

● YOUR QUERIES



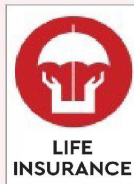
Ashish Vohra

You get tax benefit on life insurance premium; payout also tax-free

● **My bank is insisting that I buy a child insurance plan of ₹50,000 a year for my son's education. My calculations show that I would get higher returns if I invest the money every year in mutual funds. Please advice.**

— Pradip Kumar

Life insurance policies are better designed to pay the benefits at critical milestones in a child's career by providing cover against the risk of death and ensuring that child's education is fulfilled under all circumstances. If you invest in a guaranteed plan, the promised payouts have no uncertainty involved in the timing and quantum of payout.



Mutual funds can give higher return but also come with a risk of adverse market performance. Equity-oriented mutual funds are subject to long term capital gain tax.

Insurance plans are highly tax efficient as

you get tax benefit on invested premium under Section 80C and all maturity and payout proceeds are tax free under Section 10(10D), subject to insurance coverage being 10 times the annual premium.

● **I have a moneyback policy for ₹1 lakh annual premium. Due to some financial issues, I will not be able to pay the premium by March this year. Will the policy lapse for non-payment of premium?**

—Srikant P Ramaswamy

All insurance companies define a minimum threshold period beyond which if the premiums are not paid the benefits accrued to the customer reduce in proportion to number of premiums paid. The minimum threshold period varies from 2 to 3 years. However, if the customer stops paying the premium before the minimum threshold period, the policy enters a lapsed state. The customer can revive the policy within the revival period which varies from 1 – 2 years depending upon the insurance company and the product.

● **My late father had a life insurance policy and there was no nomination. How can I claim the money?**

—Ashutosh Singh

You need to provide succession certificate from the court which states the legal heirs of your father. This succession certification is to be submitted to the insurance company, along with the claim documents so as to enable the insurance company to settle the claim in favour of legal heirs.

The writer is CEO, Reliance Nippon Life Insurance. Send your queries to fepersonalfinance@expressindia.com