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Company mediclaim may come with costs

Sharp rise in group insurance premium forces employers to share burden

Khyati Dharamsi. Mumbai

The benefits of your company's group mediclaim cover may now come with costs attached. Reason: insurance firms have increased the premium amount for group policies and your employers are not going to bear the burden alone. They are passing on some of the cost to their employees, insurance companies and brokers told DNA.

"Premiums have increased dramatically in the last year. Earlier, insurance companies were quoting a premium much lower than the claims they were paying," says Rahul Aggarwal, who heads Delhi-based multi-insurance distribution firm Optima Insurance Brokers. "But no more... the premium has gone up by almost 200% for many companies so they are looking at various ways to reduce the claims."

One such option is co-payment, saying that if a claim is made, then 10% or 20% of the amount will be borne by employees, Aggarwal says. "A Bangalore-based multinational in the financial-services space, another Delhi-based software firm and a multi-national involved in automation and instrumentation are among those who have taken the co-pay option under their group mediclaim policy," Aggarwal says. How will employees sharing the claim amount help the employer as the money is to be paid by the insurance company? This will ensure that employees use the insurance policy more responsibly.

Amarnath Ananthanarayanan, CEO, Bharti AXA General Insurance, says, "This makes the employee more responsible. It (companies asking for co-pay option) is becoming widespread," Aggarwal adds. "If they are asked to share a part of claim, they will choose a not-so-sophisticated hospital."

Another method is to ask employees to pay the premium for benefits such as insurance cover for parents. "Insurance companies say they will not cover those in the 60-year age band. The parents of the policyholder will not be covered, only wife and children," says Sohanlal Kadel, CMD, Hyderabad-based Kadel Insurance Brokers. "In some cases, the employee is asked to pay a portion on the premium if he wants his parents to be covered," says Aggarwal.

In these cases, experts say the option of an individual policy that covers the family is better. "If an employee is being asked to share the premium, he might as well take a policy himself. That way, even if he leaves the company five years later, the premium he has paid won't be wasted," says Deepak Yohannan, CEO, MyInsuranceClub.com.

The rationale for these measures is that if lower insurance claims are made, then the company has to pay lower premium at the time of renewal. DD Asawa, regional manager, Oriental Insurance Company, says, "Companies are quoted insurance premium based on the claims experience. If a company has made adverse claims under its group mediclaim policy in a year, then the premium will be higher next year. There is also medical inflation to contend with."

Ananthanarayanan adds: "Rates are going up because loss ratios are going up. It could be because people are falling sick more often or that medical inflation, which exceeds general inflation, is rising."

As a result, companies are asking employees to share the claim amount. "For the past six months, majority of companies are choosing the co-pay option. Of the total claim, a percentage is collected from the employee," says Asawa.

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