

Renewal health premiums rise, yet buying early makes sense

Seniors face the risk of not getting a policy at all if they are diagnosed with certain health conditions

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Thanks to the covid-19 pandemic, health insurance has finally started seeing the transition from being a good-to-have product to a must-have product in 2020. This led to a rise in demand for health insurance this year. However, the change in the perception of people is accompanied by a rise in premiums.

A recent survey done by Policybazaar.com, an online marketplace for insurance, showed that around 66% of policyholders saw their premiums rise by up to 30% compared with last year. However, a majority of them (43%) saw the increase in the range of 0-5%. A small number of people also saw their premiums surging by more than 100% in the last few months, said the survey conducted among Policybazaar customers.

Insurance companies hike the price of policies based on the claims experience, the age of the policyholder and the sum insured. Any rise in premiums generally hits senior citizens the hardest. A 48-year-old Twitter user said that the premium for a more than 17 years old health policy went up from ₹21,762 to ₹66,667, a 200% jump in 2020. The policy included a cover for his 75-year-old father and 66 years old mother.

"The increase in the case of senior citizens is relatively higher compared with middle-aged persons, as there is a higher risk of hospitalization in this age group," said Mahavir Chopra, founder, Beshak.org, a research platform for insurance users.

It is often suggested that one should buy a health insurance cover as early as possible, because the earlier you buy a health cover, the greater will be the benefits. However, with the recent hike in premiums, several policyholders are questioning whether this advice still holds true, on social media platforms such as Twitter. Let's take a look at the reasons



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why insurance premiums have risen this year and why it's still important to get a policy cover early on in your life.

REASONS BEHIND RISE

The premiums have increased by up to 100% by certain insurance companies for some policyholders at a time when the world is struggling with covid-19, but the virus is not solely responsible.

According to experts, the overall hike happened with the Insurance Regulatory and Development Authority of India (Irdai) broadening the scope of coverage to include conditions such as mental illnesses and HIV-AIDS. The regulator has also been standardizing the products and has reduced the list of non-payable items, expenses that are not payable by your policy.

"Insurance companies have this year seen multiple issues, for instance alarmingly high hospital bills not only for the covid-19 treatment but also for other treatments. Healthcare inflation has always been high," said Chopra.

The covid-19 put extra pressure on the insurers, as such type of costs and treatments for a pandemic were never included in the pricing for health insurance. "This black swan event was never factored in the pricing models by the insurance companies," he added.

"Premium revision is based on the claims experience, which is reflected in the increased cost per claim plus addition of covid-19 claims. However, looking at the increased cost of medical treatment in view of extra care, sterilization and sanitization required now, the cost of treatment is currently higher. It is always important to insure

health as a priority to ensure financial planning and avoid the medical expenses burden at any point of illness," said Gurdeep Singh Batra, head, retail underwriting, Bajaj Allianz General Insurance Co. Ltd.

GETTING INSURED EARLY

With renewal prices rising for senior citizens, many in the middle age groups have started wonder-

ing whether they should delay buying insurance as this might help them save on the premiums for some years. However, experts say that this might not be a wise decision.

Eligibility is the most important factor to consider, which makes buying health insurance policy early on advisable. If you were to contract certain diseases such as Parkinson's Disease, stroke, cancer, or type 1 diabetes, later in your life, it may get difficult for you to buy health insurance at all.

Batra advises insuring parents early on, so that the cumulative bonus and other benefits such as health wellness can be availed of on the policies bought for them. A

cumulative bonus in health insurance refers to the monetary advantage you get as a reward for not making any claims in one policy year.

According to Amit Chhabra, head, health insurance, Policyba-

zaar.com, it is always advisable to have a separate plan for children and spouse as well as parents. "This will ensure that overall premiums come down, as the premiums are calculated based on the eldest member's age," he added.

However, according to Batra, individuals can also consider buying a single policy for family members, including parents, depending on their convenience and tax planning.

Note that it may make sense to go for separate plans in view of the tax deduction rules under the Income-tax Act. The premium paid towards a health insurance policy for self and dependant spouse or children is tax-deductible up to ₹25,000. Premiums paid for parents who are senior citizens will give an additional tax deduction of ₹50,000. So buying separate policies may get you a deduction of up to ₹75,000. This may go up to ₹1 lakh, depending on yours and your parents' age.

MINT TAKE

Experts say that rising premiums is a signal that having a health policy is more important than ever before. "The premiums have increased because the cost of healthcare has increased and so has the scope of the cover. So, if these two things have increased, it makes more sense to buy health insurance now, even if the premiums are higher, because the affordability is again going to get more difficult for the user," said Chopra.

As you age, health insurance premiums are bound to increase. Buying insurance early on will ensure that you are not denied a cover even if you get diagnosed with additional health conditions later in life.

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