



## **PERSONAL ACCIDENT INSURANCE**

### **4.0 INTRODUCTION**

#### **4.1 OBJECTIVES**

At the end of this lesson, you will be able to:

- Know the meaning of Personal Accident insurance
- Buy the Personal Accident insurance
- Settle the claim under Personal Accident insurance
- Types of Personal Accident policies
- Know what is not covered under fire insurance

#### **4.2 MEANING OF PERSONAL ACCIDENT INSURANCE**

The purpose of personal accident insurance is to pay fixed compensation for death or disablement resulting from accidental bodily injury.

The personal accident insurance policy provides that, if at any time during the currency of this policy, the insured (person who has taken the policy) shall sustain any **bodily injury** resulting **solely and directly accident** caused by **external violent and visible means**, then the insurance company shall pay to the insured or his legal personal representative(s), as the case may be, the sum or sums set, forth, in the policy, if resulting in specified contingencies such as death, **permanent disablement** etc.

To under stand the meaning of definitions, we should under stand the bold words mention in the para above.



Notes

- a) **Bodily injury:** Any disease due to accident is known as bodily injury but does not include any disease due to natural cause. Mental shock or grief does not amount to accident unless and until some physical injury is caused. In current scenario it is noticed that due to grief some disablement i.e paralysis is taking place and the same is covered under this policy.
- b) **Solely & Directly:** The bodily injury shall have been caused solely and directly by an accident and the bodily injury must directly and independent of any other cause result in death or disablement.

For eg: 1) A person is thrown from his horse while hunting and so injured that he cannot walk and he lies on the wet ground until he is pick up. He thus catches chill which turns pneumonia and dies. Though he dies because of pneumonia but the actual cause is an accident and it covered under personal accident insurance policy.

2) If a person breaks a leg in an accident and taken to hospital where he contracts an infectious disease from another patient which result in to death and the same is not covered under the personal accident insurance policy.

- c) **Accident:** An accident is an event which is wholly unexpected not intended or designed. For eg: Snake biting, Drowning suicide and unprovoked murder are covered under this policy.
- d) **External, violent and visible means:** The cause of accident i.e. the means must be within the definitions as a whole but the result may not be external. In other words the means or cause of accident must be within the definitions but the result or effect need not be external or visible so long as it is bodily injury e.g. injury may be internal i.e. inside the body but the result must be death or disablement.
- e) **Disablement :** When a person is prevented by an accidental bodily injury from engaging in any occupation or business he is said to be disabled and his ability to attend to any occupation or business is call disablement.

#### 4.3 FEATURES OF PERSONAL ACCIDENT

- 1) **Offer & Acceptance;** It is a prerequisite of any contract. Similarly the person will be insured under personal



## Notes

accident insurance policy after the offer is accepted by the insurance company. Example: A proposal submitted to the insurance company along with premium on 1/1/2011 but the insurance company accepted the proposal on 15/1/2011. The risk is covered from 15/1/2011 and any loss prior to this date will not be covered under fire insurance.

- 2) **Payment of premium:** An owner must ensure that the premium is paid well in advance so that the risk can be covered. If the payment is made through cheque and it is dishonored then the coverage of risk will not exist. It is as per section 64VB of Insurance Act 1938.(Details under insurance legislation Module).
- 3) **Contract of Indemnity:** This principle is not applicable to personal accident policy. This is so because life is invaluable and no amount of money can compensate the death or disablement of a human being. When policies are issued to employer to reimburse under service conditions the amounts of compensation paid by them to their employees or their dependents on the disablement or the death of their employees i:e the insured are indemnified with the exact amount of compensation paid by them.
- 4) **Utmost good faith:** The person must disclose all the relevant information to the insurance than company while insuring himself because none other him knows about his health and other relevant particulars. Any change in profession or occupation during the policy should also be informed to the insurance company. e.g. A person is working in the office in administrative job and took the personal accident policy but later on he becomes pilot then he should inform o the insurance company otherwise the insurance company can refuse the claim in case it arises.
- 5) **Insurable Interest:** A person is having an unlimited interest in his own life and as such this feature is valid in this policy. Similarly the wife has unlimited interest in the life of husband and vice versa. The employer has the insurable interest in the life his employees.
- 6) **Contribution:** As the principle of indemnity is not applicable to this policy therefore the principle of

contribution will also not apply. The person will get sum insured of all personal insurance policies irrespective of number of policies.

- 7) **Period of Insurance:** The period of insurance is to be defined in the policy which varies from one year to five years. Some times this policy is issued for specific rail/road/sea journey.
- 8) The cover under this policy is for 24 hours and on a worldwide basis. Even if the insured person dies in foreign country due to accident the compensation will be paid in India in Indian rupees up to the sum insured.
- 9) **Claims:** To get the compensation under personal accident insurance the legal heirs should inform to the insurance company about the death of the insured and in case of disability the person himself can inform the insurance company.

#### **4.4 COVERAGE'S /COMPENSATION**

- a) **Death:** If a person dies due to an accident the risk is covered under the personal accident policy. His legal heirs are entitled to get the sum insured. e.g. If the sum insured is Rs 1.00 lakhs and in case of death his legal heirs will get Rs 1.00 lakhs as compensation.
- b) **Disability:** Disability can be classified further as follows:
  - Permanent Total Disability(PTD)
  - Permanent Partial Disability(PPD)
  - Temporary Total Disability (TTD)

**Permanent Total Disability:** As the name indicates the disablement is of permanent and irrecoverable nature and is absolutely total and the insured is unable to engage in the gainful employment. Under this disability the compensation is equal to the sum insured. Example of PTD:

- Loss of sight of both eyes
- Loss by physical separation of two entire hands or entire feet
- Loss of one hand and one foot



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- Person in comma for longer period will also be treated as PTD
- Paralysis

**Permanent Partial Disability:** The disability is not total but partial. e.g. Loss of toe or a finger. The compensation will be based on the percentage of the disability and it will defined in the policy and if it not defined then as per doctor certificate the compensation is paid.

**Temporary total disablement:** As the name implies this is a disablement which is total but for a temporary period only. The temporary may be days, weeks, months or even years. The payment is on weekly basis.

- c) **Carriage of dead body:** The expenses incurred for a carriage of dead body of insured due to accident to place of residence are reimbursed. The reimbursement is some percentage of the sum insured say 2% of sum insured but maximum Rs 2500/-. This amount will be over & above the sum insured.
- f) **Education amount for children:** Incase of death or permanent disablement of the insured person the insurance company also pays the education for two children if the age is below 25 years of those children.
- g) **Modification of the house:** In case of the permanent disablement of a insured person, he has to modify his house for his free movement the expenditure of such modification will be reimbursed by the insurance company up to certain limit of the sum insured.

#### 4.5 EXCLUSIONS (NOT COVERED UNDER PERSONAL ACCIDENT INSURANCE POLICY)

No compensation is payable in respect of death, injury or disablement of the insured

- (i) From intentional self-injury, suicide or attempted suicide.
- (ii) Whilst under the influence of intoxicating liquor or drug
- (iii) Whilst engaging in Aviation or Ballooning whilst mounting into, dismounting from or traveling in any balloon or aircraft other than as passenger (fare paying or otherwise)



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in any duly licensed standard type of aircraft anywhere in the world

- (iv) Directly or indirectly caused by venereal diseases or insanity
- (v) Arising or resulting from the insured committing any breach of law with criminal intent.
- (vi) From service in the armed forces
- (vii) Resulting directly or indirectly from child birth or pregnancy.

#### 4.6 PROCEDURE FOR INSURING UNDER PERSONAL ACCIDENT INSURANCE POLICY:

- a) Submission of proposal form
- b) Assessment of the proposal form and premium rate to be quoted
- c) Payment of the premium
- d) Issue of policy document
- a) **Submission of proposal form-**. The person who is interested to insure himself under this policy will submit the information in the prescribed proposal form as follows:
  - i. Personal details i.e., age, height and weight, full description of occupation and average monthly income.
  - ii. Physical condition
  - iii. Habits and pastimes
  - iv. Other or previous insurances
  - v. Previous accidents or illness
  - vi. Selection of benefits and sum insured
  - vii. Declaration

#### b) **Assessment of the proposal form and premium rate to be quoted**

While the assessing the proposal form the sum insured is selected by the insured but insurers exercise some control. The sum insured is compared with the average monthly income of the insured. The age of a person should be between 5 year to 70 years.



## Notes

**Rating** In personal accident insurance, the rating factor used is the occupation. Generally speaking exposure to personal accidents at home, on the street etc. is the same for all persons, But the risks associated with occupation vary according to the nature of work performed. For example, an office manager is less exposed to risk at work than a civil engineer working at a site where a building is constructed.

It is not practicable to fix a rate for each profession or occupation. Hence, occupations are classified into groups, each group reflecting, more or less, similar risk exposure.

**Risk Group I: (Lowest Premium rate)**

Accountants, Doctors, Lawyers, Architects, Consulting Engineers, Teachers, Bankers, Persons engaged in administration functions. Persons primarily engaged in occupations of similar hazards.

**Risk Group II: (Higher Premium rate)**

Builders, Contractors and Engineers engaged in superintending functions only, Veterinary Doctors, paid drivers of motor cars and light motor vehicles and persons engaged in occupation of similar hazards and not engaged in manual labour.

All persons engaged in manual labour (Except those falling under Group III), Cash Carrying Employees, Garage and Motor Mechanics, Machine Operators, Drivers of trucks or lorries and other heavy vehicles. Professional Athletes, and Sportsmen, Woodworking Machinists and Persons engaged in occupations of similar hazards.

**Risk Group III : (Highest Premium Rate)**

Persons working in underground mines, explosives, magazines, workers involved in electrical installation with high tension supply. Jockeys, Circus Personnel, Persons engaged in activities like racing on wheels or horseback, big game hunting, mountaineering, winter sports, skiing, ice hockey, ballooning, hang gliding, river rafting, polo and persons engaged in occupations/activities of similar hazard.

- c) **Payment of the premium:** Based on the above risk category the person will pay the premium to insurance company to insure himself.





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- d) Issue of Policy Document:** Based on the proposal form and the premium amount is received the policy document is issued which contains the following information
- i) Name of the person and address
  - ii) Age
  - iii) Occupation
  - iv) Sum insured
  - v) Nominee
  - vi) Policy Conditions
- a) Written notice of claims with full particulars.
- In case of death written notice must, unless reasonable cause is shown, be so given before internment or cremation, and in any case, within one calendar month after the death
- b) In the event of loss of sight or amputation of limbs, written notice thereof must be given within one calendar month after such loss of sight or amputation.
- c) Proof of claim satisfactory to the Company shall be furnished.
- d) Any doctor on behalf of the company shall be allowed to examine the person of the Insured on the occasion of any alleged injury or disablement and as may reasonably be required.
- e) A post mortem examination report, if necessary, be furnished within the space of fourteen days after demand in writing.
- f) In the event of loss of sight the Insured shall undergo at the Insured's expense such operation or treatment as the company may reasonably deem desirable.
- g) No sum payable under this policy shall carry interest.
- h) No claim is payable if the claim is fraudulent or supported by fraudulent statement.
- i) The insured shall give immediate notice to the company of any change in his business or occupation. The insured shall on tendering any premium of the renewal of this



**Notes**

policy give notice in writing to the company of any disease, physical defect or infirmity with which he has become affected since the payment of last preceding premium.

- j) The policy is cancelable by either party. Pro-rata refund of premium is made if cancelled by insurers and short period refund of premium, subject to no claim under the policy, if cancelled by the insured.
- k) The Company shall not be bound to take notice or be affected by any notice of any trust, charge, lien, assignment or other dealing with or relating to this policy but the receipt of the Insured or his legal personal representatives shall in all cases be an effective discharge to the Company.
- l) The Company treats the insured as the absolute owner of the policy. Receipt of the insured or his legal personal representatives that is, those with a Succession Certificate etc. granted by a court of law will be an effective discharge to the Company.
- m) Differences regarding amount of loss (not question of liability) are to be referred to arbitration. The award of arbitration is a precedent to suit in Court of Law.
- n) If the insurers disclaim liability the insured has to file a suit in a Court of Law within 12 months from the date of such disclaimer.
- o) The insurer is not liable for
  - (a) Compensation under more than one of causes (death or disability)
  - (b) Once a claim is settled under one of the causes the policy becomes inoperative. No further claim can be admitted under the policy.
  - (c) Payment of weekly compensation (until the total amount shall have been ascertained and agreed). Although, the benefit is known as weekly compensation the payment is generally made in one lump sum after the quantum of liability is agreed. It is felt that periodical part payments may encourage a claimant to deliberately prolong the disablement. In genuine hardship cases however 'on account' payment is made which is then adjusted against the final payment due.



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### Miscellaneous features

#### i) Family Package Cover

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|--|--|
| (a) Earning Member and Spouse, if earning.<br>for each.                              | 100% of the Capital Sum<br>(Persons Insured) Insured |
| (b) Spouse (if not earning member) whichever is lower                                | 50% of the Capital Sum<br>Insured or Rs. 1 lakh.     |
| (c) Children (between the age of 5 years and 25 years) whichever is lower per child. | 25% of the Capital Sum and<br>Insured or Rs. 50000/- |
- (i) For children the cover is limited to Death and Permanent Disablement (total or partial)
- (ii) Premium payable for husband and wife will be on the total sum insured for husband and wife.
- (iii) A discount of 5% is granted on the gross premium.

#### ii) Extensions

A personal accident policy can be extended by endorsement, on payment of extra premium to cover medical expenses incurred by the insured in connection with the accidental bodily injury, subject to specified limits.

### 4.7 CLAIM PROCEDURE

- a) Intimation:** Immediately the intimation to be sent to the insurance company in writing mentioning the nature of loss and the policy number.
- b) Claim form:** The claim form is designed to elicit information, among other things, on the following :
- Personal details such as age, occupation, etc.
  - Details of accident, nature of injuries, etc.
  - Name and address of the attending doctor.
  - Medical certificate of the attending doctor (sometimes this is issued as a separate form).
  - Details of other insurances to apply contribution, if applicable and to check whether they had been disclosed in the proposal form.



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- c) **Documents:** The following documents are sent along with the claim form
- **Medical Certificate :** to obtain medical opinion on the cause or extent of incapacity or progress towards recovery.
  - **Medical examiner's Report** - To corroborate medical certificate in doubtful cases, or if other causes are in operation.
  - **Receipt / Discharge form** :- to acknowledge the money and to confirm the finality of the settlement.
  - **Death Certificate** - To give the date and cause of death. Post mortem reports where a post-mortem has been done.
  - **Probate or letters of administration** - the legal document to prove the title of an executor or an administrator (i.e. if no assignment is made)

For disablement claims the documents, inter-alia, required are

- Medical Certificate, diagnostic reports etc.
- Prescription, bills and receipts.
- Leave of absence certificate from the employer.
- Medical fitness certificate.

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#### INTEXT QUESTIONS 4.1

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1. Up to what age the Personal Accident Insurance Policy can be issued.
  2. Can contract of indemnity be applied to Personal Accident Insurance Policy?
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#### 4.8 GROUP PERSONAL ACCIDENT POLICY

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In the above paras we have studied about the individual personal accident insurance policy but the said policy can be issued where there is some common relationship among the persons to be insured and a central point for the administration of the insurance scheme. Accordingly, these policies can be granted only to groups clearly following under any one of the following categories:

- Employer - employee relationship including dependants of the employee.
- Pre identified segments / groups where the premium is to be paid by the State / Central Governments.
- Members of a registered co-operative society.
- Members of Registered Service Clubs.
- Holders of credit card of Banks / Diners / Master / Visa
- Holders of Deposit Certificates issued by Banks / NBFC's
- Shareholders of Banks / Public Limited Companies.

**Notes****Salient Features of Group Policy**

The coverage is the same as under individual P.A. policy except that

- a. cumulative bonus and education grant do not apply. However, medical expenses and war risks extensions are available.
- b. The sum insured is fixed separately for each insured person.
- c. Rates of premium applicable to named employees as per the classification of risks. Where it is not possible to obtain details of occupation for each insured person, insurers use their discretion in applying the rates.
- d. If P.A. cover is required only for the restricted hours of duty (and not for all the 24 hours of the day), a reduced premium equivalent to 75% of the appropriate premium is charged. The cover applies to accident to employees arising out of and in the course of employment only. If cover is required only for the restricted hours, when the employee is not at work and / or not on official duty, the reduced premium of 50% of the appropriate premium is charged.
- e. It is possible to exclude the Death benefit, subject to following conditions;
  - (i) A group life policy covering Death benefit for the same group of persons is in existence.
  - (ii) Group P.A. Policy covers a group of 100 persons or more



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**4.9 SUMMARY**

The personal accident insurance policy is issued to cover the risk of accidents by external means resulting in the death or bodily injury. The bodily injury may result in to the permanent total disability or partial disability or temporary total disability. This policy can be issued to an individual or in group. The premium rates depend upon the person engaged in activities to earn his livelihood. The sum insured will depend upon the income of the person.

**4.10 TERMINAL QUESTIONS**

- 1) Explain the features of Personal Accident Insurance policy.
- 2) Discuss the claim procedure to be followed to get the claim in case of death of an insured person.
- 3) Write short notes on
  - i) Permanent total disability
  - ii) Group Personal Accident
  - iii) Procedure to taking the Personal accident insurance policy

**4.11 OBJECTIVE TYPE QUESTIONS**

1. **Special feature of normal PA policy**
  - a. Cover is for office hours & on a world wide basis
  - b. Cover is for 24 hours & within India only
  - c. Cover is for office hours & within India only
  - d. Cover is for 24 hours & on a world wide basis
2. **Which of the following contingencies is 'not' covered under personal accident policy?**
  - a. Permanent total disablement
  - b. Temporary total disablement
  - c. Permanent partial disablement
  - d. Temporary partial disablement
3. **Under Personal Accident Policy, weekly benefits are paid subject to a maximum period of**

a. 100	b. 52
c. 104	d. 75



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4. **Which of the following Statements are true?**
- Statement A:** Once a claim for permanent total disablement is paid, the personal accident policy becomes inoperative.
- Statement B:** Weekly compensation is paid only when the total amount is arrived at and agreed
- Both Statements
  - Neither of the Statements
  - Only Statement A
  - Only Statement B
5. **Claim under P.A. policy cover is not payable if the death is occasion by**
- Murder
  - Drowning
  - Snake bite
  - Suicide
6. **The Principle of Contribution does not apply to the following policy**
- Standard Fire Policy
  - Machinery Breakdown
  - Personal Accident
  - Burglary Policy
7. **On duty PA policy covers**
- Accident in course of employment
  - Accident while coming to workplace
  - Accident while returning to house from workplace
  - Accident occurring during holidaying
8. **A owner of two wheeler is covered under motor package policy. He has a separate PA cover also. A dies in a accident**
- Death Claim to the legal heir in a PA policy only is payable
  - Death claim in the PA cover in the two-wheeler policy only is payable

