

Smart policy choice can help you tackle medical inflation

Recharge, double cover and guaranteed bonus can come in handy

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Experts estimate that medical inflation is around 15 per cent annually in India. It is difficult for customers to keep raising the sum insured of their policies constantly. By choosing their policies smartly, however, they can tackle this issue to some extent.

Recharge benefit

While this feature (also called restore, reinstatement or reload) has been around for many years, it has evolved greatly. Normally, if you have a sum insured of ₹5 lakh, you can claim only up to this amount. Once it is exhausted the insured and his family are left without a cover for the rest of the year. In policies that offer this feature, the sum insured gets restored, so the family continues to enjoy coverage for the rest of the year.

Earlier, this feature had several limitations. One, the restoration of sum insured happened only once in a year. Two, the restoration could be utilised only for unrelated illnesses. "Now, insurers are offering the restoration benefit an unlimited number of times, and even for the same illness," says Amit Chhabra, head-health & travel insurance, Policybazaar.com.

When opting for a policy with this feature, the customer must clarify when the recharge will get triggered. Suppose that a customer has a cover of ₹5 lakh. He makes the first claim of ₹3 lakh, the second of ₹2 lakh, and a third claim of ₹2 lakh. In some policies, the recharge will be triggered only on the third claim.

On the other hand, there are also policies where the recharge happens immediately. As soon as the customer makes a claim of ₹3 lakh, the sum insured is immediately restored to ₹5 lakh.

How does this make a difference? Suppose that a person makes one

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- Organ donor cover is useful if it compensates, not just the cost of organ harvesting, but also the donor's treatment after hospitalisation and treatment of complications
- Most Ayush treatment happens out-patient; your policy may not be very useful if it offers only hospitalisation cover
- In case of mental illnesses, too, the consultancy with a psychiatrist happens mostly on outpatient basis (hospitalisation is rarer)



claim of ₹3 lakh and then a second claim of ₹2.5 lakh. If the recharge doesn't happen immediately, then after the second claim he will receive ₹2 lakh only and will have to pay ₹50,000 out of his own pocket. But, if the recharge happens immediately, he will get the full claim of ₹2.5 lakh.

"While some insurers offer immediate recharge, others don't, so the customer must clarify," says Vivek Narain, health insurance specialist, SANA Insurance Brokers.

Backed by data of 15-20 years, insurers know that the probability of multiple claims within a year (beyond two or three) is limited. They also price their products accordingly. Nonetheless, this is a useful feature.

Double sum insured from the first day

Nowadays, some policies, like Reliance General Insurance's recently launched Health Gain, provide customers the benefit of double the sum insured from day one.

Suppose that a customer buys a cover of ₹5 lakh. When he gets hospitalised, the bill comes to ₹9 lakh. Such a policy will take care of the entire bill.

"Typically, the sum insured would increase over time due to no claim bonus. In this case, it doubles from day one," says Chhabra.

According to Indraneel Chatterjee, co-founder, Renewbuy, "While the restore feature is useful in the case of multiple hospitalisations, this feature comes in handy when the bill exceeds the sum insured during a single hospitalisation."

Guaranteed cumulative bonus

Normally, if an insured person doesn't make a claim, he receives a no claim bonus, which is usually a percentage of the original sum insured. To cite an example, suppose that a policy offers a 20 per cent guaranteed cumulative bonus. If the customer doesn't make a claim in the current year, next year his original sum insured of ₹5 lakh becomes ₹6 lakh (for the same premium).

Now, suppose that the customer does make a claim. Normally, he wouldn't be entitled to a bonus sum insured. But, with the guaranteed cumulative bonus feature, his sum insured still rises to ₹6 lakh.

Generally, if the insured makes a claim, the bonus sum insured gets reduced or taken away altogether. But with the guaranteed cumulative bonus feature, that doesn't happen.

Again, insurers do factor the cost of this feature into the premium. Nonetheless, it is a beneficial feature to have.

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