

Look beyond premium when buying insurance

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INSURANCE premium is the single most important factor that has been instrumental in influencing an Indian customer's decision to make an insurance purchase, with less importance given to the features/benefits the plan has to offer. As a result, it has been often observed that insurance products that are cheaper see a higher acceptability. But, looking at only the price and ignoring the coverage has often resulted in distressed customers at the time of claim and subsequent misperception about the insurer and the industry.

For instance, last year, a Delhi-based interior designer burnt a hole in his pocket when he was hospitalised for dengue. The cost of treatment was Rs 75,000 at a high-end hospital that he chose to get treated at, given that he was health insured. Later, the individual was shocked to learn that his policy had a capping on room rent and a certain procedure that he had undergone. He bore the financial burden while blaming the insurer for the misfortune.

Similarly, many individuals, while understanding the need to protect themselves from unanticipated financial crisis, still consider premium as the most important factor when opting for an insurance plan. With new-age risks and ever-increasing price of commodities today, lot is at stake if one doesn't have proper insurance policies to tide over unexpected expenses. Thus, evaluate the following factors to make an informed choice when buying an insurance plan:

Deductibles: It is a specified amount or a percentage of the claim amount that a policyholder has to pay before the insurance benefits kick in. There is also a voluntary deductible that is over and above the compulsory deductible where a policyholder agrees to a higher contribution towards the claim amount. A plan with higher deductibles has lower premiums.

Co-pay: It is a specific percentage of the claim amount that a policyholder agrees to share. Co-pays could be on the entire claim amount, or on a certain procedure or part of the claim. Higher the co-pay percentage, lower is the premium.

Sub-limits: They are limits on particular

expense in an insurance policy. Generally, insurers place sub-limits to confine the available amount towards a specific expense. For instance, a health insurance policy may have 1 per cent of sum insured as sub-limit for hospital room rent. Ideally, premium for policies with sub-limits is lower than that for policies without sub-limits. However, as sub-limits may lead to unexpected out-of-pocket expenses, it is advisable to fully understand sub-limits before purchasing a policy.

Waiting period: It is a certain period of time after which the policy benefits kick in. Waiting periods could be applicable for the entire plan or for common or pre-existing ailments and conditions. The waiting periods are not standardised for all health insurance plans.

Network density: One should always opt for insurance providers with a good network of service providers, be it hospitals or garages, for a hassle-free claim settlement. Besides, insurers (mainly in health insurance) have set defined procedures with the network providers, and this ensures faster claim settlement as well as helps you save towards any out-of-pocket expenditure.

Add-ons: An add-on cover is a product that provides additional coverage in combination with the regular insurance policy. These covers can be added to the regular insurance policy by paying an additional premium. Add-on covers help an individual to customise an insurance policy according to his/her requirements.

Value-added services: These services are provided in addition with the regular insurance and offer benefits to the insured beyond the scope of a regular insurance product. Typically, these services are bundled in the insurance policy. For instance, many insurers offer discounted gym memberships.

A low premium does not mean lower out-of-pocket expenses, and focusing just on premiums can paint a false picture of the total cost. Understand the key factors influencing the premium and the coverage offered by a policy before purchasing.

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IN IT
FOR
YOU