



Insurance Insight

“Because Life’s Uncertain. You're Covered”

Knowledge Series

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❖ Introduction

Life is filled with aspirations—building a career, raising a family, growing a business, and securing a future. But alongside these goals lie uncertainties that can arrive without warning. A medical emergency, a serious accident, a natural calamity, or the sudden loss of a loved one has the power to shake even the most well-planned lives. In such moments, it isn't just finances that come under pressure—it's also emotional well-being, stability, and the ability to protect those who matter most. What's at stake is not only money, but peace of mind, dignity, and continuity.

That's where **insurance** steps in—not just as a tool for protection, but as a **comprehensive financial solution**. From safeguarding your family's future to securing your health, property, and business—insurance plays a pivotal role in every stage of life.

❖ Importance

It is important to educate and empower ourselves to understand why insurance is not just an expense, but a smart financial decision and a critical pillar of financial planning.

➤ Comprehensive Financial Protection

Insurance provides a structured mechanism to protect against economic loss arising from unforeseen circumstances such as death, illness, disability, or property damage. The monetary compensation helps individuals and families navigate through tough times without disrupting their long-term goals.

➤ Health Risk Coverage and Medical Expense Management

With the sharp rise in healthcare costs, medical insurance plays a vital role in financial planning. It helps in managing hospitalization costs, surgeries, treatments, and pre- and post-hospitalization expenses without causing financial strain. Critical illness and personal accident cover provide additional protection against long-term health complications and loss of income due to disability.

➤ Shielding Wealth from Medical Inflation

Medical inflation in India is rising at **12-15% annually**. Without adequate health insurance, one hospitalization can drain lakhs from your investment corpus.

For high-income earners, a top-up/super top-up plan ensures that medical emergencies don't force, selling assets or properties.

It's not a medical product—it's wealth preservation.

➤ Loan Facilitation and Legal Coverage

Many banks and financial institutions mandate insurance—particularly life or property insurance—when granting loans. This ensures that in the event of the borrower's demise or asset damage, **the outstanding liability is covered**, and the burden does not fall on the family or co-applicants.

Insurance also acts as a legal protection mechanism in commercial transactions and property management.

❖ Insurance as a Planning Tool

When most people think of insurance, they think of protection — protection against accidents, illness, theft, or loss. While this is true, what often gets overlooked is insurance's powerful role as a planning tool in a comprehensive financial strategy.

➤ Planning for Life's Uncertainties

At its core, insurance allows you to transfer financial risk to an insurer in exchange for a premium. Whether it's the death of a breadwinner, a serious illness, or property loss — insurance ensures these events don't derail your long-term goals.



- **Life Insurance** - Ensures your family's lifestyle is protected even in your absence. Provides financial security to the nominee in case of the policyholder's death.
- **Health Insurance** - Covers medical expenses incurred due to illness, accidents,

or hospitalization. It helps manage rising healthcare costs

- **Motor Insurance** - Mandatory for vehicle owners, this insurance covers damage to your vehicle and liability towards third parties due to accidents, theft, or natural disasters
- **Disability & Accident Insurance** - Secures income continuity if you're unable to work.
- **Fire Insurance** - Covers losses due to fire and allied perils like lightning, explosions, and natural calamities. It's crucial for both homeowners and businesses.
- **Home Insurance** - Protects your house and its contents against risks like fire, theft, earthquakes, or floods. It ensures peace of mind by covering repair or replacement costs.

❖ Key Takeaway: Insurance is Not Just Protection – It's Planning with Purpose

Without Insurance	With Insurance as a Tool
Reactive financial decisions	Proactive financial strategy
Sudden expenses ruin long-term plans	Contingencies are absorbed; plan stays on track
Family exposed to income shocks	Dependents have financial continuity
Savings drained by medical costs	Medical events don't touch your goals
Uncertain retirement	Guaranteed income & health cover

❖ Insurance: Not an investment – And That's a Good Thing

One of the most common misconceptions in personal finance is this:

"I should buy an insurance policy that also gives me high returns."

This mindset is not just misleading – it's financially risky.

Let's set the record straight:

Insurance is protection, not a tool for wealth generation and understanding this distinction is the key to building a strong, effective financial plan.

➤ Why Insurance Is Not an Investment

Insurance	Investment
Transfers financial risk	Grows your money over time
Provides a payout on death/event	Provides returns during your lifetime
Prioritizes security & certainty	Prioritizes growth & returns
Premiums are a cost for protection	Investments are assets for returns

- The goal of insurance is to protect your life, health, income, or assets – not to make you rich.
- The goal of investment is to grow your wealth through equity, real estate, mutual funds, etc.

➤ What Happens When You Treat Insurance Like an Investment?

Many people buy traditional life insurance policies (like endowment or whole-life plans) expecting high returns. But here's the truth:

- Average returns from such policies are 4–6% per year, sometimes less.
- There's low flexibility in withdrawing or changing investment amounts.
- Coverage is usually inadequate for real family protection needs.



You get neither good returns nor proper insurance.

➤ Model Example

Case: Rohan, Age 30

- ✓ Bought an endowment plan: ₹25,000/year for 20 years
- ✓ Sum Assured: ₹5 lakh

- ✓ Expected return: 5%
- ✓ Actual need: ₹1 crore term insurance + SIPs for retirement

Instead, if Rohan had:

- ✓ Bought a term plan for ₹1 crore (₹10,000/year)
- ✓ Invested the remaining ₹15,000/year in a mutual fund SIP

He would likely have:

- ✓ Proper protection for his family
- ✓ A corpus of ₹10-15 lakhs in 20 years

➤ **Use the “Buy Term, Invest the Rest” Strategy**

This is the golden rule of smart financial planning:

- ✓ Buy **Term Insurance** for protection
- ✓ Invest separately in:

- Mutual funds
- NPS
- PPF
- Equity/REITs,

for growth and wealth creation

You get:

- ✓ High insurance coverage at low cost
- ✓ Better returns with flexibility and liquidity

➤ **But What About ULIPs and Hybrid Plans?**

ULIPs combine insurance + investment, but they're not for everyone.

Only consider them if:

- You understand long-term lock-in
- You need disciplined investing with insurance
- You're okay with moderate returns and limited flexibility.

Don't buy them just for returns. They still compromise on one side.

➤ **The Right Way to Think About Insurance**

Insurance is like the seatbelt in a car – it doesn't help you go faster, but it **keeps you alive when things go wrong.**

Use insurance to:

- Protect your income (Term Insurance)
- Protect your health (Health + Critical Illness)
- Protect your wealth (Disability + Asset Insurance)

Use investments to:

- Build wealth
- Achieve goals like home, education, retirement
- Beat inflation

Keep the two separate and you'll do better in both.

Don't expect insurance to grow your money.

Expect it to protect what you've already built.

❖ **Things to Keep in Mind Before Buying Insurance**

Buying insurance is an important financial decision. It not only protects you from unforeseen circumstances but also ensures that your family or dependents do not suffer financially during crises. Before purchasing any insurance policy, here are the most critical aspects to consider:

➤ **Assess Your Insurance Needs**

- Determine what you want to insure: life, health, property, vehicle, or travel.
- Consider your life situation – Are you the sole breadwinner? Do you have dependents like children or elderly parents? Are you self-employed?
- Think about long-term vs. short-term needs. Life and health insurance are long-term, while travel or motor insurance might be short-term.
- Choose the right type of policy:
 - ✓ *Life insurance* if you want to ensure financial support for your family after your death.
 - ✓ *Health insurance* for medical expenses.
 - ✓ *Motor insurance* for your car or bike.
 - ✓ *Home insurance* to protect your property.

- ✓ **Motor insurance** Helps you drive worry-free and protect the vehicle.

➤ **Understand the Coverage and Exclusions**

- Coverage refers to what the policy will pay for. Read the benefits section carefully.
- Exclusions refer to what the policy does not cover, such as:
 - ✓ Pre-existing illnesses (in many health policies, these are covered only after a waiting period).
 - ✓ Death by suicide in the first year (for life insurance).
 - ✓ Damage caused due to negligence or under the influence of alcohol (for motor insurance).
- Don't rely only on marketing brochures; read the full policy wording to understand limitations.



➤ **Evaluate the Insurer's Claim Settlement Ratio (CSR)**

- CSR is the percentage of total claims settled by the insurer in a given year.
- A high CSR (above 95%) means that the insurer is more likely to settle genuine claims quickly.
- This ratio is published by regulatory authorities (like IRDAI in India) and can be a good indicator of reliability.

➤ **Compare Different Insurance Plans**

- Use online platforms to compare premiums, coverage, features, add-ons, network hospitals (for health insurance), and exclusions.
- Don't just pick the cheapest policy – choose one that gives the best value and adequate protection.

- Check for features like no-claim bonuses, lifetime renewability (for health insurance), and flexibility in payment.

➤ **Choose the Right Sum Assured**

- Sum assured is the maximum amount the insurer will pay in case of a claim.
- For life insurance, it is usually recommended to opt for a coverage that is at least 10–15 times your annual income.
- For health insurance, consider the medical costs in your city, family history, and inflation in healthcare expenses.

➤ **Understand the Premium and Payment Terms**

- Premium is the amount you pay to keep the insurance policy active.
- Understand the frequency (monthly, quarterly, yearly) and consequences of missing a payment.
- Some policies have a grace period; if you miss payment beyond this, the policy could lapse.
- Check if the premium increases with age (in health insurance) or remains constant (as in term life plans).

➤ **Review Policy Terms, Conditions, and Free-Look Period**

- Every insurance policy offers a free-look period (usually 15–30 days), during which you can cancel the policy if not satisfied, and get your premium refunded.
- Carefully read the terms and conditions related to:
 - ✓ Renewal clauses
 - ✓ Grace period
 - ✓ Waiting period (especially for maternity or pre-existing diseases)
 - ✓ Co-payment clauses (in health insurance)

➤ **Consider Add-Ons or Riders**

- Riders are additional benefits that you can buy along with your base policy. Examples include:

- ✓ **Critical Illness Rider** – pays a lump sum upon diagnosis of diseases like cancer or stroke.
- ✓ **Accidental Death Benefit** – provides additional payout if the death is due to an accident.
- ✓ **Waiver of Premium** – future premiums are waived off if the policyholder becomes disabled.

- These enhance coverage but also increase the premium. Choose only what is relevant for you.

➤ **Check the Insurer's Reputation and Customer Service**

- Ensure the insurer has good customer reviews, efficient claims processing, and helpful support services.
- Look at review platforms, regulator reports, and independent forums for genuine feedback.
- Check the size of the insurer's network – hospitals (for health), garages (for motor), and claim offices.

❖ **Documentation & Claim Process**

Once you've purchased a policy, it's essential to understand the **paperwork and process** required to make a successful claim.

➤ **Documentation Required to Buy Insurance**

Purpose	Documents Required
Identity Proof	Aadhaar Card, PAN Card, Passport, Voter ID
Address Proof	Utility bill, Aadhaar Card, Rent Agreement, Passport
Age Proof	Birth Certificate, 10th class mark sheet, PAN Card
Income Proof	Salary slip, Income Tax Return (ITR), Form 16 (mostly for life insurance)
Medical History	Health checkup reports, if applicable (for life or health policies, based on age/sum)
Photograph	Passport-sized photograph

Bank Account Details

Cancelled cheque or passbook copy for future claim settlement

➤ **Insurance Claim Process – Step-by-Step**

Regardless of insurance type, the claim process usually involves the following steps:

Step 1: Notify the Insurance Company

- Inform the insurer as soon as possible after the event.
- Use the customer helpline, app, email, or visit a branch.
- For health and motor claims, quick notification (within 24–48 hours) is critical.

Step 2: Submit the Claim Form and Documents

- Fill out the appropriate claim form (available online or at branches).
- Attach all relevant documents as mentioned in the policy guidelines.
- Keep copies of everything you submit.

Step 3: Claim Assessment and Verification

- The insurer may appoint a surveyor (for property or motor claims) or request more documents.
- In health insurance, the TPA (Third Party Administrator) coordinates with hospitals.

Step 4: Decision and Payout

- If all documents are in order, the claim is processed within the stipulated time (typically 7–30 days).
- For cashless claims, payment goes directly to the hospital.
- For reimbursement, the amount is credited to your bank account.

Step 5: Dispute or Escalation (if needed)

- If a claim is rejected, you will receive a written explanation.
- If unsatisfied, you can appeal or raise a complaint with the Insurance Ombudsman or regulator.

➤ **Tips to Ensure a Smooth Claim Process**

- Keep all policy documents in a safe, accessible place.
- Inform your family members/nominee about the policy.
- Submit claims within the timelines mentioned in the policy.
- Avoid any false information or concealment of facts.
- Keep hospital bills, prescriptions, FIRs, and medical reports organized.

❖ Taxation & Insurance – Maximizing Legal Benefits (Old Tax Regime)

Insurance not only provides financial security but also offers significant income tax benefits. These benefits help clients reduce their taxable income, increase post-tax savings, and improve overall portfolio efficiency.



Below are the key tax provisions and planning opportunities related to insurance:-

- **Deduction under Section 80C – Life Insurance Premium**
 - ✓ **What qualifies:** Premiums paid for life insurance (term, endowment, ULIP, etc.)
 - ✓ **Who can claim:** Individuals & HUFs
 - ✓ **Covered members:** Self, spouse, and children
 - ✓ **Deduction limit:** ₹1,50,000 (combined with PPF, ELSS, etc.)
 - ✓ **Key condition:**
 - (i) Premium must not exceed 10% of Sum Assured (for policies issued after 1-Apr-2012)
 - (ii) Else exemption on maturity may be denied

- **Deduction under Section 80D – Medical & Health Insurance Premiums**

- ✓ **What qualifies:** Health insurance premium for self, family, and parents
- ✓ **Includes:** Top-up plans, critical illness plans, preventive check-ups
- ✓ **Deduction limits:**

Insured For	Deduction
Self + family (below 60)	₹ 25,000
Parents (below 60)	₹ 25,000
Parents (above 60)	₹ 50,000
Self & family (senior citizens)	₹ 50,000
Preventive check-up (included in above)	₹ 5,000

- **Deduction under Section 80DD – Insurance for Disabled Dependents**

- ✓ Deduction for premiums paid towards maintenance of a disabled dependent
- ✓ **Deduction limit:**
 - (i) ₹75,000 (disability ≥ 40%)
 - (ii) ₹1,25,000 (disability ≥ 80%)

- **Deduction under Section 80DDB – Insurance for Critical Illness**

- ✓ Covers specified illnesses like cancer, kidney failure, Parkinson's, etc.
- ✓ **Deduction limit:**
 - (i) ₹40,000 (for non-senior citizens)
 - (ii) ₹1,00,000 (for senior citizens)
- ✓ Requires certificate from a specialist doctor

- **Deduction under Section 10(10D) – Maturity Amount of Life Insurance**

- ✓ Premium ≤ 10% of Sum Assured (if issued after 1-Apr-2012)
- ✓ ULIP premium ≤ ₹2.5 lakh/year (for post-2021 ULIPs)
- ✓ Death benefit is always tax-free, regardless of conditions

❖ Conclusion – Key Takeaways

Insurance, when rightly understood, is not an investment—it is protection. It ensures that a child's education isn't disrupted, aging parents receive the care they need, and businesses can withstand temporary setbacks without long-

term damage. It is a strategic decision, not driven by returns, but by responsibility. It is the quiet strength that supports individuals and institutions when life doesn't go as planned. Often misunderstood as a tax-saving product or sold as a financial return scheme, the true essence of insurance lies in its ability to provide security – financial, emotional, and structural. It is a critical pillar in any comprehensive financial plan, designed to safeguard progress, preserve dignity, and enable recovery. Planning for uncertainty may not feel urgent—until it becomes unavoidable. With the right understanding, insurance becomes not a cost, but a choice rooted in foresight. Because while the future cannot be predicted, it can certainly be protected—with clarity, compassion, and care. It transforms fear of the unknown into confidence in preparedness. This isn't just about policies – it's about peace of mind.

❖ Compliance Calendar for the month of August 2025

Sr No.	Date	Compliance
1	07-08-2025	TDS /TCS Payment
2	07-08-2025	ECB-2 Return
3	11-08-2025	GSTR-1 (Monthly)
4	13-08-2025	GSTR-1 (IFF under QRMP Scheme)
5	13-08-2025	GSTR-6, ISD Return Filing
6	15-08-2025	ESIC Payment and Return (Monthly)
7	15-08-2025	PF Payment and ECR Filing
8	20-08-2025	Monthly Payment of Profession Tax (Karnataka)
9	20-08-2025	GSTR-3B (Monthly)
10	25-08-2024	Due date to deposit tax amount for July 24 in Form GST PMT-06
11	31-08-2025	Maharashtra PT Return and Payment

❖ RRCO Advisors LLP

Management Consultants

Pune | Mumbai | Thane | Hyderabad | Bangalore

501-504, Akshay Landmark,

Opp. Pu La Deshpande Garden,

Sinhagad Road, Pune – 411030.

Phone: +91-20-24254388 | 24254288

Email: info@rrco.co.in

RRCO Advisors LLP

❖ Special Mention:

Thank you, **Ishita Jain, Mohini Boob, Pradnya Dombale, Anushree Lohiya** for the compilation of this knowledge series.

❖ RRCO Corner:

On 14th July, our firm had the pleasure of felicitating our article assistants who successfully cleared their CA Final examinations and earned the prestigious title of *Chartered Accountant* on 6th July.

The event was a proud and joyous occasion, marking the culmination of years of hard work, dedication, and resilience. Each of them was honoured with a token of appreciation as a gesture of our pride and good wishes.



Their journey from articleship to becoming Chartered Accountants is truly commendable. We are proud to have been a part of their growth and look forward to seeing them excel in this

new chapter of their careers. Congratulations to our newly qualified CAs – the future is yours!

On 19th July, our firm celebrated the completion of two years of articleship for a group of dedicated articles. To mark the occasion, a warm send-off was organised, bringing together the team for an evening of appreciation, reflection, and light-hearted moments.

As they step into the next phase of their careers, we extend our best wishes and thank them for their contributions to the firm. We're proud to have been part of their journey.

