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OPD claims do not impact your eligibility for a cumulative bonus.

When you sign up for a health insurance policy, you hope that you will not need to make any claim. If there is indeed no claim, you become eligible for what is called a cumulative bonus.

A cumulative bonus is a reward that your health insurer offers you for every year that you do not file a claim. This comes in the form of a hike in your original base sum assured (original cover amount) for every claim-free year subject to a maximum limit. Once you hit that upper limit, you get no further cumulative bonuses.

Note that, if you decide to opt for a higher sum assured (say, raise it from Rs 20 lakh to Rs 30 lakh a few years down the line) by paying a higher premium, then the cumulative bonus will be calculated on this higher base sum assured.

“The cumulative bonus helps take care of the medical inflation each year,” says Bhaskar Nerurkar, Head of Health Administration, BajajAllianz General Insurance Company. According to Siddharth Singhal, Business Head - Health Insurance, PolicyBazaar.com, this serves as an incentive for people to continue renewing their health insurance policy each year.

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How does it work?

A cumulative bonus helps increase the sum assured under your health policy over time. “In most health insurance policies, the cumulative bonus accrues at a fixed rate of 10 percent or 15 percent for

every claim-free year, subject to a maximum limit of say, 200 percent of the base sum assured,” says Ashish Yadav, Head of Products, ManipalCigna Health Insurance Company. (See table)

A few products offer a 50 percent cumulative bonus. For example, Tata AIG General Insurance Company offers a 50 percent hike in the sum assured for every claim-free year up to a maximum of 100 percent of the original sum assured on its Medicare, Medicare Protect and Medicare Premier policies.

BajajAllianz General Insurance Company offers a cumulative bonus of 50 percent – that is, the base sum assured goes up by 50 percent – for the first two years if no claim has been made in the preceding year on one of its products. This is followed by a 10 percent increase per year for the next five years up to a maximum of 150 percent of the base sum assured.

What happens if you make a claim?

Let’s take the Bajaj Allianz example to understand this. If you make no claims in the first year and the second year of the policy, you get a 50 percent hike (on the original sum assured) when you renew your policy in the second and the third year. However, if you make a claim in the second year, you won’t get any cumulative bonus at the end of the second year. Also, the bonus allocated in the earlier year will get knocked off. Thereafter, if you make no claims in the third year, you will get a 50 percent hike in the fourth year and fifth years. After that, for the next five claim-free years you will get a 10 percent hike.

Note that many policies simply don’t give you the cumulative bonus on renewal if you have made a claim in the preceding year. That is, you get no hike in sum assured that year. But there are others, which also deduct the cumulative bonus by one notch – take away one hike in the sum assured awarded earlier – if you make a claim.

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OPD claims impact

Furthermore, while you may not have hospitalisation expenses in a particular year, you may still have OPD (involving no hospitalisation) expenses to deal with. So, does making an OPD treatment claim make you ineligible for a cumulative bonus that year? Both Nerurkar and Singhal confirm that OPD claims do not impact your eligibility for a cumulative bonus.

There’s another important point to note. Even as the cumulative bonus raises your sum assured, it has no impact on room rent capping under your health policy. A health insurer may cap the room rent at 1-2 percent of your sum assured – this is the maximum hospital room rent that the insurer is willing to bear. “The room rent limit is linked to your base (original) sum assured. The cumulative bonus does not impact that and therefore, has no impact on the room rent cap,” says Nerurkar.

Also see: Moneycontrol-SecureNow Health Insurance Ratings: Your guide to picking the right health policy

New products on offer

Traditionally, cumulative bonuses in a health policy have been linked to the policyholder not making a claim in a year. But in recent years, a few insurers have introduced new products where the

cumulative bonus works like a guaranteed bonus. According to Singhal, in such products, you get a guaranteed increase in the sum assured each year – whether or not you make a claim. But, as before, this is subject to a maximum limit.

Care Health Insurance's Care Supreme policy is one such policy. The insurer offers a cumulative bonus of 50 percent up to a maximum limit of 100 percent of the sum assured under this. This is irrespective of whether a claim is filed or not. According to Yadav, ManipalCigna Health Insurance Company also offers a guaranteed bonus on its ProHealth Prime, Prime Senior Elite plan (higher variant in the Prime Senior Product) and the ProHealth plans.

Cumulative bonuses are a useful way to increase your health cover without paying an additional premium. However, given the variations in how cumulative bonuses are awarded across different insurers and different products, it is very important to read the fine print before you sign up.