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# IS YOUR ARMOUR IN PLACE?

**Healthcare costs are rising and so are health risks. Have you protected yourself with the right kind of insurance policy?**

**RELIANCE ON MEDICAL**

**M**ost Indians buy insurance for all the wrong reasons - to get tax breaks, to cover 'company' savings or at the insistence of a nagging insurance agent. Few seem to realise the importance of insurance to protect against risk, regardless of the stage of your life; you need a health insurance cover to secure your dependants and a health insurance policy to cover your medical expenses.

Medical costs are rising in the double digits. A heart bypass surgery that cost about ₹20,000 two years ago now costs about ₹2 lakh. A coronary angiogram now costs ₹10,000 up from around ₹4,000. But the awareness about medical insurance is still very low in the country. An IBSH study shows that only 17 per cent of the people in India own any form of health insurance, with a large number using group health cover taken by the government or their employer.

While insuring yourself is necessary, there is no one-size-fits-all solution. The kind of insurance cover you need, the size of the sum insured and the address of riders that you opt for will all depend on your age, income, number of dependants and medical profile. The choice of policies is best illustrated with live examples. That's why we decided to profile five investors who are in different life stages. We've suggested appropriate insurance policies for each of them. You can use the profile shared to yours to guide you. Premium figures given in the story have been sourced from policybazaar.com and Medivillage.

## Single, with dependant parents

Venkatesh is 29 years old, he has been working with an IT company for the last five years and earns about ₹4 lakh a year. He has an education loan outstanding, amounting to ₹1.6 lakh. But for a small amount in the Fd, he has a small amount in the Fd. He has a small amount in the Fd. He has a small amount in the Fd.

**Suggestion:** Venkatesh, you need to increase the sum insured in your life insurance policy. It should be enough to cover the outstanding loan and also make up for the loss of your income in your 5 years.

Generally, as a thumb rule, the sum insured on your term life policy should amount to at least 15-20 times your annual income.

A 15-year term life cover should be ideal in your case.

Buy a pure term plan offering on-line plans usually work out to be the cheapest (they don't pay agent commissions). A pure term cover with a ₹50 lakh sum insured for a 15-year term will cost you about ₹4,200

4,600 towards annual premiums. You should also purchase a medical insurance policy. You may be covered under your employer's group medical cover, but as you are at an early stage in your career, job changes are likely. Hence, it is not prudent to rely on your employer alone for your health cover.

Unlike a few years ago, health insurers now have to offer policyholders the option to renew their policies as long as they live. So, once you buy a health policy you can be worry-free for the rest of your life.

People who develop health complications as they grow older run the risk of insurers rejecting a health cover or adding a waiting period clause. Do note that once a person is diagnosed for a health condition that requires medical treatment, a health insurance policy will cover hospitalisation due to that disease only after a mandatory 'waiting period' which can be between two and four years.

We suggest you buy a plan health insurance policy that covers hospitalisation expenses for ₹1 lakh to ₹5 lakh. Do not opt for a personal accident or critical illness rider, unless you really want them - riders will increase your premium. A ₹5 lakh health insurance policy will cost about ₹4,000-4,500 as annual premium. This policy will cover all your medical expenses that are incurred for any hospitalisation for 24 hours or more.

Apollis Munick's Optima Renew and Religare's Care are good for options. An 'add-on' for cancer, though an emergency cover, covers are very expensive; it doesn't actually make sense to buy one.

If your parents, buy a separate health insurance policy. Adding them to your own health plan, through a family floater (where the sum insured can be used by any member of the family) cover is not advised. It will increase your premium, significantly.

In family floater plans, premium is decided based on the age of the oldest family member.

Senior citizen health covers do not come cheap. But health insurance for your parents is crucial for a long-term out-of-pocket medical expenses. A ₹5 lakh health policy will cost about ₹20,000-24,000 by way of annual premium.

However, insurance cannot be the total end of your assessment. You need to make a start on saving towards other financial goals, such as retirement.

## Married, in joint family with dependant parents

Harini Ramasubramanian is 25 years old. She got married recently. She has a personal loan of ₹1.25 lakh that is outstanding and plans to borrow another ₹25 lakh shortly for constructing a house. Her annual income is ₹4 lakh. She holds a life insurance policy for a sum insured of ₹50 lakh. Her parents are dependent on her.

**Suggestion:** Harini, you should increase your life cover as you are planning to take a loan shortly in the form of an overdraft/credit. Your spouse should be able to repay the loan as well as substitute your income. Using the proceeds of your term plan, you would need an additional ₹25 lakh sum. On an online, the annual premium for a ₹25 lakh life insurance policy would be about ₹3,000 for you.

Next, buy a medical insurance policy. Most health insurance policies cover maternity expenses today, but with a waiting period of two-to-three years. Religare Health Insurance's new plan has the shortest waiting period on maternity cover - one month - but the premium is high. You can take a medical insurance policy with sum insured of ₹5 lakh. If you wish to, you can also take a floater cover.

Apollis Munick's Religare Health and Religare ERGO can be considered if you buy a joint yourself for

## Married, with dependant children and wife

Sankar Srinivasan is 39 years old. His wife and two children are dependent on him. He has a personal loan of ₹1.25 lakh that is outstanding and plans to borrow another ₹25 lakh shortly for constructing a house. His annual income is ₹4 lakh. He holds a life insurance policy for a sum insured of ₹50 lakh. His wife and two children are dependent on him.

**Suggestion:** Sankar, though you have a large term insurance cover, you need to evaluate it. Your existing life policy of ₹1 crore sum insured will cover only your dependants. You need another policy to cover the loss of income in your absence. We suggest that you take another term cover with sum insured about ₹50 lakh. Most annual income is ₹4 lakh and the policy for ₹1 crore will cost ₹55,000-60,000 as annual premium.

Though you are covered by your employer for medical expenses, it is advisable to buy a medical insurance policy. This will come in handy in case you decide to move jobs. Considering your age and the size of the family, a ₹50 lakh sum insured floater cover would be ideal. You can go for a higher sum insured if there is a history of any medical treatments in the family. A family floater plan is suggested because it has the flexibility of letting any family member use the total sum insured and your children, being very young, will not use up a significant portion. This will cost you ₹2,000-4,000 as annual premium.

You should buy a critical illness health policy too as you will soon be stepping into your 40s. Premiums on critical illness policies are cheaper compared with normal hospitalisation plans. Here, the sum insured is given on the first diagnosis of the listed illnesses. The policyholder can use the policy amount to pay for any expenses - not necessarily those arising out of hospitalisation. Most critical illness policies cover a major 25 or 30 illnesses, and the only survival is a 30-day period survival clause. However, remember that most policies don't cover pre-existing illnesses. Apollis Munick's Critical Illness policy covers 37 illnesses - the most number of illnesses covered by any health insurer in India.

If you take a ₹50 lakh sum insured critical illness policy from Andro Munich, it will cost you ₹8,500 a year. You can also consider Max Bupa's policy but it covers only 20 critical illnesses.

## In early 50s, married, with grown-up children

Chintawany Raj Gowindan is 50 years old. His wife and two children are dependent on him. He has an outstanding home loan of ₹9 lakh. He has a life insurance cover for ₹5 lakh and a family floater health insurance policy for ₹20 lakh, for which he pays an annual premium of ₹2,000. He wants to know if he can reduce his health cover and save on premium.

**Suggestion:** Chintawany Raj Gowindan, you need to increase your cover under the life insurance policy if you have not renewed your policy in the last year. Renew a health cover with a term rider.

It is just to spread your risk. A ₹5 crore cover will cost about ₹10,000-15,000 a year.

You are right to think your health cover is a little too large. For your family, a cover of ₹5 lakh should be ideal. If you want to reduce your sum insured, you can either opt for a new insurer or ask your existing insurer for a lower sum insured in the same policy.

Health insurance regulations allow porting of policies. But note that the new insurer will always conduct a medical investigation. Even if any medical health condition is diagnosed, lower premium could be accepted.

If there is no medical and you

## Retired, with no dependants

Ajit Pal Singh Parikh is a businessman. He is 64 years old. His wife is a partner in his company. He has an endorsement the policy that gives him a sum assured of ₹8 lakh. He has a health insurance policy that covers a sum insured of ₹1 lakh. He wants to know if he can increase his sum insured under the policy, but the insurer is not willing to do so.

**Suggestion:** Ajit Pal Singh, you do not require a life insurance policy at this stage as you state that your wife is independent and there are sufficient investments to cater to her needs. Since the premium

First ask your current insurer if he can risk your cover.

You should also buy a critical illness policy; it is like an income supplement. In case for reasons that are

### HOW THEY COMPARE

Health insurance policy for a 35-year-old male and for sum insured of ₹5 lakh

| Company             | Product                     | Annual premium (₹) | Specific waiting period (years) | Pre-existing disease waiting period (years) | No claim bonus | Sub-Riders*                  | Annual premium (₹) |
|---------------------|-----------------------------|--------------------|---------------------------------|---|----------------|------------------------------|--------------------|
| Religare            | Care                        | 38                 | 2                               | 1   | 10-20%         | No                           | 3,192              |
| HSBC ERGO           | Health Surestar             | 39                 | 2                               | 1   | 5-50%          | No                           | 3,550              |
| Star Health         | Healthwise                  | 39                 | 2                               | 1   | 5-20%          | No                           | 4,224              |
| Royal Sundaram      | Libelle Surestar            | 39                 | 2                               | 1   | 25-20%         | No                           | 4,270              |
| Religare General    | Health Gain                 | 39                 | 2                               | 1   | 10-15-100%     | No                           | 4,601**            |
| Axis (Axis General) | Individual Health Guard     | 39                 | 1.4                             | 1   | 10-20%         | Limit on contract surgery    | 4,917              |
| Apollis Munick      | Optima Renew                | 39                 | 2                               | 2   | 10-50%         | No                           | 7,298              |
| Crux TPA            | ProHealth Plus              | 39                 | 2                               | 2   | 10-50%         | Limit on substance expenses  | 8,584***           |
| ICICI Lombard       | Health Protect Plus         | 39                 | 2                               | 2   | 10-50%         | Limit on contract surgery    | 8,962              |
| Max Bupa            | HealthGuard Individual Gold | 39                 | NA                              | 2   | 10-52%         | Steen rate 1% of sum insured | 9,577              |

Source: Medivillage. \*An surgery/contract-surgery. \*\*For sum insured of ₹5 lakh. \*\*\*For sum insured of ₹10 lakh.

