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HEALTH INSURANCE

Vital steps for better critical illness cover

Pay attention to details, especially what is excluded and what is included so that a claim is not rejected

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Sedentary lifestyles have led to even younger people suffering from life-threatening diseases. As per insurance industry estimates, 40% of heart patients in India are between the ages of 25 and 35. Incidence of cancer, stroke, heart attack, kidney and liver failure, and other life-threatening ailments is increasing. These are not only expensive to treat, but can also lead to loss of income. Therefore, one needs a comprehensive health insurance basket. After buying a basic policy that covers hospital bills, one needs to look at a defined benefit plan such as a critical illness policy. "Defined benefit health insurance policies are generally structured to pay lump sum amounts. So, these can be used to cover surgical and medical procedures, to pay for recuperation aids, and to replace any lost income due to decreased ability to earn or even funding for a change in lifestyle," said Sandeep Patel, managing director and chief executive officer, Cigna TTK Health Insurance Co. Ltd.

What's a critical illness plan?

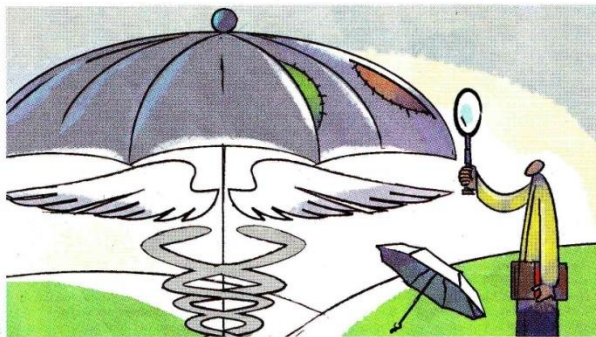
The policy pays the insured person a defined amount if you are diagnosed with a specified critical illness. These are specific diseases that require extended care and medical attention. Typ-

ically, 10-12 ailments are covered, and a comprehensive policy can cover up to 38 ailments. "Critical illnesses are those high impact-diseases, which even after treatment, alter life drastically on the work and personal front. There is a specific list of illnesses covered under such a policy," said Patel.

Health insurance portability applies to these policies too. There is also a free-look period of 15 days, which one can use to review the policy and return it if not satisfied. In case of a claim, once the complete claim is paid to an individual, the policy gets terminated.

Even though these policies provide a financial cushion during a medical emergency, they are not very popular among customers. "In India, the most commonly sold health insurance product is the standard policy, which covers hospitalization expenses. Critical illness policy is a relatively new entrant in the product line-up. Awareness of this product is still low. But we expect interest to go up in view of the increase in lifestyle related diseases and illnesses," said Subrahmanyam B., head of health and commercial underwriting, product development and reinsurance at Bharti AXA General Insurance Co. Ltd.

Since a critical illness plan can provide additional coverage, it is important to understand the product well. A good place to start is to know the ailments that are covered in the policy, and then go through the list of exclusions in the policy. "With reference to diseases, all companies have a different set of rules and regulations. So, it is important to choose the right product. For instance, unlike abroad, diseases



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such as HIV or AIDS are not covered under critical illness (plans) in India. Also, infectious diseases such as dengue, which are life-threatening, are not covered by most," said Sanjiv Bajaj, managing director, Bajaj Capital Ltd.

Fine print

Understanding the fine print of any contract is essential, especially when it concerns healthcare. "Since only a few diseases come under critical illness, one has to understand the medical terminology, which is difficult. For example, if cancer is mentioned, the policyholder needs to know which types meet the criteria defined, and for which one can make a claim," said Vivek Shah, founder and chief executive officer, Finrise Financial Planners. For example, we looked at a policy that covers cancer but excludes skin cancer other than invasive malignant melanoma.

Apart from the fine print, one

also needs to know the waiting period stipulated in the policy. Typically, there are two kinds of waiting periods. One applies at the time of buying a policy, which is usually of 90 days. This means that you can make a claim on the policy only after 90 days of being active. The other waiting period kicks in if a policyholder is diagnosed with a critical illness. This is commonly called the survival period. Most insurance companies have a survival period of 30 days. This means that if the policyholder dies within 30 days of being diagnosed with a critical illness, the claim is not settled.

"Different insurers recognize different survival periods. It could range from 30 days to 180 days. When buying a policy, one should always consider the number of diseases covered; the more the better. Apart from that, also look at the premiums," said Nikhil Kothari, director and chief financial planner, Etica Wealth

Management Pvt. Ltd. For example, a critical illness policy with a sum insured of ₹10 lakh for a year for a 35-year-old with zero survival period will come for a premium of around ₹4,400, whereas another policy covering 37 ailments but with a survival period of 30-180 days depending upon the ailment comes for a premium of around ₹4,200.

Having a critical illness cover is important. One can buy it as a standalone policy or as a rider with life and health insurance plans. However, experts say it is better to have a standalone policy as it offers flexibility and comprehensive and large coverage compared to a rider.

It's not enough to simply buy a critical illness policy; one must fully understand the details because otherwise a claim may get rejected.

Reasons for rejection

There are two main reasons why claims get rejected by an

insurer. One is if the insured lies or misrepresents or forgets to mention pertinent facts on the proposal form about history of any disease. The second is when an illness is not covered. Suresh Sugatha, head—health insurance, Bajaj Allianz General Insurance Co. Ltd, said, "All conditions listed in the policy wordings have certain criteria to be met. Hence, it is extremely important for consumers to read exclusions to avoid grievance at the time of making a claim."

Disclosing all health related information is important as that determines the acceptability for coverage, and even the premium. For instance, if a person has diabetes or high blood pressure, coverage may be rejected. Many insurers have made medical examination compulsory before issuing cover, based on the person's age, sum insured and health declaration.

"Many customers do not fully disclose their medical conditions at the time of buying the policy, which leads to claim rejection," said Somesh Chandra, chief operations officer and chief quality officer, Max Bupa Health Insurance Co. Ltd.

Therefore, it is equally important to read the inclusions as well as the exclusions. "Understand the cost-benefits of a critical illness policy. Consumers must find out which conditions are covered under the policy; more important is to know what is not covered," said Mukesh Kumar, executive director, HDFC Ergo General Insurance Co. Ltd.

Having critical illness cover is the second ring of protection that everyone needs because the suffering only increases if along with poor health, one has to face poor finances as well.