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5 tips on making the most of top-up plans

Top-up plans complement one's primary health policy and shield the buyer from additional expenses, says **Neha Pandey Deoras**.

1 Work out the cost

You can buy top-up policies to complement the group health cover offered by your employer. "Companies allow employees to buy top-up covers between ₹2 lakh and ₹5 lakh. The annual premium for employer-facilitated covers is around ₹1,000 per ₹1 lakh," says Arvind Laddha of Vantage Insurance Brokers. If your employer does not allow you to buy a top-up cover, you can always buy a top-up plan independent of the base plan.

Top-ups are cheaper than family floaters. According to data from *MyInsuranceClub.com*, a ₹5 lakh family floater covering self, spouse and one child will cost anywhere between ₹10,000 and ₹17,000 annually. A ₹5 lakh individual health plan will cost a 35-year-old ₹4,000-7,000 a year.

2 Choose carefully

If your hospitalisation bill is ₹5 lakh, a policy with a ₹3 lakh deductible will cover the difference of ₹2 lakh. But, if you are hospitalised twice in a year, and the two bills amount to ₹2 lakh each, then your normal top-up plan will not kick in. A basic top-up policy will apply the threshold deductible to every claim, that is, every hospitalisation. Even as the total bill overshoots the ₹3-lakh limit, each instance of hospitalisation is well within the deductible limit. However, a super top-up policy puts together all hospitalisation claims to calculate the deductible limit. So, in the above example, since the total hospitalisation expense, ₹4 lakh, crosses the deductible limit of ₹3 lakh, the top-up plan will pay ₹1 lakh. Therefore, it's best to buy a super top-up plan.

3 Understand the deductible

If one opts for a ₹5-lakh plan with a deductible of ₹2 lakh, it implies that the insurer providing the top-up plan pays ₹3 lakh as the maximum claim amount. In order to pay the deductible amount, the insured can either use the sum insured from an existing health plan or contribute from his/her own pocket, says Subramanyam B, Senior VP, Bharti AXA General Insurance.

If your employer provides a cover of ₹2 lakh and you want a cover of ₹10 lakh, you should opt for a high-deductible top-up plan with a cover of ₹10 lakh and deductible of ₹2 lakh. If the deductible is more than ₹2 lakh, you will have to pay for it. So, ensure that the deductible of the top-up policy is close to the sum insured in your primary health plan—individual or employer's group plan.

4 Stick with one insurer

The biggest advantage of buying a top-up linked to employer-provided policy is that the waiting period for pre-existing diseases (PED) is waived off, says Laddha of Vantage Insurance. If an individual top-up is bought from the same company as an existing health cover or the employer-provided cover, then also some insurers offer continuity in PED waiting period. "The number of years the individual is covered in the base policy will be deducted from the waiting period," says Suresh Sugathan, Head, Health Insurance, Bajaj Allianz General Insurance. But not all products offer waiting period continuity. Hiren Dhakan of Bonanza Portfolio cautions that waiting period continuity may not be provided when both the base and the top-up plans are bought together.

5 Claim I-T deduction

The premiums paid on top-up or super top-up plans are eligible for income tax deductions under Section 80D. If the premium is being paid for a plan that covers self, spouse and children, a maximum of ₹25,000, under Section 80D can be claimed as deduction. Deduction of another ₹25,000 is available for premium contribution towards a plan that covers parents, and if the parents are aged 60 years or more, then deduction of up to ₹30,000 can be claimed.

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