

MAIL

A weekly section on personal finance brought out in association with . . .

Money Today
MAKES YOU RICHER

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WHAT DOES THE COMPANY SAY

SAMIR Dave applied for portability to Apollo Munich from New India Assurance on October 22, 2011. On October 24, 2011, we requested New India Assurance to share Dave's case history with us on Irda's portal but did not get any response till November 25 last year. So, based on the documents provided by Dave (only 2010-11 policy schedule of

New India Assurance plus a self-declaration from about his earlier insurance coverage), we proceeded with our underwriting process and ported his policy to us. We accepted the application made by him to book the policy after extending one-year portability benefit. Even though Dave had mentioned about his previous policy coverage in

self-declaration forms, we needed policy documents to extend the portability benefits. The same have not been shared with us as yet. Nevertheless, even today, on submission of previous insurance coverage documents we could extend further portability benefits to him through endorsement.

DOCUMENTS DEMANDED

PREVIOUS INSURER DOCUMENTS

- Policy certificates of all previous years
- Latest renewal notice got from existing insurer
- Self-declaration by customer in no-claim cases
- If claims have been made, documents like discharge summary and investigation report could be needed

NEW INSURER DOCUMENTS

- Duly filled proposal form
- Duly filled portability form

ESCAPE ROUTE

- Portability application should reach the new insurer 45 days prior to the last date of renewal of your existing policy
- On receiving request, the new insurer will provide you a proposal form and a portability form
- Choose a product, fill up proposal and portability forms and submit them to the new insurer
- Once the insurance firm receives these forms, it will go to the Irda Website
- Existing insurer will have to furnish details via this portal within seven days
- After insurer gets details, it has to take a decision on underwriting the policy within 15 days

such requests at the renewal of the policy or the end of the specified exit age by providing suitable credits for all previous policy years, provided the policy has been maintained without break.

TECHNICAL SNAGS

Inadequate information, delay in filling up of an application, non-availability of previous policy documents and break in cover are some procedural issues in which the insurer can reject your case. According to the rules, insurers have to be informed 45 days before renewal of the existing policy. Therefore, it is important that you remember the expiry date of your policy and get your documents in place in time. "Things such as non-availability of copies of policy documents for the last three years could lead to rejection," says Sethi. It is better to start the process in advance, about 60 days. Decide the insurer you want to port your policy to and have the required papers in place. Also, fill the forms carefully and be honest about your existing and earlier claims. If your current insurer delays sharing of claim information, the other insurer may keep acceptance of the porting request in abeyance. In such a case, apply to your insurer for paying premium for one or two months on a pro-rata basis and extend the cover till you get a nod from the other insurer.

BEFORE YOU PORT

The picture will be much clearer if you look at it this way: health insurance portability is not transferring your old policy to a new insurer but buying a new policy without the waiting period clause.

"Portability regulations suggest the customer can choose the new insurance plan in 'totality', that is, both premium and benefits offered. Hence, it is important for the customer to fully understand the benefits under his existing policy and match them with the plan he wishes to port to," says Jacob of Apollo Munich. Therefore, before switching, know the product you are buying and its differences with your existing plan such as flexibility and slabs for sum insured, pricing, restrictions on entry age, renewal limits, waiting period, capping and co-payment clauses, ailments covered, rules about pre-existing diseases and the list of hospital network. The other insurer may also decide to underwrite the policy with some loading on table premium. This may not suit everyone. Similarly, the new policy may have restrictions such as lower sub-limits, capping and co-payment. So, while your old policy didn't put any restriction on ailment-based claims, the new insurer may be willing to accept your plan only with a cap of ₹50,000 on heart ailments or apply 20 per cent co-payment on each claim. Cumulative bonus is usually not carried forward. Instead, the additional cover which you got in the old policy against the bonus you have collected is added to the basic sum insured in the new policy on which premium is charged. Also, for any increase in cover you ask for, the complete waiting period for pre-existing diseases

will have to be served. So, let us say you have a health policy that has been continuously renewed for the last four years and whose sum insured is ₹2 lakh. And you now want to port it to another insurer with a higher cover of about ₹3 lakh. The portability sum insured (applicable for pre-existing diseases and other time-bound exclusions) in the new policy will only be ₹2 lakh, while the sum insured available otherwise will be ₹3 lakh. That is, if the waiting period in the new policy is four years, and you are hospitalised in between for a pre-existing ailment, you will be eligible to claim only up to ₹2 lakh. The additional ₹1 lakh will only be available after you have spent four years with the new policy. For any other hospitalisation, the whole ₹3 lakh will be available to you. Similarly, if the previous insurer has a waiting period of three years (which you have served) while the insurer you are porting your policy to mandates four years, you will have to serve one additional year for coverage of pre-existing diseases under the new policy. There can be differences in inclusions, exclusions and other features between the existing and the new policy. For instance, while the old policy covered 13 critical illnesses, including maternal benefits, the new policy might have a shorter list or have a waiting period before certain ailments are included in the cover.

Insurers have to be informed 45 days before renewal of the existing policy



insured has made a claim in the recent past and realises that the present cover is inadequate. So, he tries to increase the cover while porting. This is obviously not favourable for the insurer and indicates a bigger claim in the next one-two years," says Sethi of Ria Insurance Brokers. Likewise, you will be looked at with suspicion if you try to port out of a floater cover. "Selection of risk, that is, when a client opts to port a single member out of a floater cover with a higher sum insured than available under the existing policy, can face rejection. This happens in cases where an individual with an adverse health declaration wants to enhance the cover," says Deshpande of Future Generali. However, in the draft guidelines on health insurance, the regulator has asked insurers to accept