



Ranjan and his tryst with Insurance

A Consumer Education Series - Volume 2

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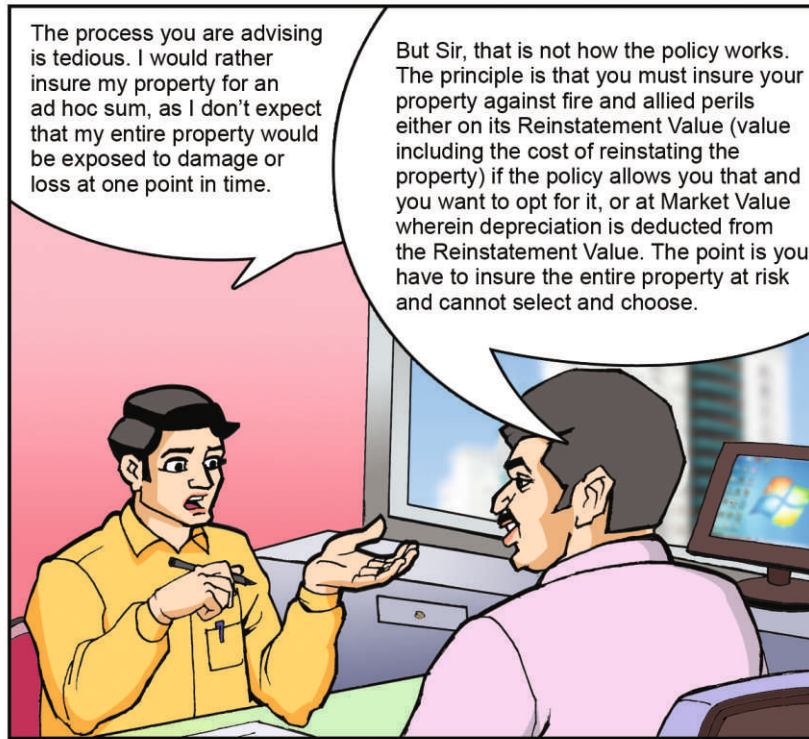
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Bima Bemisaal

RANJAN UNDERSTANDS "UNDERINSURANCE"

Ranjan is getting wiser about protecting himself and his family through insurance. Adequately protected against the risks of death, disability and sickness, he wants to ensure that his house and its contents that are acquisitions through painful planning and savings are protected against the risks of fire, flood and inundation etc. His agent is knowledgeable and efficient and advises him about getting his property valued after getting them listed out meticulously.



The process you are advising is tedious. I would rather insure my property for an ad hoc sum, as I don't expect that my entire property would be exposed to damage or loss at one point in time.

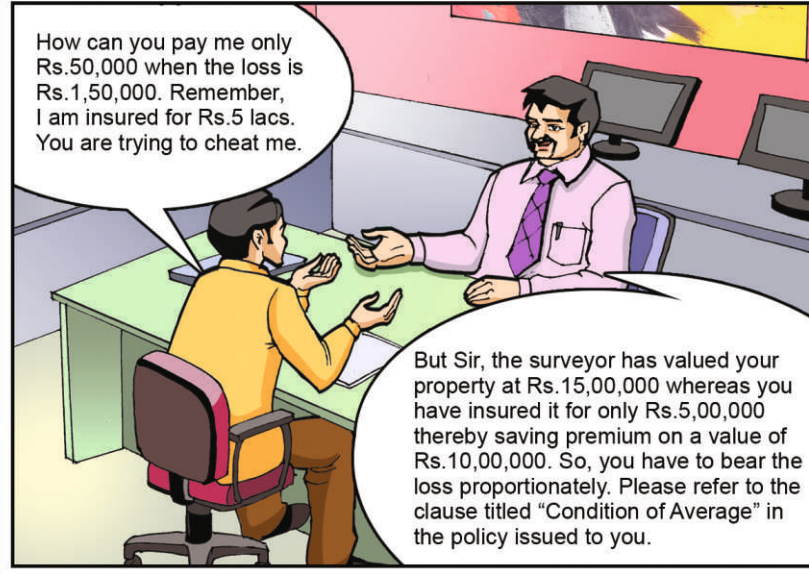
But Sir, that is not how the policy works. The principle is that you must insure your property against fire and allied perils either on its Reinstatement Value (value including the cost of reinstating the property) if the policy allows you that and you want to opt for it, or at Market Value wherein depreciation is deducted from the Reinstatement Value. The point is you have to insure the entire property at risk and cannot select and choose.



That is absurd! Why should I not choose and insure only what I want to? You are only trying to earn more commission and are misleading me.

Ranjan changes his agent in a huff having been lured by another who gives in to Ranjan's demands with an eye on quick commission and wanting to move on without having the commitment to serve his client in the long run. Ranjan insures his house and contents valued at Rs.15,00,000 for a Sum Insurance of just Rs. 5,00,000 on Market Value basis. Technically speaking, the property is Underinsured by 2/3rds of its value.

As luck would have it, nature's fury unleashed on Ranjan's city one gloomy morning resulting in flooding and inundation everywhere.

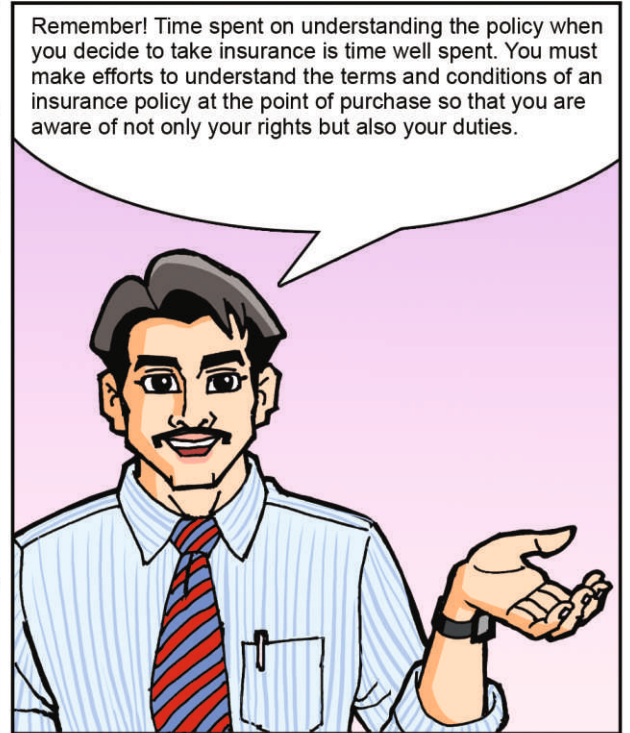


How can you pay me only Rs.50,000 when the loss is Rs.1,50,000. Remember, I am insured for Rs.5 lacs. You are trying to cheat me.

But Sir, the surveyor has valued your property at Rs.15,00,000 whereas you have insured it for only Rs.5,00,000 thereby saving premium on a value of Rs.10,00,000. So, you have to bear the loss proportionately. Please refer to the clause titled "Condition of Average" in the policy issued to you.

Ranjan informs Mr.X (the insurance agent) that a considerable part of his house and contents have been damaged. The estimate is Rs. 2 lacs. The insurance company gets the loss surveyed quickly and efficiently. The loss is assessed at Rs.1,50,000. But since Ranjan had grossly underinsured it, the claim offered was Rs.50,000 only. Ranjan is shocked.

Ranjan suddenly remembers what the original agent had told him. Had he taken his advice, he would not have had to face this situation today.



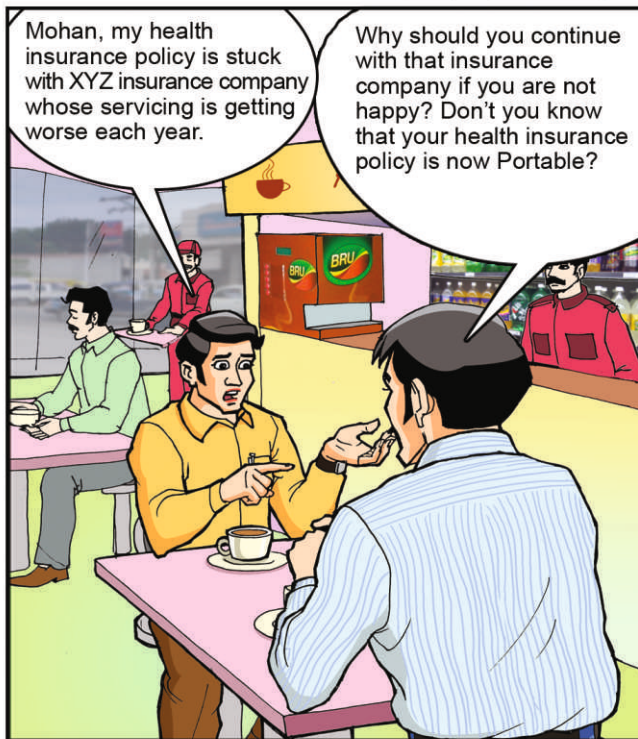
Remember! Time spent on understanding the policy when you decide to take insurance is time well spent. You must make efforts to understand the terms and conditions of an insurance policy at the point of purchase so that you are aware of not only your rights but also your duties.



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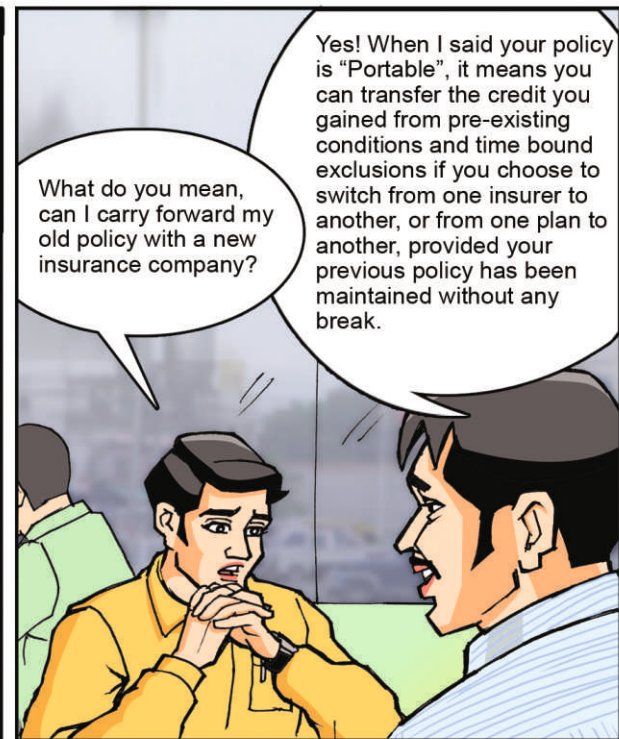
RANJAN CAN NOW PORT HIS HEALTH INSURANCE POLICY

Ranjan is disappointed with the servicing of his Health Insurance policy by XYZ insurance company but hangs on to the policy for fear of losing all the credits accrued under the policy. He is, however, frustrated with the inefficiency of this insurance company. He grumbles about this to his friend Mohan over a cup of tea one evening.



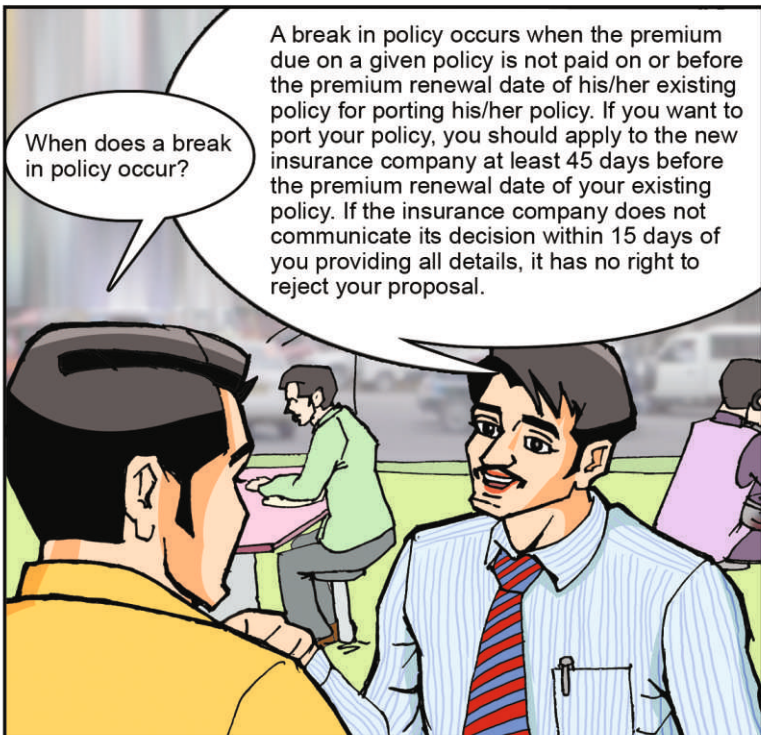
Mohan, my health insurance policy is stuck with XYZ insurance company whose servicing is getting worse each year.

Why should you continue with that insurance company if you are not happy? Don't you know that your health insurance policy is now Portable?



What do you mean, can I carry forward my old policy with a new insurance company?

Yes! When I said your policy is "Portable", it means you can transfer the credit you gained from pre-existing conditions and time bound exclusions if you choose to switch from one insurer to another, or from one plan to another, provided your previous policy has been maintained without any break.

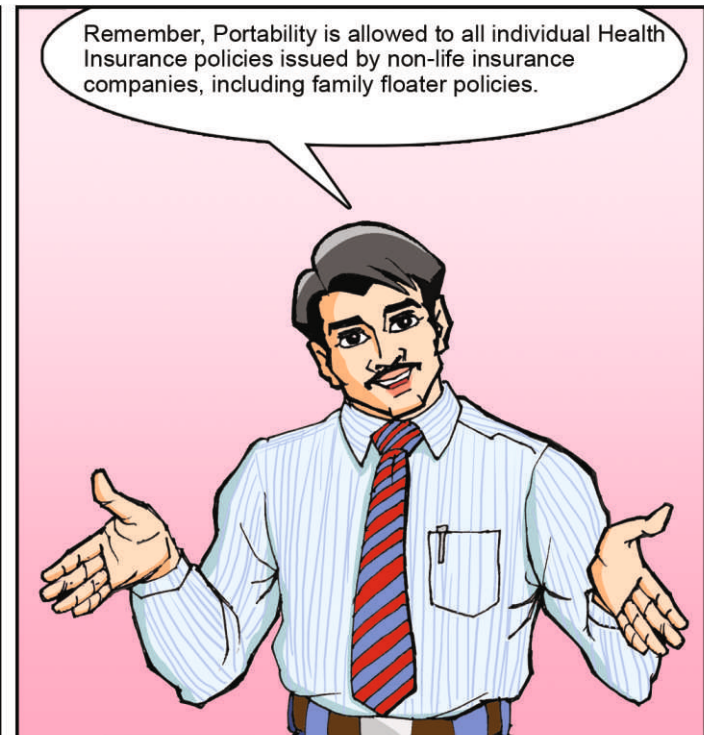


When does a break in policy occur?

A break in policy occurs when the premium due on a given policy is not paid on or before the premium renewal date of his/her existing policy for porting his/her policy. If you want to port your policy, you should apply to the new insurance company at least 45 days before the premium renewal date of your existing policy. If the insurance company does not communicate its decision within 15 days of you providing all details, it has no right to reject your proposal.



Great! That's good news for me.



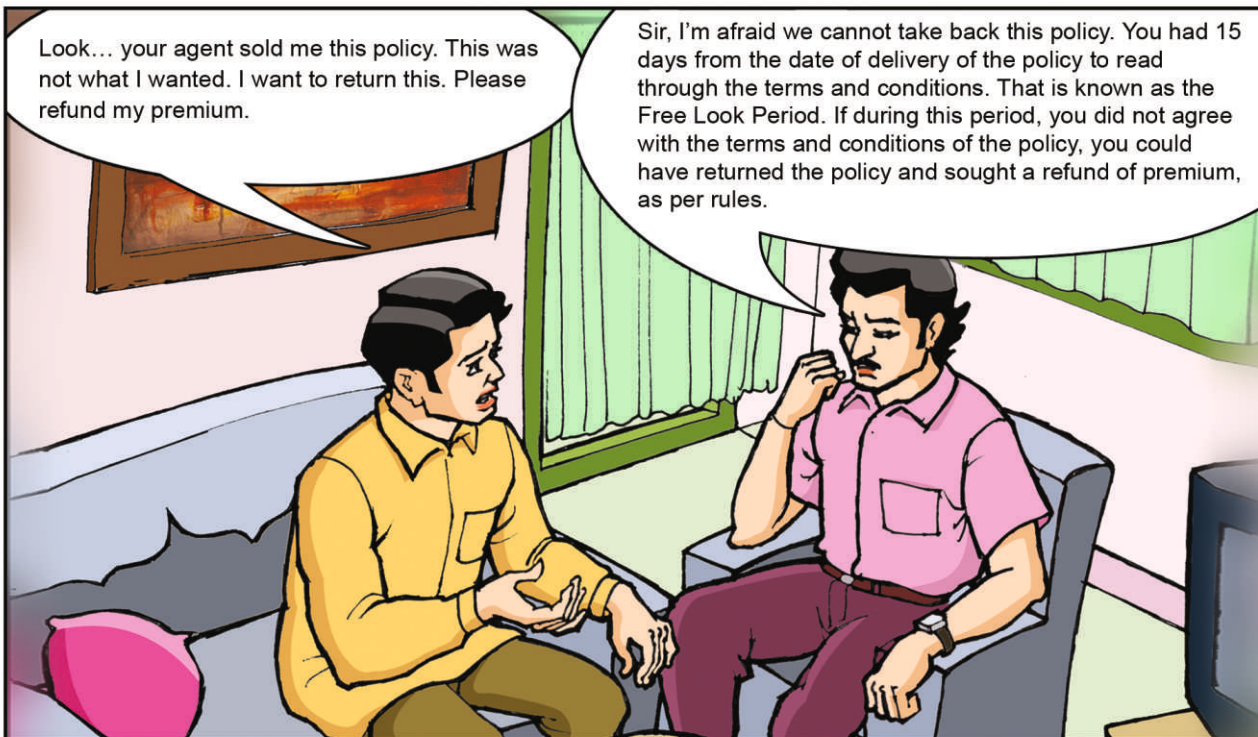
Remember, Portability is allowed to all individual Health Insurance policies issued by non-life insurance companies, including family floater policies.



RANJAN LEARNS ABOUT FREE LOOK PERIOD

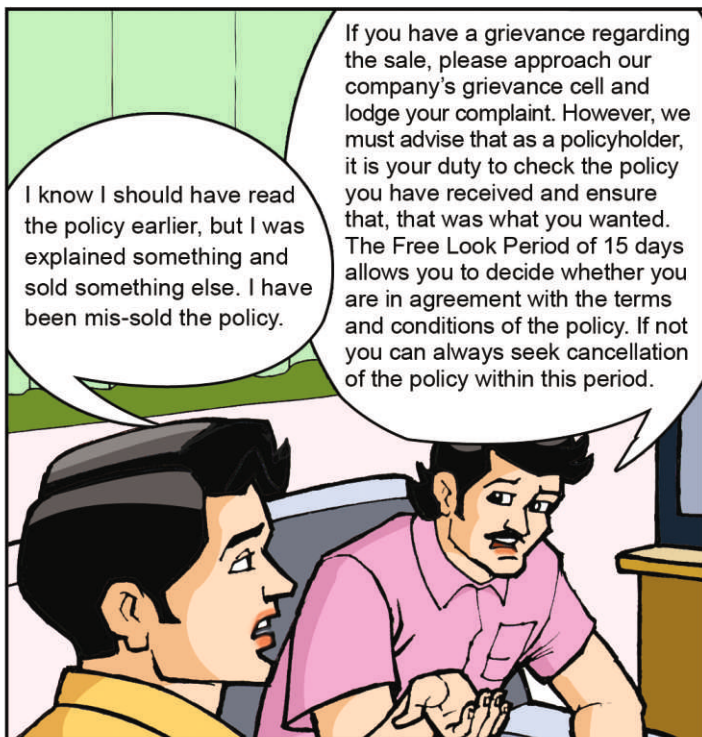
Ranjan is clearing his study on a Sunday and finds an unopened cover from XYZ Insurance company. It's the life insurance policy he bought 6 months back! "Good buy", he thought, the scheme seemed so perfect when the agent explained it.

Ranjan pulls out the policy and goes through it. To his shock he finds out that it was not what the agent explained. This was a totally different policy, longer term than what he was told and a regular premium policy, when the agent had told him it was Single Premium! The next day, the first thing Ranjan does is visit the insurance company.



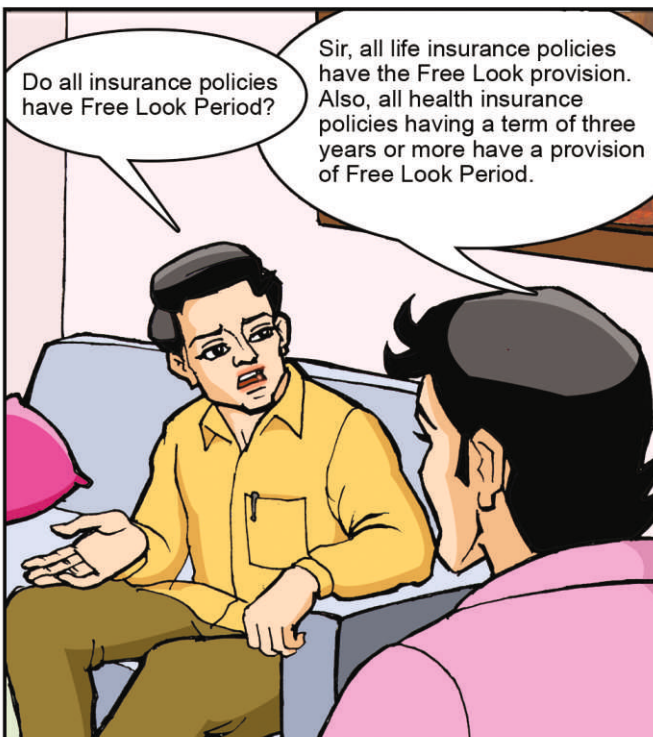
Look... your agent sold me this policy. This was not what I wanted. I want to return this. Please refund my premium.

Sir, I'm afraid we cannot take back this policy. You had 15 days from the date of delivery of the policy to read through the terms and conditions. That is known as the Free Look Period. If during this period, you did not agree with the terms and conditions of the policy, you could have returned the policy and sought a refund of premium, as per rules.



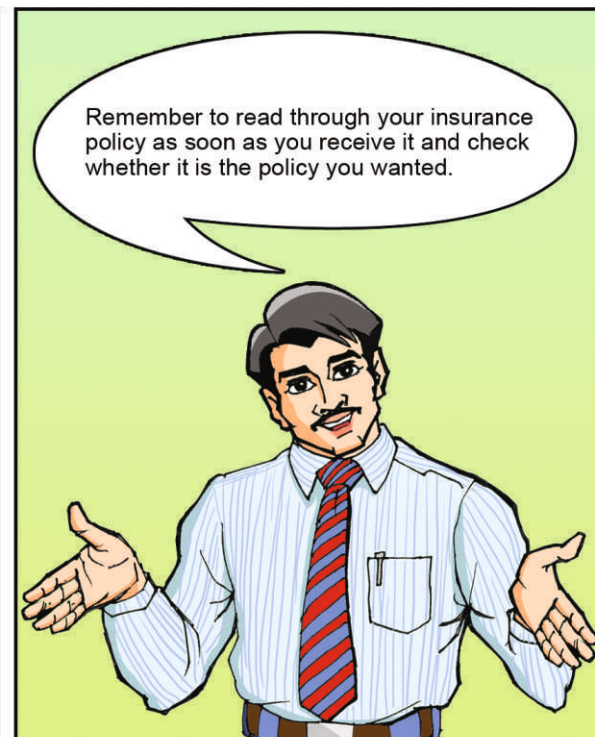
I know I should have read the policy earlier, but I was explained something and sold something else. I have been mis-sold the policy.

If you have a grievance regarding the sale, please approach our company's grievance cell and lodge your complaint. However, we must advise that as a policyholder, it is your duty to check the policy you have received and ensure that, that was what you wanted. The Free Look Period of 15 days allows you to decide whether you are in agreement with the terms and conditions of the policy. If not you can always seek cancellation of the policy within this period.



Do all insurance policies have Free Look Period?

Sir, all life insurance policies have the Free Look provision. Also, all health insurance policies having a term of three years or more have a provision of Free Look Period.



Remember to read through your insurance policy as soon as you receive it and check whether it is the policy you wanted.



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RANJAN FILLS UP THE PROPOSAL FORM

Ranjan holds three life insurance policies and a motor insurance policy. He realizes the importance of having a health insurance cover and approaches an agent of XYZ insurance company. He is given a Proposal Form to fill in. Ranjan doesn't remember ever having filled up a proposal form previously. His agent always did it for him.




I don't have the time to read this form and fill up anything. Please fill them for me — just tell me where to sign... filling up forms is painful!

But Sir, you must fill up the Proposal Form yourself. You must read the questions carefully and give all answers truthfully.



Look I don't know why you are insisting on this... nobody ever bothered me... maybe I should try and locate my previous agent.

Sir, for a moment just imagine that I give wrong answers to questions here or tick mark a cover other than what you really need... will you not be the loser if a claim arises? Wrong information is equal to misrepresentation and could jeopardise your claim. But I can sit with you while you fill the form to guide you.



This is the first time I have got such an advice and I really appreciate your honesty and concern. Thank you! I shall certainly read through the form and fill it up right now.

Ranjan fills up the Proposal Form and realises that the agent could never have known the details asked for there. He decided he should check the Proposal Forms for all the policies he was already holding. He was worried about how the questions there had been answered.



Remember, you must fill up your insurance Proposal Form yourself.

ABOUT THIS SERIES

This series is designed by the Insurance Regulatory And Development Authority (IRDA), to provide you with general information only. No information given herein replaces or overrides the terms and conditions of an insurance policy.

Please approach a duly licensed agent or a broker or an insurance company registered with the IRDA for specific information regarding a policy or for any other additional information.

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