Business Standard

YOUR MONEY

Pay your health insurance premium through EMI

However, you will lose out on discounts and have to pay a higher premium

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Just like homes, cars and mobile phones, you can purchase health insurance through equated monthly installments (EMIs). Future Generali India Insurance and Reliance General Insurance have launched products that offer premium payment through EMI. It is a good option for those who would like a higher sum assured, but cannot afford to pay the premium at one go.

However, customers must keep in mind certain conditions. For instance, the total premium in case of EMI will be higher as compared to paying the entire premium upfront. Also, the facility is available only for sum assured above a certain amount and in some cases for longer-term policies. Also, you will also lose out on the discount you would have got in case you paid the premium for a longer-term policy at one go.

Future Generali offers the EMI option for policies with sum assured of ₹3 lakh and more. The loading of premia for EMI options is as follows: three per cent for half yearly, four per cent for quarterly and five per cent for monthly options. As against this, in case of a three-year policy, the discount is 10 per cent if you pay the premium up front and in case of a two-year policy, it is 7.5 per cent. So, if you opt for a three-year policy and choose to pay monthly EMI, you end up paying 15 per cent higher premium as compared to paying the entire premium up front.

"EMI allows customers to have higher insurance coverage. For instance, if someone can afford to pay premium for only ₹5 lakh sum assured, using the EMI option the person can now purchase a policy of ₹10 lakh. Or someone thinking of buying an individual policy can look at a family floater policy, as the payment will be spread over a longer period," said Shreeraj Deshpande, head of Health Insurance, Future Generali India Insurance.

Earlier, customers who wanted higher sum assured, but could not afford the high premium used to pay through credit card and pay credit card dues through EMI. However, this is expensive as interest rates on credit cards are high, says Deshpande.

In case of Reliance, the EMI option is available on both one and two-year policies, which have sum assured of ₹3 lakh and above. "The objective is that customers are able to afford coverage that is required and not compromise because of premia. In our experience, whenever the premium amount crosses ₹10,000, customers prefer the EMI option," says Rakesh Jain, chief executive officer, Reliance General Insurance. The EMI option is available on a quarterly and half-yearly basis.

In case there is a claim before the entire EMI is paid, the remaining EMIs for the year will be deducted before the claim is paid. Assuming you opt for the monthly EMI option of ₹2,000 a month and you make a claim of ₹2 lakh after paying EMI for eight months, the EMI for the remaining four months, which is ₹8,000, would be deducted from your claim amount of ₹2 lakh.

"The annual premium has to be deducted to meet the tax requirement under Section 80 D," says Deshpande.

According to Mahavir Chopra, director, Health Insurance, Coverfox.com, life insurance customers are more willing to pay monthly premia because many are investment products. However, since health insurance is a risk product, customers tend to drop out.

"Earlier, banks used to offer the EMI option for their group products as well as individual products. In this case, the bank used to pay the insurance company upfront and collect the money from customers. But customers used to drop out as they were not aware of the features and benefits of continuing with the premium. If this is conveyed properly, EMI option will encourage customers to buy policies with higher sum assured, which is required today given higher health expenses," he explains.