

Keep your cover in check

FACTORS THAT CAN HIKE YOUR PREMIUM HT

Money spoke to experts to find out which factors can make your insurance premium spiral upwards

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MUMBAI: At some point in your life you will buy an insurance plan. "When it comes to life and health insurance, your premium amount will differ with your age, family history, pre-existing diseases and lifestyle choices among other reasons. Basically if anything questions the underwriting process, your premium will be affected," said Anik Jain, co-founder and CEO of Sympo Insurance, a Mumbai-based insurance broker.

Insurance company uses standard premium table. "These are gender specific and provide age based premium rates," said Rakesh Wadhwa, chief marketing officer-strategy, Future Generali India Life Insurance. When it comes to life insurance, the underlying mortality rate plays an important role among other factors on deciding your premium.

"There are several individual-specific factors which have an impact on underlying mortality rates such as smoking habit, occupation, alcohol consumption, pre-existing disease, riskier leisure pursuits, medical history of parents and siblings and home address," said Wadhwa.

In health insurance, the underwriting process focusses more on the diseases you may already have at the time of application. "Smoking has a direct impact toward someone getting cancer and other related diseases. Each of these medical conditions requires expensive treatment and hence an added risk for the insurer. An insurance company to make sure they adequately cover this

additional risk often tends to load the premium or take additional tests on the proposer," said Ravi Vishwanath, ED and CEO, Reliance Health Insurance. Morbidity rates should be able to aid health insurers in deciding premiums. "In India, we are still to have a well approved morbidity data table to quantify the risk attached to smoking habits," Vishwanath added.

Let's take a better look at which factors affect your life and health insurance premiums.

AGE

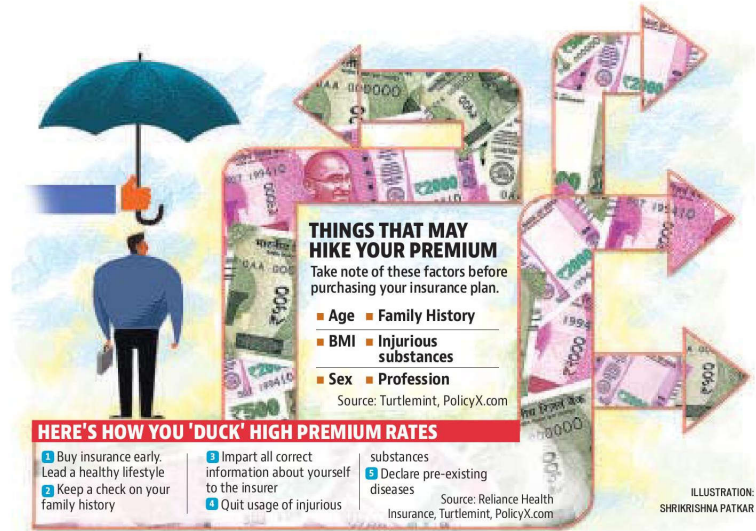
Applying for an insurance policy when you are older may end up being costlier for you. When you are younger you are expected to have lesser health problems and the mortality risk is also lower. "If you're applying in your 20s and paying a premium of ₹3,000, the premium will increase by 5% if you are in your 30s, 31% in 40s, 145% if in 50s and could cost up to 400% more if you are in your 60s," said Naval Goel, CEO and founder, PolicyX.com, an insurance aggregator.

FAMILY HISTORY

If there is an adverse history of sickness in the family, insurance premiums are hiked. "This is done because some illnesses are genetic and an adverse family history of the illness increases the death risk of the insured," said Dhirendra Mahyavanshi, co-founder, Turtlemint, an insurance aggregator.

BODY MASS INDEX (BMI)

People with high BMI have a significantly higher rate of premium than people with normal BMI. "This can lead to various ailments such as heart problems, joint problems and diabetes," said Goel. The instance of such diseases put pressure on your future health. If you have any type of medical issues (diabetes, hypertension, heart related ailments, etc.), the risk would be high and



the premium would increase," said Mahyavanshi. In health insurance parlance, 'pre-existing diseases (PED)' is a common term to denote the illnesses you are already suffering from at the time of application.

GENDER

Females are charged a lower premium compared to males. "Reason being females have a lower mortality rate as per statistical data," said Mahyavanshi.

INJURIOUS SUBSTANCES

Most insurance companies increase their rates of premium for people who have the habit of smoking, chewing tobacco or are involved in the consumption of other harmful substances. "Since they are more prone to getting life-threatening diseases like cancer, their premiums are increased," said Goel.

PROFESSION

If your profession involves working in dangerous environments with radiation or with hazardous substances like chemicals, you may end up paying higher premiums. "For people working in high-risk jobs, the premium can increase to as high as 12-15%," said Goel. Basically jobs which have a higher risk of putting you in a patchy health situation, can make your insurance plans costlier. "Individuals who are in the armed forces, aviation industry and mining industry have higher premiums," said Mahyavanshi.

Life insurance premiums are likely to increase at a higher rate in comparison to health. "In life insurance, the contract is signed for a longer duration while in health yearly changes into the premium are possible as per the current circumstances and health conditions of the insured person," said Goel.

HOW CAN YOU AVOID THE PREMIUM HIKE?

Simply put, applying for an insurance plan at a younger age, maintaining a healthy lifestyle, keeping a check on your family history and keeping your insurer abreast with all the information with all your details to avoid any confusion later on.

"Disclosure may invite for an additional premium amount, but it is far better to keep your insurer informed for better claims experience. Good claims experience associated with non-smokers should bring in added renewal benefits and value from the insurers in the long run," said Vishwanath.

Every stated instance will differ for each one of you. Hence, read all your policy documents carefully, have a detailed chat with your insurer and consult your advisor before making any decision.

WHEN IT COMES TO LIFE INSURANCE, THE UNDERLYING MORTALITY RATE PLAYS AN IMPORTANT ROLE AMONG OTHER FACTORS ON DECIDING YOUR PREMIUM