How Useful are Group Health Covers

Vidyalaxmi tells you the benefits of group cover and the factors one has to keep in mind while going for one

A health policy at a reasonable rate, no medical check-up and coverage of pre-existing illness is something everybody would love. This perfect blend is available for individuals mostly up to 45 years. However, from there on, it starts getting difficult to buy or even renew a health cover at a reasonable rate. Here is where group health covers come into play. The most common type of group health insurance is the one issued by employers to employees. However, not all employers offer health covers. That is where group insurance covers, which are offered by trusts, brokerages, healthcare companies and banks, come into the picture.

HOW THESE POLICIES WORK
The nature of this product is very similar to the group cover issued by employers. A master policy is issued under which all individuals in the group are covered. So the set of terms and conditions, inclusions and exclusions of that particular policy is applicable to the entire group. Other finer terms and conditions are not standardised across group covers offered by insurers. “There is a lot of customisation that goes into these processes. This customisation is worked out by the intermediary (seller of the cover) and the insurance company based on the requirement of the customers and financial viability of the product,” says Pankaj Mathpal, a certified financial planner.

Echoing similar views, Arvind Laddha, CEO of Vantage Insurance Brokers, says, “Certain amount of customisation happens. The waiting period may get reduced, some deductibles get modified. All these variations are worked out as far as the brokers are able to raise a certain amount of premium.” For instance, Karvy Stock Broking in association with National Insurance offered a National Health Plan. This policy covered pre-existing diseases from the first day of coverage. Another group cover offered by RB Hospitality and Health Services in association with New India Assurance also offers a policy that covers pre-existing diseases, but only after the first year.

Similarly, the exclusions can also vary. The Karvy National Insurance Health Plan does not cover chemotherapy and radiotherapy (for treating cancer) and dialysis (for kidney). On the other hand, the Oriental Bank of Commerce (Oriental Health Plan) has a waiting period for every illness. Hypertension and diabetes are covered after two years, polycystic ovarian diseases after one year and joint replacement after three years.

ADVANTAGES
Lower cost
Group insurance covers are up to 30% cheaper than individual health covers. “If a bank has two million customers, it will negotiate on the best premium to allow the insurer access to those customers. On the other hand, it also has a pull effect as the bank may be able to secure more customers by offering a medical policy at a ‘reasonable’ rate,” says Mahavir Chopra, head (e-business and retail), Medimanage.com. “If I have a mother who is 85 years old and I am unable to buy a health policy, I will open a bank account and buy this policy for her,” he says.

No medical check-ups
Any individual medical policy usually requires a medical check-up for individuals above 45 years before the purchase of the policy. However, this condition is waived off in a group health plan. However, individuals may be asked to sign a declaration form if any policy has a waiting period for any specific illnesses.

Discontinuity of product
“Discontinuity of a product from an insurer’s perspective, a group insurance product is financially viable only if there is some homogeneity in the group. For example, if an employer is selling a group medicaid, there is likely to be some homogeneity in the group. The average age would be in the range of 25-40 years. But if a third-party broker or healthcare company forms a group, just to sell this product, this homogeneity is lost. "A 70-year-old individual and 25-year-old cannot be put in the same insurance policy. There is no consistency in terms of the risk profile of the individuals. If the policy witnesses a high claim ratio, the policy could either be discontinued or witness a severe loading at the time of renewal,” says Mahavir Chopra.

However, you cannot deny the fact that group health covers come at a throwaway cost. Hence an individual can look at group covers only and only if they don’t have sufficient risk cover on their standalone policy. “Also people who have witnessed cardiac problems may not get another insurance policy. In such cases they can look at group covers sold by banks,” says Mahavir Chopra.

FACTORS TO KEEP IN MIND
A group cover can act as a top-up plan
A group health cover cannot replace the individual health plan. You will not be covered by the insurer in such a case. Similarly the intermediary may switch to another insurer because of a better incentive. In such a case, the features of the new product may not suit your requirements and you will lose out on the insurance benefits,” says Pankaj Mathpal.