

# Use add-on covers to hedge your medical costs

This is tax-saving season and most of us are probably scrambling to meet the Rs 1 lakh exemption limit under [Section 80C](#). However, many tend to overlook the fact that we can claim exemption up to Rs 35,000 under [Section 80D](#) as well, for the premiums paid for [health insurance](#) for self, spouse, children and dependent parents.

While buying a health insurance policy is useful, given the rising health care costs, you can also save tax on the money paid on the premiums. You can also buy add-on covers or riders that provide added benefits at some extra cost.

Antony Jacob, chief executive of Apollo Munich Health Insurance, says: "The standard health insurance policy might not be sufficient to cover all medical costs, especially in the case of critical illness or an accident requiring long-term treatment. These covers can help customers hedge risk adequately and in a cost-effective manner." Some common ones are hospital daily cash, maternity and newborn benefit, outpatient treatment, personal accident, critical illness, medical evacuation, nursing at home, compassionate visit, repatriation of mortal remains, and so on. Some insurance companies offer some of these features as part of the comprehensive health policy itself.

"An add-on is certainly beneficial from a long-term perspective, considering the ever-rising expenditures involving medical emergencies. In case you've a medical cover of Rs 5 lakh, considering hospitalisation for 10 days, the ancillary expenses of room rent, medicines, doctor fees, etc would be to the tune of Rs 1.5-2 lakh (in a metro city). Apart from these would be pre-hospitalisation and post-hospitalisation expenses, which leaves you with hardly any sum insured to cover the treatment expenses. This means paying out of your own pocket. Hence, an add-on cover does reduce out-of-pocket spends considerably," explains Yashish Dahiya, CEO PolicyBazaar.com.

Another advantage of an add-on cover is the convenience it offers such as common underwriting process, one-point renewal and endorsement for both coverages, says Anuj Gulati, CEO of Religare Health Insurance.

Some of the covers commonly available in India are:

**[Critical illness cover](#):** This provides a lump sum benefit for certain pre-decided ailments, as defined by the insurance company. If the insured is diagnosed with any of these, then he gets a payout apart from the medical insurance policy. This lump sum can be used to maintain one's lifestyle. This cover attempts to cover the costs associated with long-term care and expenses that might be incurred due to the loss of pay that may occur in a prolonged recovery period. Critical illness plans do not cover costs of regular treatments but specific, big-ticket surgeries.

**Personal [accident cover](#):** A personal accident policy covers the risks that arise due to death or disablement caused directly and solely by accidents. Personal accident plans are mostly offered as standalone insurance covers on payment of an additional premium amount. These policies are also given by life insurance companies. A personal accident rider is helpful in cases of medical emergencies arising out of accidents and are available for a sum insured ranging from Rs 10 lakh to Rs 20 lakh.

**High-deductible insurance cover:** A high-deductible health policy is an additional coverage for people who have an existing individual health insurance plan or are covered under a group insurance policy from employer. It is for reimbursement of expenditure arising out of hospitalisation beyond the limit of the existing cover or a defined threshold. One can select a threshold up to the existing coverage or up to the amount she can fund by herself. If medical expenses cross this limit, the high deductible plan will come into effect. It is also called top-up.

**[Hospital cash cover](#):** These covers provide daily cash upon hospitalisation due to sickness, accident, day-care procedures, etc. A lump-sum amount is paid to the insured every day. The daily cash amount can be of Rs 1,000-3,000. Some companies offer it for up to seven days of hospitalisation and some for up to 10 days.

**Room rent waiver cover:** A room rent waiver rider allows you to have a higher sub-limit or rooms without sub-limits in case of hospitalisation. Typically, most insurance policies have a defined sub-limit on the room rent, room type (single or double occupancy). However, if you've have a room rent waiver rider, you can opt for either a better or expensive room and still it wouldn't eat into your sum insured.

Covers for maternity and newborn baby expenses, alternate medicines and compassionate visit are some other covers that companies offer.

**Which rider or add-on cover to buy:** Sanjay Datta, chief (underwriting and claims) at ICICI Lombard General Insurance Company, says one should select an add-on cover keeping in mind factors such as existing plan coverage, family expansion, unplanned expenses, prevention and wellness care needs and so on. For instance, if one is planning to start a family, she can opt for a maternity and newborn baby cover with the floater policy, which provides coverage for delivery expenses and hospitalisation of the baby. However, this cover has a waiting period.

Similarly, salaried employees who are covered by their employer's group policy, can opt for a top-up cover to meet additional expenses. In such a case, it is advantageous to select a top-up plan that guarantees convertibility to a full indemnity at a later stage, as they would require the same on retirement, says Jacob of Apollo Munich. The age, nature of occupation and lifestyle of the insured are important factors to keep in mind while choosing the add-on cover, says Dahiya of PolicyBazaar. For instance, for someone above 50 years of age, having a critical illness cover makes sense. A room rent waiver rider also must be availed for a senior citizen, since chances of hospitalisation are higher.

Similarly, if a person has an outdoor job which involves travelling or exposure to dangerous equipment, having a personal accident cover makes sense.

If one is living away from one's family or taking treatment in another city, compassionate visit cover will be beneficial. It covers the cost of air travel by an immediate family member to the place of hospitalisation. Reimbursement for alternative medicine, as an add-on cover or an in-built feature (which some policies offer), will be useful for those who prefer treatments such as ayurveda, homeopathy, naturopathy and other preventive and wellness care.

**Is add-on cover more expensive:** While buying an add-on cover will push up your total premium, one must look at it in the context of the benefit it offers, says Dahiya. "An add-on cover isn't a full fledged policy. It covers a certain specific condition and, hence, the premium attached to the add-on is also not as high as with the health insurance policy."

In case of a 30-year-old, for a sum insured of Rs 5 lakh, a typical increase in the premium paid would be hardly 2.5 per cent for a critical illness add-on cover. Similarly, for a room rent waiver rider, the increment in premium would be approximately 30 per cent. Also, in the case of a family, the premium would vary by the same range. But if you buy a standalone critical illness cover or personal accident cover, the rise in premium can be up to 40 per cent of your health insurance premium.

**How to port add-on covers:** The portability of the add-on covers depend on the new policy to which the customer is porting. If the new policy offers exactly the same add-on covers as in the previous policy, the customer will get the add-ons ported and enjoy continuity benefits. If not, only the base policy will be ported, says Datta. Similarly, if in the new policy the add-on covers are more expensive, the customer will have to bear the expense of the new ported policy and its add-ons, he adds.

The waiting periods for these add-on covers also vary. For instance, fixed benefits covering critical illnesses do not have the usual waiting period of two years but only an initial waiting period of 60-90 days. Hence, while porting, a consumer can avail the benefits from the first day, says Manasije Mishra, CEO of Max Bupa. However, customers will have to undergo medical underwriting as part of the porting process and the insurance company may reject the porting proposal, based on the medical underwriting result.

(Business standard)