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# Premium for a healthy life

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A lot is at stake if you don't have proper health insurance policies to tide over expenses resulting out of unexpected illnesses. Health insurance policies provide cover against certain health risks and ensure timely support in case of medical emergencies, amid skyrocketing medical expenses.

Health insurance plans are offered by both life insurance and general insurance companies. Often, people are confused about where to purchase a health policy from. Some buy it from a health insurer, while others prefer a life insurer. With life insurance companies providing health plans for individuals as combination products, the choice has become difficult.

Sanjay Datta, Chief, Underwriting, Claims & Reinsurance, ICICI Lombard GIC Ltd, says, "One should select a plan considering various covers and cost sharing features like co-pay, room rent sub-limit, outpatient cover, emergency ambulance covers, etc. Make sure your health plan is comprehensive to cater to all your health needs."

According to Suresh Sugathan, Head, Health Insurance, Bajaj Allianz General Insurance, "Health insurance plans offered by general insurers are very comprehensive and typically cover the entire ecosystem of health- and wellness-related requirements, whereas health products from life insurers may cover additional expenses during critical times."

## **Basic Differences:**

What both life insurance and general health policies cover primarily is the insured's health. But the similarity ends there. Health insurance plans offered by general insurers are indemnity plans that reimburse hospitalisation costs, which means that an individual is entitled to the actual expenses, subject to the sum insured limit or availability.

Meanwhile, life insurance companies mostly offer additional health plans that pay a lump sum amount, irrespective of actual medical costs, on diagnosis of a particular disease. So, having only benefit plans from life insurers as health cover may not be such a good idea, because it may or may not be able to cover the entire cost incurred.

"Health insurers focus on expenses a person incurs while in hospital to recoup from an illness or medical problem, while life insurers try to pay a certain benefit on knowing or identifying that the insured has contracted a certain medical disorder or illnesses," explains V. Jagannathan, CMD, Star Health and Allied Insurance.

Both life insurers and general insurers offer critical illness plans that are similar in that they provide a lump sum benefit. But products in the market differ in terms of features such as the number of critical illnesses covered, survival period and initial waiting period. Critical illness plans offered by general insurers are mostly sold as standalone products, whereas life insurers generally offer them as a rider to life insurance policies.

#### **Product Benefits:**

Health plans by general insurers are comprehensive plans that cover hospitalisation, day care, personal accident and critical illnesses. They have various in-built add-on covers such as outpatient cover and emergency ambulance cover that make them more comprehensive. Health plans by life insurers are benefit products that offer daily cash benefit and critical illness plans, paid on a lump sum basis, when the insured is diagnosed with a particular disease.

A life insurance company's health cover can be used as a supplement to a general insurance health cover, and it can be a substitute for loss of income due to ill health.

"The products offered by life insurers are mostly event-based. On being diagnosed with a particular disease, if it is covered by us, the sum assured will be paid to the policy holder irrespective of whether he is getting a treatment or not," says Manoj Kumar Jain, MD & CEO of Shriram Life Insurance Co. Ltd.

A critical illness plan provides protection against certain major critical illnesses by providing a lump sum amount equal to the sum assured, in case the policyholder is diagnosed with any of the mentioned diseases (see Critical Illnesses covered by Health Plans).

#### **Policy Term and Premium Payment:**

Product terms of health policies offered by general insurers are up to three years, with lifelong renewal; life insurers usually offer a term of five years. The premium of a health policy depends on the overall benefit structure of the product. Factors affecting the premium are sum insured, age, pre-existing condition, ailments covered, underwriting norms of the insurance company, etc.

A life insurer plan's premium may differ for males and females, but gender-based premium differentiation does not exist in health plans offered by general insurers.

Premium paid for health policies from general health insurers may be higher than for policies issued by life insurers. This is because if someone suffers a heart attack, for instance, the benefit will be given only once in the lifetime. On the other hand, a policy from a general insurer is a lifetime cover (provided the policy is renewed) for the same illness, irrespective of an earlier claim. Premiums for both may differ based on plans and insurers.

"You may be able to get a health 'benefit policy' or 'benefit rider' at slightly cheaper rates. But the benefits may also fall short of the actual need or requirement, and the benefit will be given just once. For this reason, the premium that you have to pay will be higher than for policies issued by life insurers," says Jagannathan.

### **Mutual Fund Health Card:**

Mutual fund companies have started introducing health cards in the market. Instead of breaking liquid funds, these cards allow you to redeem a certain number of units at the hospital itself. ICICI Prudential AMC has a new product in the market called ICICI Prudential Savings Fund, which provides an easy means of payment by quick redemption at certain hospitals.

For example: if a person gets hospitalised, he or she needs to present the card at the hospital and sign the redemption form. The TPA (third party administrator) will take the estimate of expenditure and inform the company. There is no cost for early redemption of units.

On the flip side, the facility can be used only at empanelled hospitals. The scheme is, however, good for senior citizens who need to create a health fund, apart from having a health insurance policy. Last minute surprises such as exclusions or pre-existing illnesses can be handled well when you have the money.

However, a health fund cannot replace insurance and its covers. Creating a fund takes time. For immediate use, funds cannot come in handy; they can get depleted completely within a single use, and may leave you in the lurch until a new one is created over a period of time. It may be a supplement to insurance.

"A health insurance policy is a must for everyone, irrespective of whether one buys the plan from a general, standalone health or life insurance company. The priority must be on the nature of coverage purchased," says Antony Jacob, Chief Executive Officer, Apollo Munich Health Insurance.

There are several health plans available in the market today. Premium should not be the only factor to determine which insurer to go with. The amount received from life insurers for treatment of a particular disease in case of critical illness plans may not be enough for the care. In such cases, standalone benefit products may not suffice.

As most of the health plans offered by life insurance companies are benefit policies, one may incur out-of-pocket expenses if hospitalisation expenses are higher.

Experts suggest that the indemnity cover should be the first layer. Then, one can opt for critical illness riders as an additional layer. First-time buyers should consider health cover from a general insurance company first. Based on this, you can narrow down on products that suit your healthcare needs and make an informed decision.