

How to buy critical illness cover with life or health insurance policy

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In the hierarchy of one's financial products kitty, insurance should figure somewhere at the top. Given the rising cost of healthcare, especially related to critical illness, having an adequate amount of insurance becomes all the more important. This is where [critical illness](#) insurance plays a crucial role. You can buy a critical illness [cover](#) with [health insurance](#) and [life insurance](#) policies.

What is a critical illness cover?

A critical illness cover provides a lump sum benefit that can pay for the cost of care and treatment toward specific illnesses and recuperation expenses. Further, if you are

left with a surplus amount, you can then use it to pay off debt like loan equated monthly instalments.

A critical illness cover lapses once the payment is made by the insurer. Typically, the lump sum amount is paid to the policyholder post survival period of 30 days after contracting the illness. You can buy more than one critical illness cover and each of these policies will pay for the critical illness.

Read on to find out how a critical illness cover with a health insurance [policy](#) differs from one you can take with a life insurance policy.

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How critical illness cover works in case of life insurance

You can buy a critical illness cover with life insurance either as a standalone cover or as a rider.

Critical illness riders: There are two types of critical illness riders where the [premium](#) amount varies accordingly -- an additional benefit rider and an accelerated benefit rider. In the case of accelerated benefit rider, the benefit is optionally built-in with the life insurance policy.

1. Critical illness rider as 'Additional Benefit': The critical illness sum assured is added as an additional cover which means in addition to the base sum assured, the critical illness sum assured will be paid. In this type of policy, the life insurance policy continues with the same sum assured even if the critical illness rider is used.

Aalok Bhan, Director & CMO, Max Life Insurance explains:

For instance, let us assume you have bought a life insurance policy of Rs 1 crore sum assured with an additional critical illness rider of Rs 40 lakh.

If you make a valid claim for critical illness payout of Rs 40 lakh, the base sum assured of Rs 1 crore is not reduced as the critical illness sum assured was taken in addition to the base sum assured. In this case, the premium charged for Rs 1 crore sum assured will be higher as compared to opting for a critical illness cover as an accelerated benefit rider.

2. Critical illness rider as 'Accelerated Benefit': The critical illness sum assured is reduced from the life insurance policy sum assured and is paid when a valid claim is made. After this the life insurance policy continues with the reduced sum assured to the extent of the critical illness cover sum assured.

Bhan explained, "Let us take the example of a life insurance policy of Rs 1 crore sum assured (Rs 60 lakh + Rs 40 lakh accelerated critical illness sum assured). If the insured opts for the critical illness payout from the life insurance policy, the policy will continue with a reduced cover of Rs 60 lakh. In such a case, the premium charged will be lower."

This implies that if you die without making any claim against a critical illness, the insurer will pay the full Rs 1 crore to the nominee.

Standalone critical illness policy: When you buy standalone critical illness cover from a life insurer, the term policy will provide financial security to 'your family'. While the standalone critical illness cover will provide 'you' financial security against around 50 life threatening health conditions such as cancer, kidney failure, cardiovascular disease, etc.

What you should do: A life insurance policy with a critical illness cover does not cover hospitalisation expenses. Further, you should compare the cost of buying a critical illness rider versus buying a standalone critical illness cover. Mrin Agarwal, Founder Director, Finsafe, a financial planning firm, explains why: "The critical illness rider cost in a life insurance policy is higher than buying a standalone critical illness policy, hence one should buy the critical illness cover separately from general insurers."

Experts say that when you buy standalone CI policy or critical illness rider, be it as an additional benefit rider or an accelerated benefit rider with a life insurance policy, you must understand that both cover different risks - the risk of dying; and the risk of getting critically ill, where you are alive, but need money to get the best treatment. Therefore, one should ideally not mix-up between the death benefit and critical illness, as these two are independent events and hence one does not subsume the other.

How critical illness cover works in case of health insurance

Unlike a regular indemnity [health insurance policy](#) that covers hospitalisation expenses, a critical illness cover is a defined benefit plan that pays a lump sum (sum insured) if an individual is diagnosed with any of the critical ailments (for example cancer or stroke) as per the coverage.

Pankaj Arora, MD & CEO, Raheja QBE General Insurance said, "The critical illness plan is basically designed to cover the cost overrun (due to limited indemnity cover and high cost of treatment involved) and also takes into account the lifestyle changes due to the illness which may lead to lower-income capability."

Critical illness covers offered by general insurers, too, come in the form of standalone policies and riders to base health insurance covers.

Rider versus standalone policy: Anand Roy, Managing Director, Star Health & Allied Insurance said that critical illness riders will specify the number of critical diseases covered (usually very limited diseases), lump-sum benefit payable under this and the waiting period and survival period (if applicable). "However, when you buy standalone critical illness policies, which are more comprehensive, the insurer will offer multiple benefits related to critical illnesses. For instance, on the diagnosis of minor cancer, 25 per cent payment is made, and later if it advances to major cancer (4th Stage) full 100 per cent benefits are payable. Even the list of critical diseases covered are generally much larger under standalone products," Roy added.

For instance, if the insured is diagnosed with a critical illness and gets hospitalised for treatment, then he/she can use both the policies (CI cover and health cover) to save the overall hospitalisation and treatment costs.

This means, upon diagnosis, the insured will get the lump-sum payment for treatment through the critical illness cover by the insurer and with the help of the basic health insurance policy, the insured will get the reimbursement of incurred hospitalisation expenses by submitting medical bills to the insurer.

What you should do: Buying critical illness cover (rider or standalone policy) with a regular health insurance policy helps in covering the overall cost of hospitalisation.

Roy said, "Health insurance policy with critical illness cover provides a pre-defined lump sum for the diagnosed critical illness. In addition, the hospitalisation expenses for treating critical illness is also covered. This ensures full protection even after a diagnosis of critical illness."

Critical Illness cover from a health insurer or life insurer?

The answer to this question is you should get a standalone critical illness cover along with a health insurance policy.

Financial planning experts suggest that given the rise of critical illnesses and the high cost of its medical treatment even after a diagnosis of critical illness, people need to opt for standalone critical illness policy over and above the health insurance they have. This is because the critical illness cover ensures that a family's savings are not eroded due to hospitalisation costs and treatment.

Prableen Bajpai, Founder & Managing Partner, Finfix Research & Analytics said, "Compared to a rider, a standalone critical illness policy is more comprehensive. They offer wider coverage and cover diseases which may not require hospitalisation and allow more flexibility with the sum insured. Broadly, for someone who can afford slightly higher premiums, an existing insurance policy should be supplemented with a standalone critical illness policy rather than a critical illness rider."

You must also know that standalone critical illness policy can be ported to other insurers, but critical illness rider alone cannot be ported.

Besides, Santosh Agarwal, CBO-Life Insurance, Policybazaar.com said, "While buying a critical illness cover, you should look for the number of critical illnesses covered in the policy as different companies have a different set of critical Illness covered in the policy."