

Article Date	Headline / Summary	Publication
25 Nov 2024	What is cumulative bonus in health insurance?	Deccan Herald

REWARD POINTS

# What is cumulative bonus in health insurance?

AASHISH SETHI

Cumulative bonus (CB) in health insurance is an incentive insurance companies provide for claim-free years or being continuously associated with them. When a policyholder does not make any claims during a policy year, the insurance company rewards them by increasing their sum insured for the next year without any additional premium. Essentially, it is a bonus for not utilising your health insurance for any major medical expenses during the policy term.

However, the insurer may also offer a cumulative bonus if the policy is continuously renewed with them, irrespective of whether claims are reported or not. Insurance companies usually have a maximum limit up to which the bonus is applied, which can vary from up to 50% to up to 600% of the base sum insured.

**Key benefits**

Protection against high medical

**costs:** As healthcare costs increase, a higher sum insured due to cumulative bonuses can ensure that policyholders are better protected against major health expenses. This is particularly beneficial for older policyholders or those with family floater plans.

**Reward for healthy behaviour:** By offering a bonus for claim-free years, insurers incentivise healthy behaviour and prudent use of medical services. This system benefits individuals who take care of their health and avoid making frequent claims. What happens if you make a claim?

**Conditions and limitations**

While cumulative bonus offers many advantages, there are certain conditions and limitations that policyholders should be aware of.

**Maximum cap:** Most insurance companies set a maximum cap on the cumulative bonus. For instance, the bonus may be capped at 100% of the original sum insured. This means that



the sum insured will not grow beyond this cap even after several claim-free years.

**Reduced bonus after a claim:** If a claim is made during a policy year, the cumulative bonus may be reduced, though it usually won't go back to zero. Each insurance company has its own rules regarding how much the bonus is

reduced after a claim.

**Family floater policies:** In family floater policies, the cumulative bonus applies to the entire policy and not to each individual. This means that if one family member makes a claim, the cumulative bonus for the whole policy may be affected.

**Specific exclusions:** Certain claims, such as those that have a sub-limit applicable, might not be considered for cumulative bonus eligibility, depending on the insurer's terms.

**Cumulative bonus vs. no claim bonus**

The cumulative bonus in health insurance is often confused with the no-claim bonus (NCB) in motor insurance. While both offer benefits for claim-free years, the NCB in motor insurance typically offers a discount on the premium. In contrast, the cumulative bonus in health insurance generally increases the sum insured. Understanding this distinction is essential to making informed health

and vehicle insurance policy decisions.

**Conclusion**

Cumulative bonus is a valuable feature of health insurance. It rewards policyholders for staying healthy and not making claims. Over time, it increases the sum insured, providing greater coverage for future medical expenses without an additional premium. A health insurance policy with cumulative bonus benefits is a smart choice for individuals seeking long-term financial protection against rising healthcare costs. By understanding how cumulative bonuses work and choosing policies with favourable terms, policyholders can ensure they are well-prepared for medical emergencies in the future. Whether opting for individual or family floater plans, cumulative bonus provisions offer peace of mind and enhanced financial protection for policyholders across India.

*(The author is Head - Health SBU & Travel, Bajaj Allianz General Insurance)*