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Look for optimal insurance coverage when buying a policy

YOUR MONEY
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INSURANCE premium is the most important factor influencing a customer's decision to buy an insurance cover. As a result, insurance

products that are cheaper see higher acceptability and traction. But looking at only the price and ignoring the coverage can result in distress.

An individual must evaluate the following key factors before opting for any insurance policy:

Deductibles

It is a specified amount or a percentage of claim amount which a policyholder has to pay out of his own pocket before the insurance benefits kick in. It is built into

the product and you cannot opt out of it. There is also a voluntary deductible which is over and above the compulsory deductible where a policyholder agrees to a higher contribution towards the claim amount. A plan with higher deductibles have lower premiums because the claimant agrees to bear the cost first and it deters improper claims.

Co-pay

It is a specific percentage of the claim amount that policyholder agrees to share. It is not a specified amount like the deductible. Co-pays could be on the entire claim amount or on a certain procedure or part of the claim. Higher the co-pay percentage, lower is the policy premium.

Sub-limits

They are limits on particular expenses in an insurance policy and are critical

features to be evaluated in any insurance policy. Generally, insurers place sub-limits to restrict the available amount towards a specific expense. For instance, a health insurance policy may have 1% of sum insured as sub-limit for hospital room rent while sub-limit for the treatment of ailments such as hernia, cataracts, tonsils, kidney stones, etc., may be 10-20% of total sum insured. Ideally, premium for policies with sub-limits is lower than premium for policies without sub-limits. However, as sub-limits may lead to unexpected out-of-pocket expenses, it is advisable to fully understand these before purchasing a policy.

Waiting period

It is a certain period of time after which the policy benefits kick in. Waiting periods could be applicable for the entire plan or for certain ailments and conditions. Waiting periods are common in



health insurance policies and are largely applicable towards pre-existing diseases or common ailments such as cataract, kidney stones, etc. The waiting period is not standardised for all health

insurance plans and may vary from insurer to insurer.

Density of network

This is often overlooked while opting for any insurance plan. One should always opt for insurance providers with a good network of service providers, be it hospitals, diagnostic centres or garages, for a hassle free claim settlement.

Optimal insurance coverage is integral to financial planning as it helps to eliminate the uncertainty that centres on safety and security while protecting one's hard earned savings. One shouldn't always evaluate an insurance policy through premium. A low premium does not mean lower out-of-pocket expenses and focusing just on premiums can paint a false picture of total cost.

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