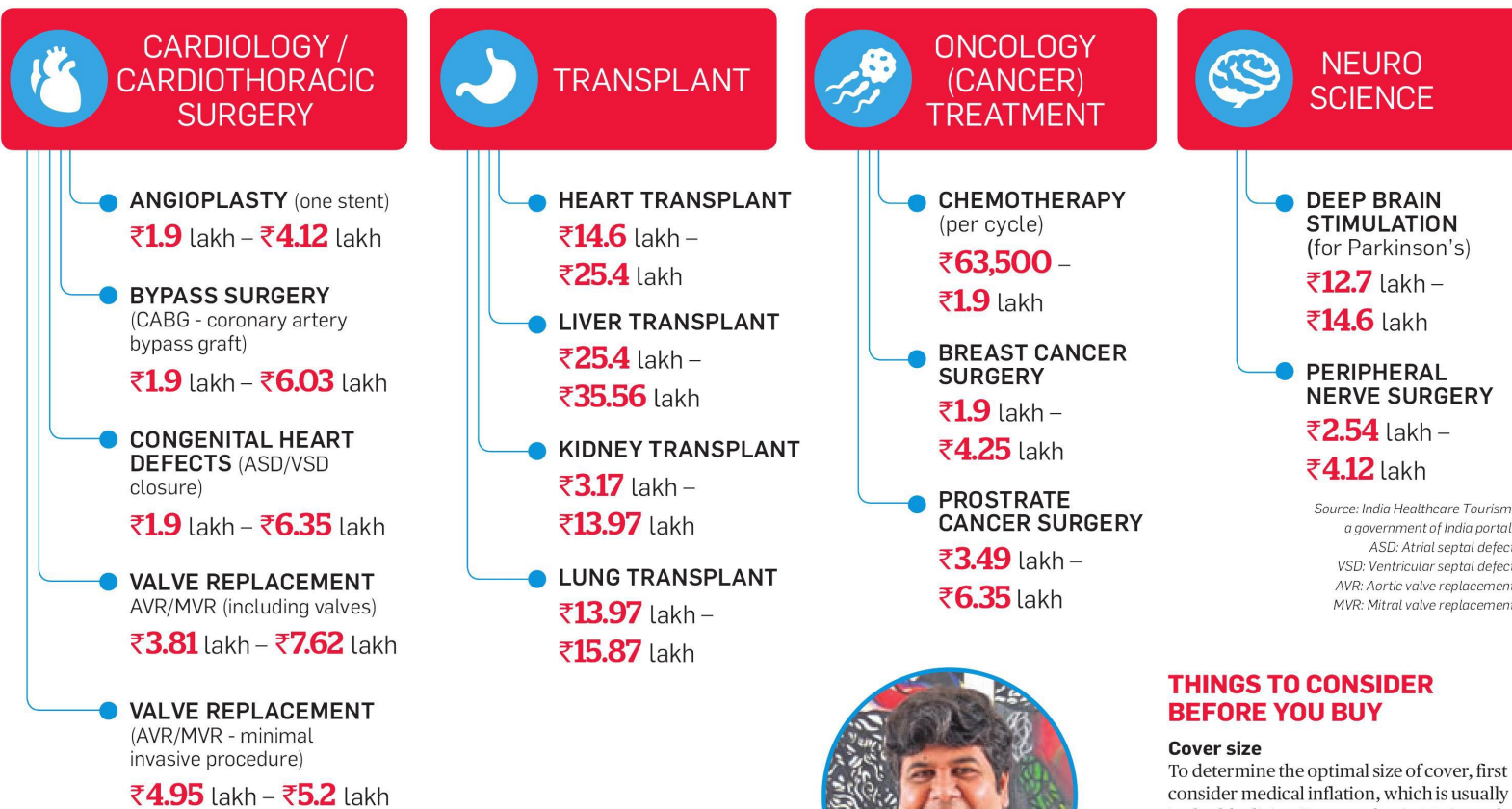


Average cost of treating various critical illnesses

Find out how much you may have to shell out for these major medical problems. Add to it the loss of income that may ensue when you are out of action.



Source: India Healthcare Tourism, a government of India portal.
ASD: Atrial septal defect
VSD: Ventricular septal defect
AVR: Aortic valve replacement
MVR: Mitral valve replacement

valve replacement (HVR), coronary artery bypass grafting (CABG) and aorta surgery. This is why it's imperative to prepare oneself for such an exigency.

One of the most affordable options is to buy adequate insurance, more precisely a critical illness cover. "These covers are apt for those entering their 40s as one is genetically susceptible to ailments such as heart conditions and cancer at this age," says Antony Jacob, CEO, Apollo Munich Health Insurance. Agrees Sanjay Datta, Chief, Underwriting, Claims and Reinsurance, ICICI Lombard: "It is a must to buy this cover before the age of 40, and is advisable to buy it at a younger age to save on premium and maintain a continued coverage." So try to pick a suitable plan around 35 years of age as the incidence of these diseases at younger ages is increasing. More importantly, once a disease is contracted, it is difficult to secure insurance.

But how do you decide which cover to go for? In the following pages, we tell you how a critical illness plan works and the things you should consider before picking one.

WHAT DOES IT OFFER?

Unlike regular health plans, which are indemnity policies and pay only for in-patient hospitalisation, critical illness covers are defined benefit plans and offer a tax-free lump sum on the diagnosis of a specified illness. "The sum assured under the fixed benefit plan is higher than the cost of treatment. Hence, these plans serve the dual purpose of covering the cost of treatment and income replacement," says Subhrajit Mukhopadhyay,

Chief and Appointed Actuary, Edelweiss Tokio Life. The most common illnesses covered under such plans are heart attack, cancer, stroke and kidney failure.

Typically, there is a waiting or cooling off period of 90 days, after which the claims become admissible. Apart from this, there is a survival period—30 days mandated by most insurers—which means that you will be eligible for the sum assured only if you survive for 30 days after the diagnosis. Some policies, such as Religare Assure and Star Criticare Plus, also have a zero survival period, which means that the claim is payable even if the insured person passes away on the day of the diagnosis. This is a useful feature, but also comes at a higher cost.

Remember, however, that these plans do not replace the basic health plan. "Critical illness plans should not be considered as a substitute for an indemnity plan and should be opted for as an add-on cover," says Jacob. Shreeraj Deshpande, Head of Health Insurance at Future Generali, concurs: "These plans complement the regular health plans and provide support mainly for the loss of income or earning capacity of a person due to the prolonged hardship."

"Though most regular health plans cover major critical illnesses, they come into play only in case of hospitalisation and do not provide cover for the entire cost of treatment," says Puneet Sahni, Head of Product Development, SBI General Insurance. More importantly, people don't buy big health covers, with most opting for a ₹5 lakh plan, which is not adequate for critical illnesses.

You should, therefore, have both the plans



"Critical illness plans serve the dual purpose of covering the cost of treatment and income replacement."

SUBHRAJIT MUKHOPADHYAY
CHIEF & APPOINTED ACTUARY, EDELWEISS TOKIO LIFE

in your insurance kitty. "Regular health plans can be used for financing short-term medical expenses, while critical illness plans can be kept for financing long-term medical expenses and treatment," says Rakesh Jain, CEO, Reliance General Insurance.

Disease-specific plans: Apart from comprehensive critical illness plans, which cover a range of illnesses, there are some disease-specific plans, such as those for heart and cancer ailments, in the market. Their premium is usually lower due to limited coverage. You should consider these plans when you are aware of the predisposition to any particular hereditary ailment or lifestyle disorder. Otherwise, for most cases, comprehensive plans work better. "Diabetes, for instance, is a risk factor for heart-related conditions, strokes, as well as renal failure. In such situations, having a comprehensive critical illness plan is preferable to a standalone heart-related plan," says Datta.

THINGS TO CONSIDER BEFORE YOU BUY

Cover size

To determine the optimal size of cover, first consider medical inflation, which is usually in double digits. "A cover that is 2-3 times the current treatment cost will take care of medical inflation for the next 10-15 years," says Mukhopadhyay. Your current and future financial liabilities also play an important role. "Financial liabilities, such as a home loan and number of financial dependants, call for a higher coverage," says Anuj Gulati, CEO, Religare Health Insurance.

As a thumb rule, your cover should not be less than ₹10 lakh. Says Jacob: "For a person residing in a metro or tier-I city, the minimum sum insured should be ₹10 lakh." Other experts suggest going for a critical illness plan on the basis of your income and size of the regular health plan. "It should be 2-3 times that of a basic health cover," says Dhruv Sarin, Head, Health Insurance, Policybazaar. Deshpande, on the other hand, suggests a cover that is 3-4 times the annual income.

Illnesses covered

This is one of the most important things to consider. The number of illnesses covered can be as low as eight and as high as 37 (see table). A plan covering a higher number of illnesses may be the obvious choice, but be careful. "A single ailment may be split into different categories and shown as multiple ailments under a policy," says S. Prakash, Senior Executive Director and Chief Marketing Officer, Star Health and Allied Insurance.

Hence, pay attention to different organ systems, such as heart, lung, gastro or neuro, not just the number of illnesses covered, which are given as a list of procedures. Apollo Munich Optima Vital, for instance, covers the highest number of illnesses (37), some of which are very rare, but has many procedures that are a part of one system. The key is