

## Important terms you must know before buying a health insurance policy

Almost everyone has heard the famous adage 'Health is Wealth,' and the last couple of years have shown us how much wisdom lies in this age-old saying. Today, having a health insurance policy has become a necessity to ensure that we are well covered in case of health-related exigency. However, before you buy a health cover you must understand a few key terms related to health insurance.

**Free look period :** What if after buying your health insurance policy you realize that the terms and conditions of the policy do not meet your requirement or you are not happy with the covers? Don't assume that you are stuck, fortunately, you have the option to cancel the policy and get a refund of your premium, this is called the free look period. Most of the insurers provide a free look period of 15 or 30 days from date of receipt of policy document, during which you have the option to cancel or terminate your new insurance policy and get the due refund. It is highly recommended that you go through the policy document in detail after you have bought the policy so that you are well aware of the policy covers and in case you are not satisfied with the terms you can avail the benefit of the free look period.

**Grace period :** In case you missed renewing your policy on time, what happens now? Do you miss on all the benefits accrued during the term of the cover? Do you need to buy another policy? If these questions scare you, rest assured, there is a solution for your worries. Most insurers offer a grace period of 15 days, during which you can renew your policy even if you have missed the due date. Although you must always renew the policy in time, just in case you missed the renewal you have the grace period to rescue you, considering there has been no claim during the break-in period. **Deductible :** A deductible is the amount of the claim that you have to bear before your insurer compensates you for the loss. You have to bear the cost till a certain point, and the insurer will pay the claim only after the deductible threshold is crossed. Suppose the deductible in your policy is ₹ 2,000 and your admissible claim amount is ₹ 15,000, it means your insurer will pay you ₹ 13,000 for the loss, but first you have to bear the initial amount of ₹ 2,000. Deductible is inversely proportional to the insurance premium, the higher the deductible, the lower the premium. Although deductible helps bring down the premium, you must under-

stand that this comes at a cost of bearing a portion of a claim during a later stage and you must be cautious about the same.

**Co-pay Clause:** When a policyholder agrees to pay for a certain percentage of the medical expense, it is referred to as co-pay. If your policy has a co-pay clause it means that you have agreed to bear some part of the expense from your pocket, this is usually mentioned in percentage terms. For example, if your policy has a co-pay clause of 10%, it implies that you will pay for 10% of the admissible expenses and your insurer will pay the remaining 90%. Taking this example further, suppose you underwent treatment and the total expense is ₹ 30,000; it means that you will pay ₹ 3,000 and your insurer will pay ₹ 27,000 towards the treatment. Like deductible, co-pay also helps bring down the premium cost. However, there is a major difference between co-pay and deductible. Once the deductible threshold limit exceeds, the insurer bears entire remaining amount. While co-pay is a set amount that the insured has to bear for every claim throughout the policy. Deductible or Co-pay are popularly known as self-insurance in some countries.

**Cumulative Bonus in health insurance :** A cumulative bonus is also known as CB; it is the reward that your insurers give you for a claim-free year. The bonus accumulates for each claim-free year, up to a certain limit. The insurer rewards you with increased cover in the form of a higher sum insured without charging any additional premium. For example, a sum insured of ₹ 20,00,000, will increase to ₹ 21,00,000 if the insurer is offering a 5% cumulative bonus for the first claim-free year, to ₹ 22,00,000 for the second-claim free year and so on. Similarly, if you make a claim your bonus will be reduced at the same rate at which it was accumulated. There is no fixed, year-wise slab for the increase in sum insured, and it varies from insurer to insurer and product to product. The terms of CB are mentioned in the policy features and you must clearly go through them to understand the benefits that you are entitled to. The CB takes care of medical inflation and you don't need to increase the sum insured year-on-year. So, now that you know these terms of a health insurance policy, I am sure you will make a more informed decision while buying your policy. ( Bhaskar Nerurkar, Head – Health Administration Team, Bajaj Allianz General Insurance)