

Enhance your cover

For a small cost, riders allow you to enhance the protection offered by your life insurance policy. The important thing is to choose them well

Riders are additional benefits that can be purchased with a life insurance policy to enhance your insurance cover. These are extra features that you can buy over and above your base policy features to protect yourself against an unexpected tragedy. Riders typically cost extra in premium and add value, flexibility as well as safety to the core coverage during the life of the policy. All life insurance riders get tax benefit under Section 80C, subject to the overall limit of Rs 1 lakh.

Further, these riders can be attached to all types of insurance policies — endowment, moneyback, whole life and unit linked insur-

How beneficial are riders?

Deepak Yohannan, founder and chief executive officer (CEO) of MyInsuranceClub.com, an insurance portal, explains how riders help. Suppose you buy a policy with a sum assured of Rs 5 lakh, which has an accidental death benefit rider. In case of a normal death, your nominee will get the sum assured as death benefit. But in case you die due to an accident then depending upon the conditions of the rider you might get up to double the sum assured. The chances of this occurring are low, hence you have to pay a small premium in addition to the basic premium that you pay for the policy. So such



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Deepak Yohannan, MyInsuranceClub.com

ance plans (Ulips). While riders can be added anytime to your policy, it is wise if you buy them while buying the main policy. Typically, insurers too prefer to sell riders while selling the main policy, otherwise they have to do the underwriting again.

How much do they cost?

Most riders are relatively inexpensive in comparison to the premium that you pay for the base policy. A rider generally costs around 5-10 per cent of the total premium. As such there is no limit on the number of riders that you may attach, but the premium on all the riders together should not exceed 30 per cent of your base premium. However, keep in mind that when you take multiple riders, your premium amount escalates and this may pinch your pocket.

riders are small features for which you pay a small premium amount in addition to your base premium but get substantially big benefits out of them.

Types of riders

Below are the most common life insurance riders that you may choose to add on to your base policy, but this is definitely not a complete list.

Accidental Death Benefit. According to Yohannan, Accidental Death Benefit (also known as Double Indemnity) is by far the most common rider. In the event of death occurring as a result of an accident during the term of the life insurance policy, an additional amount less than or equal to the sum assured is payable to the nominee.

Critical Illness Benefit. This is the second

most useful rider that will take care of your medical expenses in the event of a critical disease. Every insurance company has a list of illnesses that comes under the purview of this rider. If you are diagnosed with any one of these during the term of the policy, you get paid an amount equal to or less than the sum assured of the critical illness rider.

Waiver of Premium. This rider will override the insured's need to make payment of future premiums in the event that he becomes either permanently disabled or loses income as a result of an accident or illness. So your premiums are waived but your cover still continues.

Guaranteed Insurability. This rider allows the insured to purchase additional amounts of insurance at specific ages with-

Points to remember

- Riders add extra protection over and above the base policy
- For a small price, you are offered a high-value, low-probability benefit by the insurance company
- They are inexpensive compared to the base policy premium
- Various types of riders are available in the market to suit individual needs
- Understand and evaluate your needs before buying a rider
- Be aware of the terms and conditions attached to them

out requiring proof of insurability, in other words, without needing to take a physical examination. This rider is useful if you need to buy additional insurance to keep pace with changing life circumstances, such as when you get married or have children.

Disability Income. The disability income rider guarantees that the insured policyholder will receive a monthly income from the insurance company should he or she become totally and permanently disabled, for as long as the disability lasts.

Beware of exclusions and inclusions. Make sure that you check with the insurance company not only the terms and conditions of its riders, but also the specific meanings of the words that the insurance

company uses to describe situations in which the rider provides benefits.

Why are riders popular?

The main reason is that riders offer high value at a low cost, and they offer extra protection without you having to buy a second policy. While most life insurance policies are standardised and may not give you the liberty to modify them according to your individual needs, these riders empower you with much-needed control over your changing life situations.

"By paying a small amount you get substantially good benefits. So they are packaged really well and hence are quite attractive," says Yohannan.

However, these riders come at an additional cost. Yohannan doesn't really find any of these riders disadvantageous as long as you pick the right riders which are most beneficial to you and to your family.

Finding the best riders

Riders are not complex but choosing the right rider may be difficult. That is mainly because one, there are numerous types of riders which are available at affordable prices. And second, insurance agents try to sell as many riders as possible as they make more money for themselves.

Says Yohannan: "Don't buy just for the sake of buying a rider. It is important that you evaluate your needs first. For example, if you travel a lot by road or if you are into a job that requires a lot of travelling, then the chances of an accident are high. So it would be wise to buy an Accidental Death Benefit rider."

Hence, ask yourself whether you really need the rider. Suppose you have a life insurance policy and also a health insurance policy. If your health insurance policy already covers your medical expenses, in that case buying a rider that provides the same features or serves the same purpose would be futile. Evaluate what benefits you are already getting from your existing policies and then decide upon the appropriate riders. ■