

Why married people should buy term insurance under MWP Act

In this case, your family's interests come first and only your wife and children are entitled to the sum assured

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When buying a term insurance policy, you aim to secure the future of your wife and children in your absence. You want that the claim amount reaches them quickly and without any hassles. However, if there are any outstanding loans to any creditors or relatives or friends, the creditors would have a prior claim to the money before your beneficial nominees (spouse and children).

Thus, simply buying a term insurance policy alone will not inevitably ensure that your beneficial nominees can get the sum assured after your demise.

Naval Goel, founder and chief executive officer, PolicyX.com, said, "In a normal term insurance policy, that is, a policy which is not bought under the MWP (Married Women's Property) Act, the sum insured might be claimed by miscreants or beneficiaries such as creditors or any other family members who can lay a claim to the policy benefits."

Thus, to ensure that the sum assured is passed on to your wife and/or children, you must buy a term insurance policy under the Married Women's Property Act, 1874.

If the policy is bought under the MWP Act, then your family's interests come first and only your wife and children are entitled to the sum assured in the unfortunate event of your passing away," said Rishi Mathur, chief digital and strategy officer, Canara HSBC OBC Life Insurance.

This type of policy cannot work in reverse—a wife cannot make her husband the beneficiary and take the benefit of this Act.

She can, however, buy a policy under the MWP Act in her name with her children as beneficiaries.



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A policy under the MWP Act simply means that your insurance claim amount directly reaches your wife/children, insulating her/them from any loans or liabilities that you owe. Thus, the amount cannot be attached or taken away for repayment of debts.

In other words, it ensures that no one else—such as creditors—can claim this amount.

"So, if you are a male and the breadwinner of your family, it helps to get additional security by opting for your term policy under the MWP Act at the time of purchase," said Mathur.

THE MWP ACT

Rushabh Gandhi, deputy chief executive officer, IndiaFirst Life Insurance,

said, "Section 6 of the MWP Act highlights that a policy of insurance effected by any married man on his own life and expressed on the face of it to be for the benefit of his wife, or of

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his wife and children, or any of them, shall ensure and be deemed to be a trust for the benefit of his wife, or of his wife and children, or any of them according to the interests so expressed, and shall not, so long as any object of the trust remains, be subject to the control of the husband, or to his creditors, or form part of his estate."

The insurance policy issued under the MWP Act is generally beneficial for salaried individuals or people in business.

Individuals sometimes rely on

loans such as personal loan, home loan, business loan and consumer loan to achieve their financial goals.

"For instance, an individual looking to take loans for fulfilling his financial dreams/goals, such as business loan and loan for plant and machinery, should take a term insurance policy under the MWP Act. In case of an untoward event, the benefit of his policy cannot be attached by the creditors and be rightfully utilized by his wife and children," Gandhi explained.

All married persons in India can opt for term insurance under the MWP Act.

The term policy under MWP needs to be executed before the creation of

any liability and at the time of purchase of the policy.

This means you cannot get your existing term insurance policy modified under MWP Act.

HOW TO BUY

The process of getting an insurance plan endorsed under the MWP Act is simple.

"Policyholders need to fill up and sign an MWPA addendum along with the insurance application at the time of taking the policy. Some of the insurers have this option even in the application form and policyholders need to just select the 'yes' option under the MWP Act," said Rakesh Goyal, director, Probus Insurance, an insurtech platform.

If a term insurance policy is bought under the MWP Act, the beneficial nominee once opted at the time of taking the policy cannot be changed in the future.

Moreover, parents cannot be added as beneficiaries under the MWP Act. Only your wife or children can be made as beneficial nominees.

Hence, you can either make your wife a beneficiary or your children or both. You can assign specific percentages of the sum assured to each beneficiary.

The beneficial nominee once opted during the time of taking the policy cannot be changed at a later date

MINT TAKEAWAY

Whether you buy a term insurance policy under the MWP Act or not, the term insurance policy features, benefits and other terms and conditions remain the same.

This Act basically works as a safeguard from the repayment of loans, extended family members or any other creditors who might claim the money after the demise of the policyholder and guarantees that the financial future of his spouse and children is protected.