

Readers' Corner

LIFE INSURANCE

Amitabh Chaudhry, managing director & chief executive officer,
HDFC Life, answers your questions



AMITABH CHAUDHRY

I want to surrender an endowment policy that has completed five years. My agent is refusing to help me with the surrender process. May I surrender the policy directly at the insurance company's branch? Will I have to pay tax on the money I receive on surrendering it? Will the tax be deducted by the company or will I have to show it

while filing tax returns?

We suggest you do not surrender your policy, as it will not fetch you the full benefits stated in your policy. However, if you still want to surrender, you can surrender the policy directly at the insurance company branch by giving a surrender request. Coming to the tax implications, if it is a policy that was issued before March 31, 2012, the surrender benefit will be exempt from tax, provided that the sum assured under the policy is at least five times the annualised premium that is payable under the policy (maintained throughout the policy term). In case the policy was issued after March 31, 2012, the surrender benefit will be exempt from tax, provided that the sum assured under the policy is at least 10 times the annualised premium payable under the policy (maintained through the policy term). This is according to existing tax guide-

lines and are subject to change. We always advise you to consult your tax advisor for such clarifications.

What is accident benefit in an insurance policy? Who should take one?

An accidental death benefit in an insurance policy which ensures that in case of death of the Insured due to an accident, the nominee will receive an additional lump sum benefit (as mentioned in the plan details) in addition to the Base Sum Assured. Anyone who believes that a term cover may not be sufficient and wants to ensure his/her family has additional protection in case of an untimely and sudden accidental death, can opt for an accidental death benefit.

The views expressed are expert's own. Send your queries to yourmoney@bsmail.in

