



Theoretical framework

Bachelor of commerce (bcom) (University of Calicut)



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CHAPTER – 3

THEORETICAL FRAMEWORK

Insurance

It is a mean of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss.

Parties of insurance

1. Insured

The insured is the person whose life is being covered against the risk under the policy.

2. Insurer

The insurer is the insurance company that provides the insurance cover.

Features of insurance

3. Sharing of risk

Insurance is a device to share the financial losses which might be fall on an individual or his family on the beginning of a specified event.

4. Co-operative device

The most important feature of every insurance plans is the cooperation of a large number of persons.

5. Value of risk

The risk is evaluated before insuring to charge a amount of share of an insured, here in called, consideration or premium.

6. Payment of fortuitous losses

A fortuitous loss is one of the that is unforeseen and unexpected and occurs as a result of the chance.

7. Payment at contingency

The payment is made at a certain contingency insured. If the contingency occurs, payment is made.

8. Amount of payment

The amount of payment depends upon the value of loss that occurred due to the particular insured risk provided insurance is there upto that amount.

9. A large number of insured persons

To spread the loss immediately, smoothly and cheaply, a large number of persons should be insured.

Health insurance

It is a type of insurance coverage that pays for medical, surgical and sometimes dental expenses incurred by the insured. Health insurance can reimburse the insured for expenses incurred from illness or injury, or pay the care provider directly.

Features of health insurance

10. Pre existing diseases

These are those which you are suffering from before opting to buy a health insurance plan.

11. Sub limits on room rent

Some general insurance companies cap the maximum amount that they will pay under their health insurance plans.

12. Co-payment

It is a clause in health insurance plans that requires cost sharing by the Policy holder.

13. Network hospitals

Network hospitals are those which have a direct tie up with your health insurance companies.

14. Pre and post hospitalization expenses

Pre-hospitalization expenses are those expenses which are incurred before you are hospitalized. While post-hospitalization are those which are incurred after you are hospitalized.

15. Premium

Premium you would pay is a vital aspect you should consider while buying a health insurance plan.

Advantages of health insurance

16. Keeps you financially protected

The biggest benefit of purchasing health insurance is that it prevents erosion of your long term savings.

17. Availability of options

Gone are the days when insurers only used to offer basic health insurance plans. Modern insurance providers now offer a wide range of health insurance coverage.

18. Cashless hospitalization

One of the biggest benefits of taking health insurance is Cashless claims. Most top insurers nowadays have an extensive list of network hospitals all over the country.

19. No claim bonus

Health plans are generally renewed every year by paying the insurance premium. But if you do not file any claim for the entire year, you will be entitled to No claim bonus.

20. Tax benefit

A large number of people in India end up purchasing health insurance just because of the tax benefits it offers.

21. Peace of mind

You get peace of mind when you experience a certain sense of security, knowing that yours, as well as your family's health, is fully protected.

Disadvantages of health insurance

22. Premium Increases with age

Taking about cons, one of the most important of them is the link between health insurance premiums and age. Your age plays crucial role in deciding the premium of your policy.

23. Waiting period for Existing Health Problems

This is one of the biggest disadvantages of health insurance policies as it requires you to bear the healthcare expenses when you have purchased health insurance.

24. Co-Pay clause

In order to prevent false claim flying, many of the insurance policies also have a co-pay or deductible clause.

Types of Health Insurance

1. Individual Health Insurance

You can purchase an individual health insurance policy to provide cover for yourself, your spouse, your children and your parents. . Under an individual health insurance plan, each member has their own sum insured amount.

2. Family Floater Health Insurance

A family floater plan allows you to cover your family members under a single policy and everybody shares the sum insured amount. These plans are typically more affordable than individual plans since the sum insured is shared. Typically, family floater plans are ideal for young nuclear families.

3. Senior Citizens Health Insurance

These health plans have been designed specifically keeping the medical needs and requirements of senior citizens in mind. Most senior citizens policies offer additional cover, such as domiciliary hospitalisation and even some psychiatric benefits. Since older citizens are more likely to have health issues, these policies may require a full medical check-up beforehand and could be more expensive than regular insurance policies.

4. Critical Illness Insurance

Health issues such as cancer, stroke, kidney failure and cardiac diseases can be very expensive to deal with and manage long-term. This is precisely why critical illness insurance policies have been created. They can either be purchased as a rider or add-on with your regular health insurance plan or separately as their own plan.

5. Group Health Insurance

Unlike individual and family floater policies, group health insurance plans can be purchased by a group manager for a large number of individuals. These plans are fairly affordable, but they often only provide cover for basic health issues.