

HEALTH INSURANCE PRODUCTS

Introduction to health insurance products

The Health Insurance Regulations of IRDA define health cover as follows

“Health insurance business” or “health cover” means the effecting of insurance contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, including assured benefits and long-term care, travel insurance and personal accident cover.

Health insurance products available in the Indian market are mostly in the nature of **hospitalization products**. These products cover the expenses incurred by an individual during hospitalization. Again, these types of expenses are very high and mostly beyond the reach of the common man due to increasing cost of healthcare, surgical procedures, new and more expensive technology coming in the market and cost of newer generation of medicines. In fact, it is becoming very difficult for an individual even if he is financially sound to bear such high expenses without any health insurance.

Therefore, health insurance is important mainly for two reasons:

- **Providing financial assistance to pay for medical facilities** in case of any illness.
- **Preserving the savings of an individual** which may otherwise be wiped out due to illness.

The first retail health insurance product covering hospitalization costs Mediclaim - was introduced by the 4 public sector insurers in 1986. These companies also introduced a couple of other covers like Bhavishya Arogya Policy covering proposers at a young age for their post-retirement medical costs, the Overseas Mediclaim policy offering travel insurance and Jana Arogya Bima policy for the poorer people.

Broad classification of health insurance products

Whatever be the product design, health insurance products can be broadly classified into 3 categories:

a) Indemnity covers

These products constitute the bulk of the health insurance market and pay for actual medical expenses incurred due to hospitalization.

b) Fixed benefit covers

Also called as ‘hospital cash’, these products pay for a fixed sum per day for the period of hospitalization. Some products also have a fixed graded surgery benefit incorporated in the product.

c) Critical illness covers

This is a fixed benefit plan for payout on occurrence of a pre-defined critical illness like heart attack, stroke, cancer etc.