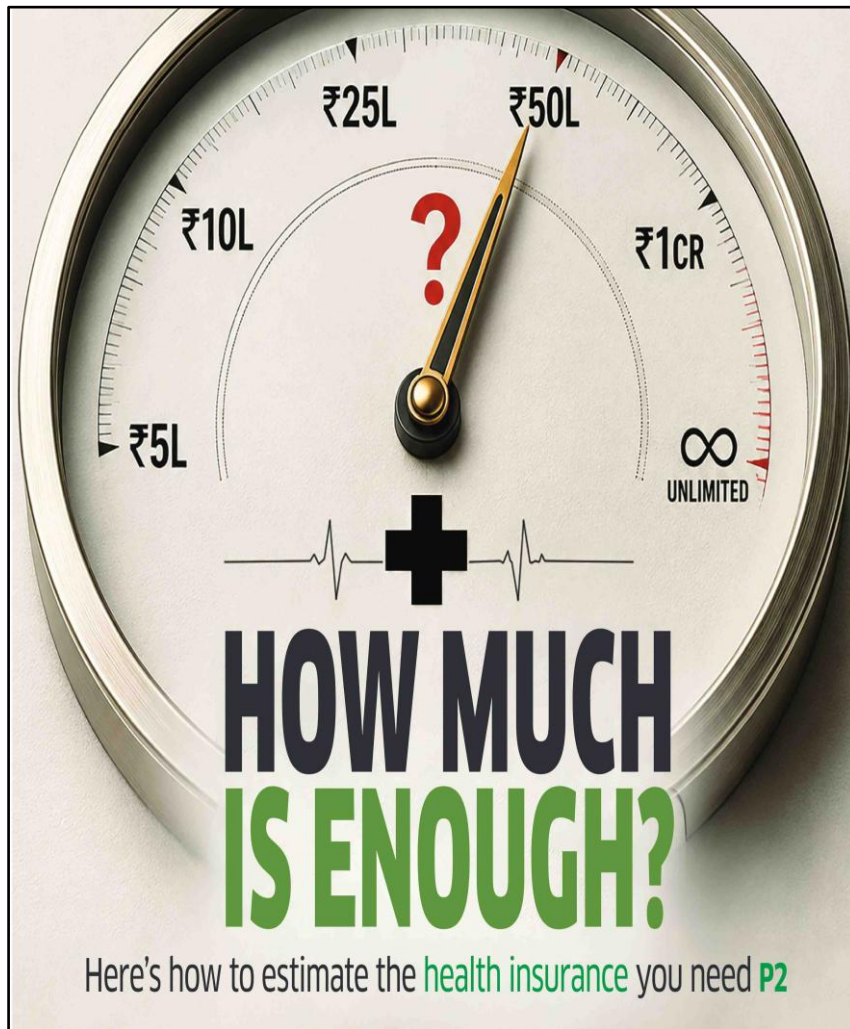


Article Date	Headline / Summary	Publication
24 Aug 2026	How much health insurance do you need?	WEALTH (The Economic Times)



A health cover of ₹5-10 lakh doesn't cut it anymore. Your age, city and family history—not your income—should decide the real number.

by Preeti Kulkarni

When 46-year-old Gagan Kapoor, founder of a Gurugram-based marketing consultancy firm, saw an acquaintance's family grapple with a medical emergency that left them with a hospital bill of over ₹55 lakh a couple of years ago, it prompted him to take a closer look at his own health insurance. "They struggled to arrange the funds, and many of us pitched in. I would never want my family to face such a crisis," he says.

His current health insurance sum insured is ₹1 crore, excluding cumulative bonuses, which have further enhanced the cover. "This is necessary given the soaring cost of healthcare. Otherwise, some illnesses and procedures can quickly wipe out smaller covers of ₹5-10 lakh," he reasons.

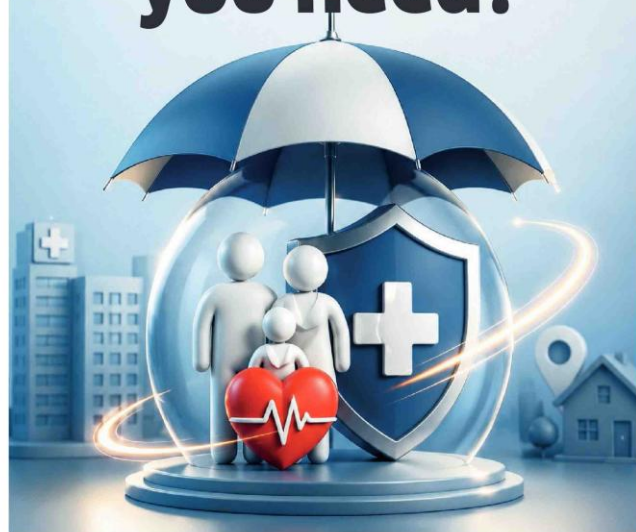
Kapoor's concerns mirror those of many others. Delhi-based Anoop Kumar Madan, 48, has a health cover of close to ₹3 crore. "The rising medical inflation in the country necessitates such a large cover," he says.

With industry estimates pegging annual medical inflation in the country at 12-14%, health insurance industry watchers believe a ₹5-10 lakh independent health cover, considered adequate in the pre-Covid-19 era, is no longer sufficient.

So how much should the ideal cover be? For term insurance, the simple, though not foolproof, thumb rule is that the cover should be at least 10-15 times your annual income. However, this math doesn't work for health insurance. "The purpose is to protect against unexpected medi-

cal expenses, which are driven by inflation, city of residence, hospital choice, and the nature of treatment. A single cardiac procedure or cancer treatment cycle in a metro hospital can exceed ₹15-25 lakh," says Amarnath Saxena, Chief Technical Officer, Commercial, Bajaj General Insurance. As per Policybazaar's internal claim analysis (2021-2026), cancers and heart ailments account for 22% of claim costs. The average claim size for cancer was ₹5.55 lakh, (individual treatment costs can go up to ₹35-40 lakh), while it was ₹2.08 lakh for heart diseases, hypertension and stroke treatments.

How much health insurance do you need?



Age, family size & health history

The starting point, therefore, cannot be income, but your individual circumstances. "Two people with the same income may have very different insurance needs. The more relevant approach is to assess current hospitalisation costs and the potential cost in future, and then factor in medical inflation," says a spokesperson with standalone health insurer Niva Bupa.

Mahavir Chopra, Founder, Beshak.org, a research firm focused on retail insurance, believes the minimum coverage depends on one key parameter—your age. "If a 30-year-old feels ₹5 lakh is adequate for today's hospital bills, then he should calculate what cover he would need at, say, 50. Applying, say, a flattened 6-8% inflation over the next 30 years, he would probably need ₹15 lakh. If he is buying a floater for two adults, then the cover would be 2x at ₹30 lakh," he explains. As for the maximum coverage needed, it will depend on affordability—the higher the better, in order to cover major medical emergencies—and your outlook.

"Most people take a small cover when they are young and increase it as they age. This approach should be reversed. You are planning for 50 years, not 15. A ₹5 lakh cover that feels sufficient today can turn inadequate decades later," says Puneet Oberoi, Founder, Finwise Services, a Delhi-based financial



Gagan Kapoor, 46
Gurugram

Founder, marketing consultancy firm



Health cover:
₹1 crore, excluding cumulative bonuses

Reason for buying a high-value cover

“Certain illnesses and procedures can quickly wipe out smaller covers of ₹5-10 lakh, so a high-value cover is essential.”

advisory firm. His rationale is that if any illness is diagnosed along the way, as you age, increasing the sum assured becomes difficult. "So the cover bought at 25 while healthy, often becomes the cover a person is stuck with at 60, sized for a reality that's decades out of date," he adds.

While age is the central factor, family health history and current health status also matter. "Pre-existing conditions and family medical history should be considered to receive coverage against an illness that may strike in the long term," says Saxena. If you are planning to buy a family floater policy—which covers multiple members under one plan and is economical—you will need a higher sum insured.

"Choose a minimum of three times the sum insured required for an individual. This ensures that each family member receives sufficient coverage," adds Saxena.

However, it is best to keep elderly parents out of a family floater—buy a separate cover for them, as large as your budget permits. "Their frequent treatment expenses could exhaust the sum insured, leaving the rest of the family without adequate cover during the year," says Siddharth Singhal, Head, Health Insurance, Policybazaar.com. The insurtech firm's data shows that treatment costs increase by a factor of 2.7 after age 60, underscoring the need for higher, separate coverage for senior citizens. The average claim size is close to ₹65,000 for those under 25, compared with ₹1.77 lakh for those over 60.

City, hospitals & room category

Insurers classify locations by the metropolitan city's status, urban or suburban, and so on, and quote premiums accordingly. If you live in a metro city, your premiums could be higher than in other towns. You will also need higher sums insured in metros, as treatments are more expensive there. "Industry practice suggests that individuals in metro cities should consider a minimum cover of ₹15-20 lakh, while those in smaller



Anoop Kumar Madan, 48
Delhi

CEO, Simplicity Projects, a manufacturing firm



Health cover:
₹3 crore

Reason for buying a high-value cover

“The rising cost of medical treatment procedures necessitate a large cover.”

towns may find ₹10 lakh adequate," says Saxena. Singhal recommends a minimum cover of ₹25 lakh if you live in a metro city. "For those living in tier-2/3 cities, the sum insured should be at least ₹10 lakh," he adds.

Keep in mind, however, that you may have to travel to a metro city for advanced treatments or procedures that may not be available in your town. Factor in the higher cost of treatment at such centres when deciding the appropriate sum insured.

Even within the same city, if you prefer large, tertiary-care private hospitals and premium rooms, your cover ought to be higher. Those who want their health policies to cover planned treatments abroad should also consider high-value coverage.

The ₹1 crore question

Even if you are convinced of the value of, say, a ₹1 crore cover, you need to decide whether to opt for a single, large cover or a combination of a smaller base policy and a larger super top-up. Put simply, these add-on plans kick in once aggregate claims for the year exceed the chosen deductible limit, which can be either your base sum insured or your out-of-pocket spend. Suppose you have a base policy of ₹10 lakh and a top-up cover of ₹20 lakh. If you are hospitalised and the treatment costs ₹15 lakh, the base policy will cover the first ₹10 lakh, while the top-up will cover the remaining ₹5 lakh.

Why a combination and not a single large cover? Simply because it is more cost-effective (see graphic). "A base of ₹10 lakh, with a large super top-up, is the right strategy. It gives you two solutions. One, it keeps the premium low immediately. The other is that, in the long run, if you can afford to cover the base amount from your own savings, you can drop it and keep the top-up," says Chopra. This also helps when premiums for the base cover become disproportionately high and it no longer makes economic sense to keep it—a challenge many senior citizens face. "The premium is close to 40% of the base coverage (in several cases). In such situations, dropping the base, but having a super top-up can be of immense help," explains Chopra.

However, views on the right choice vary. "Top-up premiums look cheap today, but that's because claims haven't caught up to them yet. Most claims fall in the ₹5-10 lakh range, well within the base limit, so the top-up layer is barely used. That's exactly why insurers can price it so low right now; the risk on that layer hasn't materialised yet," says Oberoi.

However, he believes this average claim size will change. "As more policyholders start actually hitting the top-up layer over the next four to five years, insurers will reprice it upward to reflect real claims experience. The gap between top-up premiums and base premiums will become narrower," he reasons. Moreover, the add-on plans could come with restrictions, such as room rent capping that your base sum assured doesn't have.

"If affordability permits, buy a sufficiently large single health cover rather than combining a small base cover with a large top-up. This can ensure smoother cashless claim processing, as you do not have to follow up with multiple insurers to get your claim sanctioned," says Singhal.

If the base and top-up policies are with the same insurer, you can avail of cashless treatment once the bill exceeds the base-cover limit. Otherwise, you may have to pay the amount initially and file a reimbursement claim later.

"The right approach is not necessarily 'either/or'. A comprehensive base health cover should form the foundation, a super top-up can provide an additional layer against large medical expenses, while a critical illness benefit can provide an additional financial cushion against the wider economic impact of a serious illness," adds a spokesperson with Niva Bupa.

Unlimited covers

What if you never had to worry about the adequacy of your coverage, even in future? That's the proposition of unlimited policies offered by companies like ICICI Lombard and Niva Bupa.

"You can also consider unlimited covers that some insurers offer to eliminate the anxiety around the cover's adequacy," says Singhal. However, unlimited covers remain an untested category, given that they were introduced recently. Only a few players currently offer such policies. Even if premiums

Disease-wise claim size

	Average claim (₹)
Cancer & tumours	5.55 lakh
Bone, joint & muscle disorders	2.33 lakh
Heart disease, hypertension & stroke	2.08 lakh
Injuries, accidents & poisoning	1.47 lakh
Special infections	1.38 lakh
Kidney, urinary and reproductive disorders	1.13 lakh
Stomach, liver and digestive disorders	1.07 lakh
Diabetes, thyroid & metabolic disorders	87,000
Lungs, cold & breathing disorders	82,000
Infections & fever	65,000
General symptoms & tests	65,000
Eye disorders	62,000
Pregnancy & childbirth	51,000
Others /unclassified	46,000
Health check-ups & procedures	28,000



The city premium

Average hospitalisation claim size (₹ lakh)



Source: Policybazaar's internal claims data (2021-2026). Figures represent average claim size, not necessarily the actual treatment costs.

Cost of high-value health covers



Sum insured: ₹25 lakh

Age	Single base cover	Super top-up*
35	10,000-14,000	8,000-11,000
45	15,000-18,000	10,000-14,000
55	26,000-30,000	21,000-26,000
65	52,000-56,000	44,000-48,000

*₹5 lakh base cover, plus ₹20 lakh super top-up

Sum insured: ₹50 lakh

Age	Single base cover	Super top-up*
35	12,000-15,000	8,000-11,000
45	18,000-22,000	10,000-15,000
55	30,000-34,000	24,000-28,000
65	61,000-64,000	46,000-54,000

*₹5 lakh base cover, plus ₹45 lakh super top-up

Sum insured: ₹1 crore

Age	Single base cover	Super top-up*
35	14,000-16,000	10,000-13,000
45	22,000-25,000	11,000-15,000
55	34,000-36,000	25,000-30,000
65	56,000-58,000	45,000-55,000

*₹5 lakh base cover, plus ₹95 lakh super top-up

Sum insured: Unlimited

Age	Unlimited cover
35	17,000-19,000
45	25,000-27,000
55	25,000-27,000
65	50,000-52,000



Premiums in ₹, for Delhi. Ranges represent premiums across insurers whose policies are offered on Policybazaar. Source: Policybazaar.com

appear affordable today, particularly when you are younger, future renewal hikes remain uncertain and could be steep.

"Unlimited covers are a great idea, but there are a few unanswered questions around execution of portability to another plan," says Chopra. The same applies to migration within the same company's products without unlimited sum insured at a later date. "Without understanding portability, one could possibly be stuck with a very expensive plan at a future stage without an option to port. There is no documented clarity that insurers will allow a downgrade too," he points out.

Regular review a must

Choosing an adequate sum insured is not enough; review it at least every two years or after life-stage changes, such as marriage, children or retirement, when healthcare needs may rise and the employer coverage may end.

You can start small when you are in your 20s, but keep an eye on the future. "Before 30, people should pre-book a cover for their 50s and beyond. Every year, or with life events like marriage or kids, inching closer to age 50, one should review the coverage, and upgrade as much as possible," he suggests. "In 2050, being able to hold a large, comprehensive health cover will be a luxury people will flaunt like one does a big house or a big car today," he says.

Back-up beyond health insurance

Besides aiming for an adequate health cover, you should also plan to create a separate healthcare fund to meet expenses that your

health policy may not cover. For example, pre-existing diseases during the 1-3-year waiting period, dental treatment, diagnostic tests, experimental treatments, and so on.

In addition, a medical corpus can come to your aid if your claim is rejected or you find yourself unable to afford rising premiums—two challenges that many policyholders are facing today. According to data from the Council for Insurance Ombudsmen, over 37,000 complaints, or more than 62% of the total complaints handled by offices across the country in 2024-25, pertained to health insurance.

A LocalCircles survey conducted in 2025 found that more than five in 10 health insurance policyholders who had filed claims in the previous three years felt that their insurer had either rejected or partially approved their claims without valid reasons. Another survey, conducted the previous year, found that more than half of the policyholders polled had seen their premiums rise by over 25%.

To protect yourself against such eventualities, consider building a medical corpus over time, after accounting for medical inflation. Think of it as a financial cushion, not a substitute for health insurance, as the latter gets replenished every year despite claims, while the former will get depleted.

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