

## Insurance matters

## How a 'no claim' bonus benefits policyholders

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Health insurance policies come with a lot of frills. If you, as a policyholder, stay healthy, your health insurer will reward you with incentives such as discount on premium and reward points which can be utilised against OPD (out-patient department) treatment. The most common type of benefit on health insurance is the no claim bonus.

No claim bonus (NCB) is a reward that policyholders receive from the insurer for staying healthy and not making any claim on the policy in a year. The reward is in the form of increase in the sum insured (SI) without increase in premium.

Almost all health insurers including Bajaj Allianz General, HDFC Ergo General Insurance, ICICI Lombard, Aditya Birla Health, and new-age players such as Digit Insurance too offer the NCB benefit.

Here's all that you need to know about the NCB benefit and the different features under it.

**How does it work?**

Almost all indemnity health policies (where an insurer reimburses the amount incurred as medical expenses) come with the NCB feature. For instance, in Bajaj Allianz General Insurance's Health Guard (Gold plan), the SI will increase by 10 per cent on every claim-free year. So, if you have a policy for ₹10 lakh, then it increases to ₹11 lakh in the first year of no-claim. The maximum cumulative increase in the SI limit is up to 100 per cent of the base SI (for up to 10 years of no claim).

The maximum limit to SI increase varies with insurers. Consider Aditya Birla Health Insurance's Activ Assure policy, for instance. The accumulated NCB will not increase more than 50 per cent of the base SI. On the other hand, insurers such as Manipal Cigna (ProHealth policy), offers a guaranteed 5 or 10 per cent increase in sum insured (depending on the



No claim bonus is bonus money added in the sum insured for every claim-free year

product variant) per policy year maximum up to 200 per cent of the base SI.

The increase in SI is guaranteed by the insurer provided you renew your policy in time without any break in premium payment and you have a claim-free year.

Do note that, if you make a claim, your cumulative bonus for next year may reduce. Amit Chhabra, Head, Health Insurance, Policybazaar.com, says "There are products in the market, where in the event of claim, the cumulative bonus reduces by a certain proportion in the next year, or one has to accumulate the NCB from the start. That said, there are plans where the NCB SI doesn't reduce in the next year even if there are claims."

In the case of Aditya Birla Health Insurance's Activ Assure policy, if there is a claim, the accumulated NCB reduces by 10 per cent at the commencement of the next policy year. That is, if your base SI is ₹10 lakh and if you have an NCB of ₹3 lakh (10 per cent increase per year), and you

make a claim on the policy, the next year, your base SI will be ₹10 lakh but your NCB will be ₹2 lakh.

However, there are a few insurance policies in the market where irrespective of the claims made during the policy year, the NCB remains intact. These include policies such as Manipal Cigna's ProHealth insurance where the NCB remains the same when a policyholder renews the policy even if he/she made any claims during the year.

Now, given the health risks and financial burden faced by policyholders due to the Covid-19 pandemic, some of the insurers offer the benefits of NCB to continue despite a claim. That is, if you file for a claim due to Covid-19, then also your NCB will remain intact.

HDFC Ergo, for instance, will not reduce cumulative bonus for eligible policyholders for any claims made and settled by the insurer between July 1 and September 30 this year for the treatment of Covid-19. ICICI Lombard, too, offers the continu-

ation of the NCB in the event of Covid-19-related claim.

**Additional NCB**

While the NCB comes as a reward to policyholders without any additional premium outgo, there are policies in the market which allows you to enhance your cumulative bonus for extra premium. This is over and above the NCB in-built in the policy. That is, usually, the increase in NCB is between 5 and 10 per cent per year. Now, if you want to increase the pace of addition in bonus to SI, you can do so with extra premium. For instance, in ManipalCigna Pro Health plan, you can purchase Cumulative Bonus



Booster which offers guaranteed increase of 25 per cent in SI per year up to a maximum of 200 per cent of the base SI. HDFC Ergo too offers enhanced cumulative bonus for extra premium.

**At the time of porting**

If you port your health policy, as per the guidelines of IRDAI, the

insurance regulator, your cumulative bonus also gets ported to the new insurer.

Bhaskar Nerurkar, Head, Health Claims, Bajaj Allianz General Insurance, says, "At the time of porting, both base SI and cumulative bonus will be carried to the new policy, and premium will be charged on the base SI. But future cumulative bonus will be as per the new company's terms and conditions." So, if a person has an SI of ₹5 lakh and accrued bonus of ₹1 lakh with one insurer, when the policyholder ports to another insurer, the proposal would be accepted for an SI of ₹6 lakh.

Prasun Sikdar, MD & CEO, ManipalCigna Health Insurance, says, "Only to the extent of the SI, including the NCB, will a policyholder get continuity benefit at the time of porting. So, if you want to increase your SI, then the extent of increase (in the SI), will have to be underwritten separately."



Leeway  
Some insurers may continue to offer NCB benefits even if policyholders make a claim