

Finance Fundamentals

Author Profile



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Overview of Group Term Life Insurance

The Group Term policy enables a company to pay a lump-sum amount to the dependents of their employees in case he/she dies. The policy covers both natural and accidental death. The cause of death is not relevant. In fact to ensure a hassle free experience only suicide is considered as an exclusion that too for the first year. As a company contemplates whether to go for Group Term Life or not, several questions need to be answered including the preferred insurance company, their claim settlement experience etc. SecureNow has tried to answer few of these questions below.

Who should buy?

- All organizations for their white collar as well as blue collar staff
- Educational Institutions to cover earning parents of students

What are the different covers available?

Life insurance provides coverage for death and life threatening conditions. The basic features of Life Insurance are:

- **Base Cover:** The sum assured is paid to the insured's nominee in case of death.
- **Critical Illness:** The sum assured is paid to the insured in case the person is diagnosed with any of the listed critical illnesses e.g., cancer, heart attack. This is a vital cover since these conditions are not only life threatening but also reduce the income generating capacity of the individual substantially. The expense bills, however, hit the roof when these conditions arise. A large part of the spending required because of the illness will not be hospitalization expenses, hence, will not be covered under the Group Health Insurance policy.
- **Accidental Death Rider:** The sum assured is paid to the insured's nominee in case of death due to accident. The sum paid here is over and above the sum assured under the base cover.
- **Total Permanent Disability Rider:** The sum assured is paid to the insured in case the insured suffers through a permanent disability e.g., loss of both the limbs due to an accident. It should be noted that such a condition can be more devastating (financially) for the insured and their family, as compared to death.
- **Partial Permanent Disability Rider:** The sum assured is paid to the insured in case the person suffers from a permanent partial disability e.g., loss of one limb. Such an incident will render the person more or less unemployable or will significantly reduce the person's income generating capacity.

What is the indicative price?

The premium per person is determined based on the type of cover chosen, industry of the employer, age and exact role of the employee. Additionally, large group sizes attract a discount.

Here are two examples:

- A 500-member consulting firm will pay approximately Rs 700 per person for a Rs 10 lakh cover for base cover, Rs 450 for a Rs 5 lakh cover for critical illness and another Rs 250 for a Rs 5 lakh cover for total & partial permanent disability.
- A 20-member firm would pay about Rs 1,000 per person for a Rs 10 lakh for the base cover.

How much cover to take and what will be the actual price?

The average cover provided on the base cover is between one to five times the annual salary of the employee.

Links to Bondia's articles in previous issues:

http://www.fisme.org.in/newsletters/July_15_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/July_1_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/June_15_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/June_1_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/May17_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/May1_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/April1_2012/docs/finance_fundamentals_abhishek.pdf

http://www.fisme.org.in/newsletters/March15_2012/docs/addressing_the_Issue_Abhishek.pdf