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How much health cover is good for you and your family?

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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 Rs 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," says Kapoor who has a Rs 1 crore health insurance cover.

With industry estimates pegging annual medical inflation in the country at 12-14%, health insurance industry watchers believe a Rs 5-10 lakh independent health cover, often considered adequate in the pre-Covid-19 era, is no longer sufficient. "A single cardiac procedure or cancer treatment cycle in a metro hospital can exceed Rs 15-25 lakh," says Amarnath Saxena, chief technical officer (commercial), Bajaj General Insurance.

Age, Family Size & Health History

So, how should you estimate the right sum insured needed? Mahavir Chopra, founder, Beshak.org, a research firm focused on retail insurance, believes the minimum coverage should be linked to your age. "If a 30-year-old feels Rs 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 20 years, he would probably need Rs 16-23 lakh," he explains. Maximum coverage needed 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," says Puneet Oberoi, founder, Finwise Services. His rationale is that if an illness is diagnosed along the way, as you age, increasing the cover will be difficult. "So the cover bought at 25 when you are healthy, often becomes the cover a person is stuck with at 60, sized for a reality that's decades out of date," he adds.

Family health history and current health status also matter. 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. It is best to buy a separate cover for elderly

What An Illness Can Cost You

	Average claim (in Rs)
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

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

Reasons for buying high-value cover



Anoop Kumar Madan, 48
Delhi
CEO, Simplicity Projects, a manufacturing firm

Health cover:
Rs 3 crore

The rising cost of medical treatment procedures necessitates a large cover

parents, 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 of health insurance, Policybazaar.com.

Also, treatment procedures in met-



Gagan Kapoor, 46
Gurugram
Founder, marketing consultancy firm

Health cover:
Rs 1 crore, excluding cumulative bonuses

Certain illnesses and procedures can wipe out smaller covers of Rs 5-10L, so a high-value cover is essential

ro cities can be costlier: "Such individuals should consider a minimum cover of Rs 15-20 lakh, while those in smaller cities towns may find Rs 10 lakh adequate," says Saxena.

Singhal recommends a minimum cover of Rs 25 lakh if you live in a metro city. Keep in mind, however, that you may

have to travel to a metro city for advanced procedures that may not be available in your town. Also, if you prefer large, private hospitals and premium or private rooms, your cover ought to be higher.

The Rs 1 Crore Question

Even if you are convinced of the value of, say, a Rs 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. These add-on plans, which are more cost-effective, kick in once aggregate claims for the year exceed the chosen deductible limit (base sum insured or own funds). "A base of Rs 10 lakh, with a large super top-up, is the right strategy. For one, it keeps the premium low immediately," says Chopra. Also, it helps when premiums for the base cover become disproportionately high—a challenge many senior citizens currently face. "The premium is close to 40% of the base coverage (in several cases). In such situations, dropping the base, but retaining the super top-up can be of immense help," explains Chopra.

However, views on the right choice vary. "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," says Singhal.

Unlimited Covers

What if you never had to worry about the adequacy of your coverage, even in the future? That's the proposition of unlimited policies offered by companies like ICICI Lombard and Niva Bupa. However, this remains an untested category. Even if premiums appear affordable today, particularly when you are younger, steep renewal premium hikes could render them unaffordable. Moreover, if insurers find such products unsustainable and withdraw them, there is no guarantee that comparable plans will be available for migration. Also, 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 high-cost healthcare needs may arise and the employer-provided coverage may cease.

Healthcare Fund As Back-Up

Over time, look to create a separate healthcare fund to meet expenses that your health policy may not cover, after accounting for medical inflation. It can also come to your aid if your claim is rejected or renewal premiums rise exponentially—two challenges that many policyholders are facing today.