers must never be in a wrong notion that an insurance company wouldn't know about a fraud or an information which is kept hidden



THINKSTOCK

RITU KANT OJHA

YOU often come across high pitch, 'emotional' advertisements of various life insurance companies talking about how you can sleep peacefully after buying life cover from them. While it does make lot of sense in insuring one's life to take care of the financial requirements of your family, in the case of your unfortunate death, it is equally important to make sure that the claim is not rejected by the insurance company, that too for hiding facts.

Recently, HDFC Life Insurance was fined Rs 5 lakh by insurance regulator IRDA for delaying settlement of claims. The action was taken on complaint by a customer on "non-receipt of death claims." Following investigations, IRDA noted, "the time line adhered by the life insurer to decide on the death claim is on a higher side... more than 6 months elapsed in respect of a few more individual death claim cases without deciding the admissibility of the death claims." In this case, the insured died within 4 months of buying the life insurance policy.

According to the insurer, the investigations revealed that the insured was on kidney dialysis even before buying the policy but kept it hidden at the proposal stage which amounts to hiding "material facts" — the

basis of an insurance contract. "HDFC Life has a philosophy of paying all claims (on time) unless and until there is a non-disclosure of material fact or a fraud against the company (claimant). We have a practice of investigating such claims, which involve additional information," said, Amitabh Chaudhary, CEO, HDFC Life Insurance.

UNIQUE CONTRACT

LIFE insurance is a unique contract. The insurer and insured get into a contract based on good faith that what insured has declared is true and a promise that the insurer would pay the claim in the future. However, there are some conditions inherent in this contract. The one critical for ensuring a claim (due to the death of the insured) is honoured by the insurer, is the information provided by the insured at the proposal stage. "Wrong information or truth withheld by consumers may make the contract void — making the consumer lose the benefits of that policy," says Harsh Roongta, CEO, Apnapaisa.

This puts the onus, largely, on the insured to ensure a hassle free

on-time claim settlement. "There are instances where even a cancer patient has bought an insurance policy, hiding it from the insurer. This amounts to fraud. Hiding facts like smoking and drinking habits while filling up the proposal form is not uncommon," adds Roongta.

While filling up the form, make sure to disclose all medical facts, correct occupation, and income along with correct date of birth with proof

Professional third party investigators are hired to dig out the truth. Not only will you lose all the premiums paid, you would risk the financial security of the dependents that you leave behind after you are gone," says Deepak Youhannan, CEO, Myinsuranceclub.

CLAIM PROCESS

ACCORDING to Life Insurance Council, the following process is critical to make sure that a claim is honoured by a company and settled in minimum time possible.

■ CLAIM INTIMATION/ NOTIFICATION: The claimant must submit the written intimation as soon as possible to enable the insurance company to initiate the claim processing. The claim intimation should consist of basic information such as policy number, name of the insured, date of death, cause of death, place of death, name of the claimant.

The claimant can also get a claim intimation/notification form from the nearest local branch office of the insurance company or their insurance advisor/agent.

■ DOCUMENTS REQUIRED: The claimant will be required to provide a claimant's statement, original policy document, death certificate, police FIR and post mortem exam report (for accidental death), certificate and records from the treating doctor/hospital (for death due to illness) and advance discharge form for claim processing. Based on the sum at risk, cause of death and policy duration, insurance companies may also request some additional documents.

■ SUBMISSION OF REQUIRED DOCUMENTS: A life insurer will not be able to take a decision until all the requirements are complete. Once all relevant documents, records and forms have been submitted, the life insurer can take a decision about the claim.

■ SETTLEMENT OF CLAIM: As per the regulation 8 of the IRDA (policy holder's interest) Regulations, 2002, the insurer is required to settle a claim within 30 days of receipt of all documents including clarification sought by the insurer. However, the insurance company can set a practice of settling the claim even earlier. If the claim requires further investigation, the insurer has to complete its procedures within six months from receiving the written intimation.

CLAIM REPUDIATION RATIO

THE claim repudiation ratio or CRR provides the percentage of claims rejected by an insurer. Before buying life insurance, it may be prudent to check the CRR of the insurer as that gives an insight into the insurer's probability to reject a claim. However, there are other facts that must be looked at before taking a final call on which insurer one must choose. "CRR is definitely not a foolproof method to choose your insurer. CRR considers all the claims, it can't tell which cases were legitimate and which were not. Other things like company history, product details, and quote should be considered before buying life insurance policy," suggests Yashish Dahiya, CEO, Policy Bazaar.

With the increasing competition, stricter regulatory environment, increasing awareness among the customers and online consumer activism, insurance companies are fast realising the fact that poor services and delaying/denying claim without enough evidence can put them in a tight spot. Customers who feel cheated by the insurance companies can file a complaint to the Insurance Ombudsman or/and file a case in a consumer forum. However, honesty would be the best policy for a customer to make sure that the claim is not rejected when it is actually needed. ♦

ritukant.ojha@expressindia.com

■ ART INSURANCE

Insuring that valuable piece of art

With some research and comparison, you can find a good insurance policy that can provide right cover



DEEPAK YOHANNAN

THE Indian art scene has seen a burst of new artists over the last few years and even when the market crashed as in the great mini-depression of 2009, the art market remained stable. Study has shown that art holds demand in the market during an economic boom as well as a slowdown. Investing in art is one alternative investment strategy, that has been gaining increasing acceptance around the world and more so in India. Reports suggest that over the last five years the Indian art market has grown by more than 500 per cent.

Indian contemporary art is increasingly raising its profile internationally through art fairs and international shows, as well as in India. Even though investments in art have been what one may call 'most benefi-

cial', art today remains a market understood by very few leave alone the valuation of art.

It is difficult to predict which way the markets will shift and which paintings will appreciate in value, and by how much. Having said this, art aficionados and investors normally adopt a simple buy and hold strategy. The holding period can range from a few months to a good number of years. But how can one be sure if their precious collection will stay intact and damage-free throughout their holding period?

This is where art insurance enters the picture. With increased emphasis on preserving and restoring art, insurance is must.

Many forms of fine art — painting, drawing, printing and photography — are fragile by the nature of their materials and are vulnerable to obvious and subtle forms of damage. Art insurance generally covers vari-

Most insurance companies tend to consider art as part of personal assets, which is a realm of general insurance and do not have the relevant expertise to evaluate works of art

ous risks like damage during transit or restoration, damage caused by natural perils, act of terrorism etc.

In India, insurance of art is based on a valuation that is mutually acceptable to both the insurer as well as the insurance company. Having said this, there is a fair amount of ambiguity surrounding art evaluation as surveyors are not really art evaluators. Art is not something to be repaired but something to be restored in case of a fire/damage due to

calamities. So, while there may be certain teething issues in case you want to file a claim for the restoration; the rule of 'caveat emptor' i.e. reading the fine print will really help.

There are special schemes available, but you may have to do a bit of research to clearly comprehend what the policy is all about. This is because most institutions in our country also tend to consider art as part of property/personal assets — a realm of general insurance and do not carry the relevant expertise to carry out an appropriate evaluation of the piece of work that you hold so dearly.

Also unlike the global markets where companies specialise in art insurance, there are a few policy creators in the Indian market. So you may have to do a bit of research to find the right insurance coverage. ♦

— Author is CEO, MyInsuranceClub.com