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Look beyond health covers

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In addition, buy Ulip health plans offered by life insurers or invest systematically in mutual funds to create a corpus.

Risk coverage, in the form of insurance, life and health, forms the base of any financial plan. If risk strategies are not in place, any well- thought of and well implemented plan can go awry. Most employers in the organised sector provide some sort of health benefits to their employees. There is a slow increase in awareness about having a personal health insurance. In order to cover the gaps in case of change of job or redundancy.

IS HEALTH INSURANCE ENOUGH?

Normally health cover limit from single insurer is of Rs 5 lakh. Lately some companies have increased this limit to Rs 10 lakh per person. But it is still discretionary and depends on the profile of the applicant. Some new entrants in the industry even provide a cover of Rs 50 lakh. These are meant for high networth individuals as the premiums are very high and a limited number of high-end hospitals are on the panel for treatment.

Alternatively, you can take a family floater upto Rs 10 lakh for your family. For individual covers, you can increase your cover by taking multiple policies from various insurers. The problem with this approach is that in case of a claim, each insurer will pay you proportionately. This will increase the paper-work as all bills will have to be submitted to all the insurers. Also, depending on the terms and conditions of each insurer, the premiums due for each policy can go up at the time of renewal due to the claims.

So what does a healthy young person do? He might not have a claim for several years to come. But with the kind of lifestyles today the risk of diseases like diabetes, hypertension and so on has increased tremendously. If he already suffers from any ailments, he may face a pre-existing disease exclusion period, on purchase of new policy. The exclusion period means that pre-existing diseases or conditions arising due to them are covered only after a fixed tenure as mentioned in the policy. Any claims arising due to the pre-existing diseases during exclusion period are not accepted. Even the premiums will get loaded for these pre-existing diseases. In some cases, a co-payment clause might be added, meaning that in case of a claim the insurer will pay only certain percentage of the claim, say 75 per cent. The rest has to be borne by the client.

If he takes a cover of Rs 2 - 3 lakh, it might not suffice in case of a major surgery or ailment. If he takes the entire Rs 10 lakh limit available to him, he might be paying high premiums for several years, even when the risk is low. A Rs 2 - 5 lakh cover might be sufficient today, but in years time, due to inflation, that amount will be grossly inadequate to provide any meaningful respite from hospital expenses if need arises. By that time if he decides to get additional cover, the costs will be high and some conditions may be marked as pre-existing. Thus, both risk and cost increases with age.

In case of senior citizens, due to the age factor, there might be several heath issues, thus risks of claims arising are high. It is difficult to find insurers providing a decent amount of cover for this category of individuals. Some policies offer higher cover, but with a co-payment clause. Here if your employer is providing for health insurance for dependent parents under their group insurance policy, it is an excellent advantage.

SOLUTIONS

There could be two possible solutions. Apart from the health insurance policies provided by general insurers, you can go for health plans from life insurance companies. There are several variants available in the market. These are essentially unit-linked insurance policies (Ulips). The benefits they provide are lump-sum payment in case of occurrence of certain ailment as defined in their offer. The payment may be one-time for any one ailment or more than once for multiple ailments. Apart from this, there are payments available in case of hospitalisation or domiciliary hospitalisation and major surgeries. These payments are out of the fund created from the premium you pay. So the amount available will depend on the premium you pay, the option selected and market conditions. This can only be a supporting product. It can't replace the basic health cover.

The second method is to invest systematically in mutual funds to build a separate corpus for health. This is to be used only in case of health emergencies, and not for anything else. In case you have dependent parents having some health issues which might lead to hospitalisation in future, you might have to start with a higher allocation to create a sizeable corpus to be available at short notice. Creation of health corpus becomes a top-priority in such cases.

Therefore, it is always better to spend a small amount and go in for regular health check-ups. Knowing the status of your health will warn you if you are pre-disposed to certain risks. This will not only motivate you opt for a healthier lifestyle, but will also push you to be financially prepared.

The writer is a certified financial planner