

Insurance Authority Seeks Clarifications on LIC's Health Plan

Two days after the Life Insurance Corporation of India (LIC) launched Health Plus, its unit-linked health insurance policy (ULIP), the Insurance Regulatory and Development Authority (Irda) has asked the insurance major to clarify the income tax benefits that would accrue to holders of the policy.

LIC had announced on Monday that Health Plus qualified for benefits under Section 80D of the Income Tax Act.

This means that a premium deduction of up to Rs 15,000 per annum from a person's income is eligible for income tax exemption while a deduction of Rs 20,000 per annum is allowed for senior citizens, over and above the Rs 1 lakh tax benefit available under section 80C.

Premium payments for life insurance qualify for deduction from income under Sec 80 C. Therefore, all ULIP's qualify under section 80C for income tax benefits.

However, in the Health Plus policy, hospital cash benefit, major surgical benefit come along with a ULIP component where the invested premium is used for purchasing domiciliary treatment-related expenses for the insured members.

CS Rao, chairman, Irda, said: According to income tax rules, premiums paid in respect of hospitalisation charges are eligible for tax deduction under section 80D of the Income Tax Act while the balance of the invested premium is eligible for tax deduction under section 80C of the Act.

G N Agarwal, executive director and appointed actuary, LIC, said Irda wrote to us last evening raising queries on income tax benefits for the policy. We will be replying to Irda shortly.

"The regulator has approved Health Plus as an health insurance product. The benefits have been designed as per regulations. We had sought the expertise of a retired tax commissioner who said it qualified as a health insurance product.

"There are grey areas. However, the investment made in the plan is for purchase of health benefits. There is no mortality benefit.

Interestingly, Reliance Life Insurance Company today launched Reliance Wealth+Health plan where IT benefits are split between section 80C and 80D.

The premia paid in respect of hospitalisation are eligible for tax deduction under section 80D while the balance of the premium is eligible for tax deduction under section 80C provided the annual premium during the year does not exceed 20% of the assured sum.

Riders are eligible for tax deduction under section 80D of the Act.

Business Standard Ltd. Copyright