MONEY TODAY

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How to manage health insurance costs *Pg 14*

'INDIA NEEDS STANDARD PROTOCOLS IN HEALTHCARE' *Pg 18*

Best mutual funds and loan rates *Pg 30*

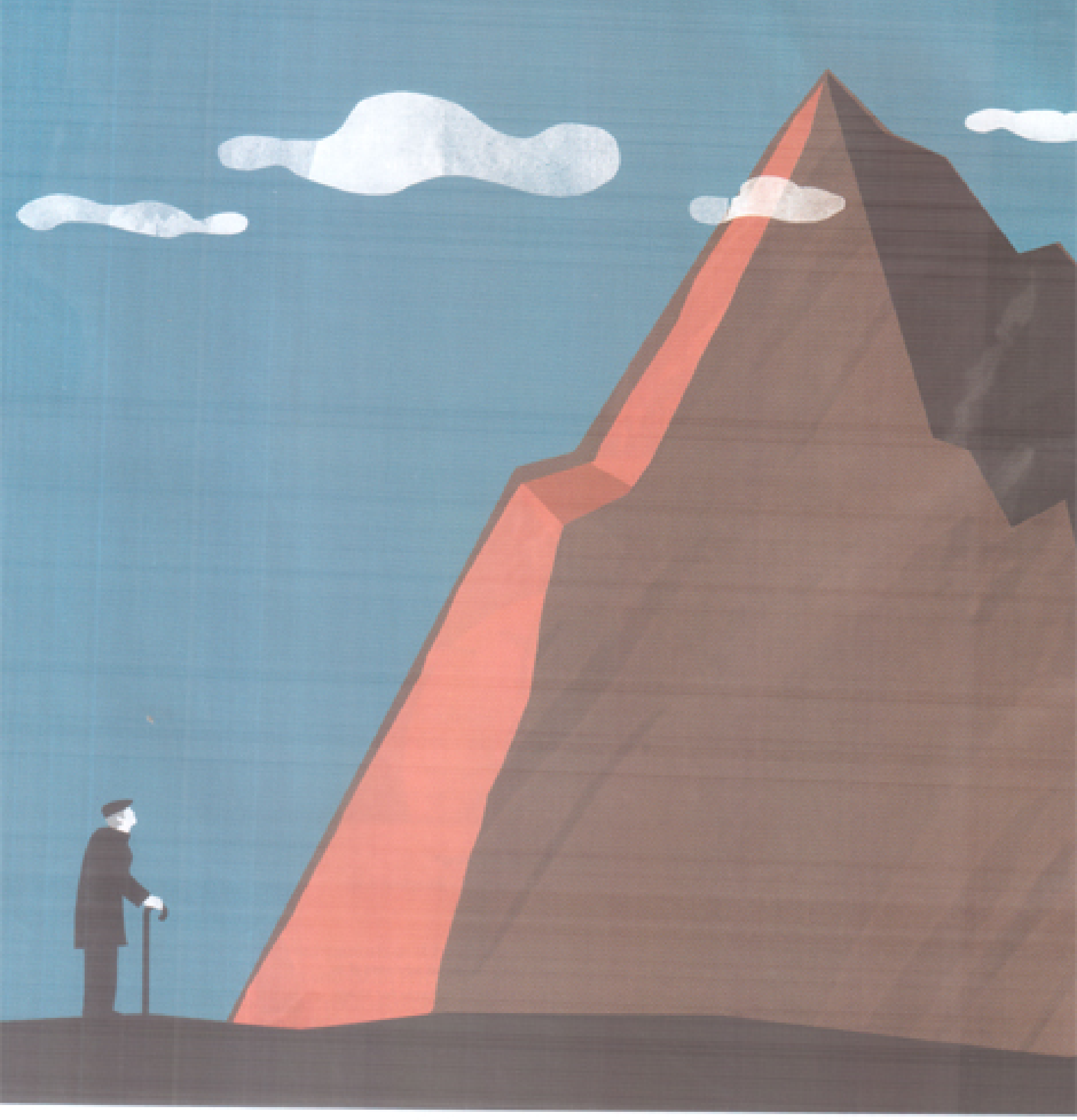
SAVING TAX

Tips to make the most of the income tax exemptions

UPHILL STRUGGLE

A sharp hike in health insurance premiums leaves the elderly in the lurch, but there are ways to safeguard one's sunset years.

By Teena Jain Kaushal; Illustration by Raj Verma



Retired serviceman C.M. Sardana, 72, is mulling whether he should give up his health insurance. Last year, the premium doubled as the insurer 'rationalised' the rates without giving specifics that caused the sudden hike. "Every year the company is raising premiums at an average rate of 10 per cent citing high medical costs. But last year, it went up 100 per cent. It is too much to bear at my age," he says. According to Sardana, he has made only three claims over a span of 20 years and the last two added up to ₹32,000.

Delhi-based K.N. Bahadur, aged 70, has a similar story to share. "It was a rude shock for me when the premium jumped by 40 per cent." He bought a family floater policy in 2006, paying ₹15,000, and the premium rates have steadily risen ever since."I wanted to increase the cover, but after the premium hike, I dropped the idea." Bahadur currently pays a premium of ₹56,000 for ₹4,80,000 sum insured. He claimed ₹70,000 in 2016.

At a time when their income has gone down sharply due to declining interest rates, millions of senior citizens like Sardana and Bahadur are struggling to cope with a sharp hike in premium rates which have hit them hard. Many of them do not have additional funds to fall back on and hence, are forced to pay high premiums during their sunset years.

There are several reasons behind the jack-up in premium rates. Over the past decade, India is facing a double-digit healthcare inflation rate of 15-20 per cent compared to general inflation that is rising at the rate of 4-5 per cent. Experts say if the price revisions (due to inflation) are applied at one go, the effective increase is bound to be significant.

Another reason could be cross-subsidy. Over the past few years, premium rates for group insurance policies have come down significantly because of stiff competition, and the retail segment is cross-subsidising them. Commenting on the development, S.K. Sethi, Vice President, Insurance Foundation of India, says, "Insurance companies continue to offer lower rates to group insurance policies to improve their market share, but they keep increasing premium rates for retail policies, hitting senior citizens the most." The industry regulator, however, should consider senior citizens who are paying a high cost for health insurance, he adds.

According to Vaidyanathan Ramani, Joint Head of the Health Insurance Business Unit at Policybazaar.com, "The health market has undergone significant rule changes over the past five years. From guaranteed renewability to no-claims-based loading, these terms have impacted pricing. Products, which have been repriced for the first time under these rules, are bound to show significant changes in pricing." In many cases, customers are migrated from an older product to a newer one with more features like non-reducing no-claims-bonus, Ayush coverage and so on, and that could lead to a change in premium rates.

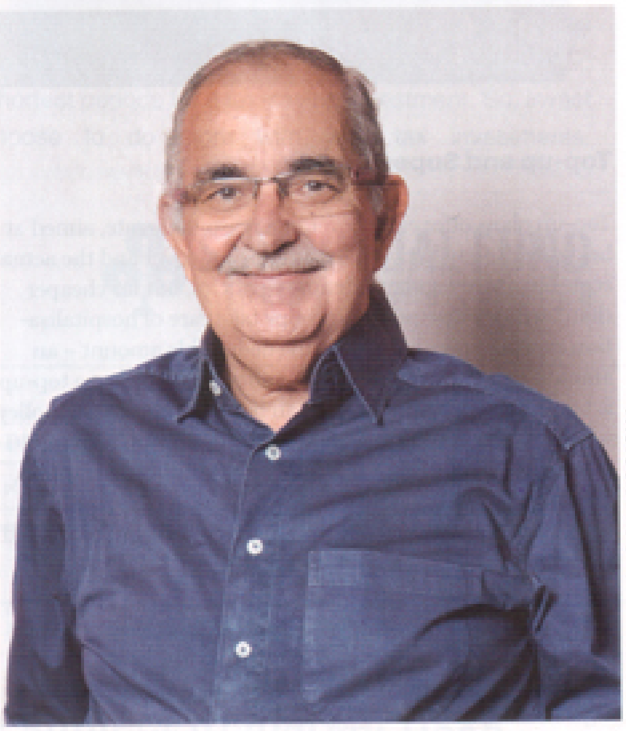
Does making a claim affect premium rates in the next year? Ashish Mehrotra, Managing Director and Chief Executive Officer, Max Bupa Health Insurance, says, "Insurance companies look at the age band, claim cost and incidents, and then rework the pricing models. So, it is not linked to a particular person. It is based on a statistical model of certain groups and age bands."

While rising health cost has been a serious concern, many in the industry are considering effective ways to reduce the premium load for senior citizens. Antony Jacob, CEO, Apollo Munich Health Insurance, says, "To provide a suitable solution to senior citizens, we have launched Health Wallet that comes with a 'reserve' benefit. Every year, the unused amount is carried forward and earns a bonus of 6 per cent. This accumulated reserve can be used to pay up to 50 per cent of the renewal premium, post five continuous renewals."

Whatever might be the reason, with insurers more interested in roping in young people to have the favourable law of numbers, senior citizens have been struggling to meet the high cost out of their savings. Here are some options to tackle high health premiums.

"Every year the company is raising premiums at an average rate of 10 per cent citing high medical costs. But last year, it went up 100 per cent"

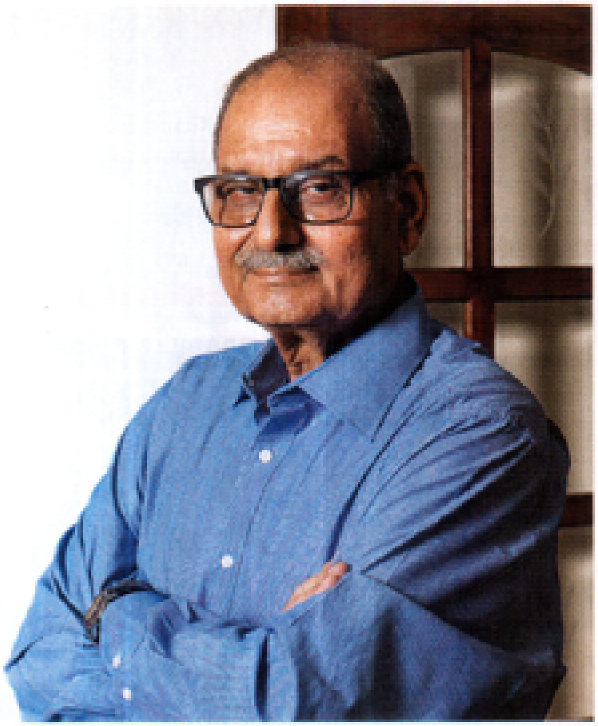
C.M. Sardana



PHOTOGRAPHS BY SHEKHAR GHOSH

"It was a rude shock when the premium jumped 40 per cent. I wanted to increase the cover, but after the hike, I dropped the idea"

K.N. Bahadur



Top-up and Super Top-up

Top-up plans offer extra cover at a reasonable rate, aimed at bridging the gap between existing policy cover and the actual cost. These are regular indemnity policies, but far cheaper than buying a new policy. Top-ups take care of hospitalisation expenses over and above the deductible amount – an amount that has to be paid by a policyholder before a top-up is triggered. For example, you can buy a regular health policy with ₹5 lakh sum insured and then buy a top-up plan of ₹10 lakh with a deductible of ₹5 lakh. In case of hospitalisation, if the bill amounts to ₹8 lakh, you can claim ₹5 lakh from your basic policy and the remaining ₹3 lakh could be availed from your top-up plan, which gets triggered when the deductible is paid.

"The premium for a top-up is cheaper than the premium for a normal plan with similar features as the former mostly acts as a supplementary policy that offers the dual benefits of high sum insured and low pricing," says Sanjay Datta, Chief, Underwriting, Reinsurance and Claim, ICICI Lombard GIC. Therefore, senior citizens may consider reducing the sum insured in their basic health policies (which will reduce premiums) and increase the cover via top-up plans.

There is one catch. While creating an additional cover, go for a super top-up plan as it takes into account all the claims submitted during a policy year and the deductible applies to the total sum. But under a top-up plan, every hospitalisation is considered as a separate claim, and the deductible applies to each hospitalisation.

So, what is cheaper, a top-up or a super top-up? "In case of super top-up plans, the probability of triggering the cover is higher compared to top-up plans (due to cumulation of claims), and the premium is adjusted accordingly due to the aggregate deductible," explains Puneet Sahni, Head of Product Development at SBI General Insurance.

Build a Health Fund

If you decide not to continue with your current policy because the risk-return equation is not working out, invest in debt funds or fixed deposits to build a substantial health fund. Mutual funds are also launching health cards to help people. For instance,ICICI Prudential Asset Management Company has come up with ICICI Prudential Savings Fund, a debt scheme that allows one to present the card at the hospital and sign the redemption form. It is advisable to start a health fund besides buying a health insurance policy as many illnesses are not covered by insurers. If you are not prepared for such crises, they can create a hole in your pocket.

Go Porting

Porting has to be initiated within 45 days of policy renewal and must be completed before the end of the 30-day grace period. However, people with pre-existing diseases or those who had medical complications during the term of the original policy are bound to face a lot of difficulties. For instance, applications from those with critical diseases are not accepted. A new insurer can also ask for fresh underwriting in case a policyholder has any medical history. Moreover, the new company may insist on submission of documents of the past four years or more to check whether any claim was made. So, porting a policy, especially in case of senior citizens, is easier said than done.

Finally, discontinuing the existing health insurance plan and buying a new one from a different insurer is not at all advisable as you will lose out on accumulated benefits earned over the years. The chances are high that insurers may reject your proposal due to higher age bracket. As medical costs tend to rise during old age, one should continue with the existing policy and top it up with cheaper plans. MT

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