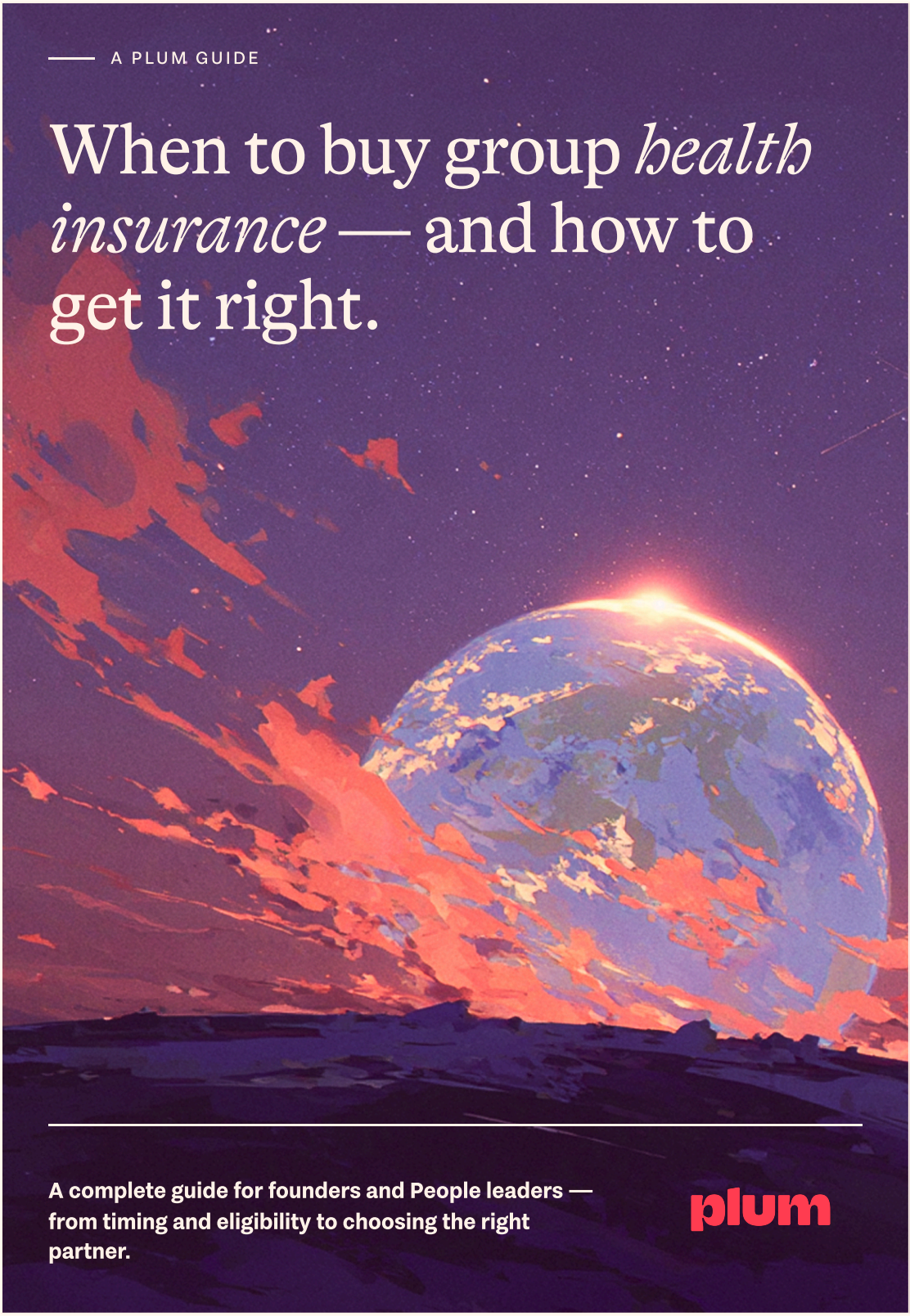
A PLUM GUIDE

When to buy group *health insurance* — and how to get it right.



A complete guide for founders and People leaders — from timing and eligibility to choosing the right partner.

plum

CONTENTS

What's in this guide

01	Introduction Why timing matters more than you think	03
02	When it becomes possible — and sensible — to buy The five signals that determine eligibility	04
03	Your readiness score Twelve statements. One honest answer.	06
04	How to read your score Four bands — from Not Yet to Overdue	07
05	Choosing the right plan — a founder's checklist Six questions every plan should answer	08
06	Terms you will need to know A working glossary	09
07	Common pitfalls, traps, and questions to ask What to challenge before you sign	10
08	Thinking about benefits more holistically Beyond hospitalisation: the full picture	11
09	Frequently asked questions The most common ones, answered	12
10	Conclusion The right time is the one you can act on	13

INTRODUCTION

Why timing matters more than *you think*

There is a natural instinct in early-stage companies to treat group health insurance as something that can wait — until the business feels more stable, hiring is more predictable, or budgets are clearer.

The question is not whether it can wait. It is whether waiting meaningfully improves the decision.

By the end of this guide, you should be able to do three things with clarity: understand where your company stands today, score your readiness based on real signals, and know exactly what your next step should be.

Healthcare costs in India continue to rise, with medical inflation estimated in the range of 11–14% annually. A decision that feels like a short-term deferral resets your entry point. Coverage costs more a year later, and more still the year after that.

At the same time, the absence of insurance does not remove risk. It merely shifts it. A single hospitalisation can cost more than the annual premium for your entire team.

Over time, group health insurance has moved from being optional to expected — not because it is the most visible benefit, but because it signals something fundamental about how a company thinks about its people.

SECTION ONE — ELIGIBILITY

When does it become possible — and sensible — to buy?

MOST FOUNDERS THINK THE KEY QUESTION IS WHEN TO BUY. IT ISN'T.

In reality there are two distinct moments: when the company becomes *eligible*, and when it becomes *intentional*. The distance between those moments is where most of the cost — and most of the friction — tends to accumulate.

01 Your team must share a commonality of purpose

IRDAI Regulation 7 states that no group policy shall be issued where a group is formed mainly to avail insurance. There must be a clearly evident relationship between members and the policyholder. For an employer-employee group, this is straightforward.

02 Seven members is a regulatory floor — not a fixed threshold

The 7-member minimum is a floor set by the IRDAI (Health Insurance) Regulations, 2016 — not a fixed rule. Each insurer sets their own minimum, which cannot be lower than 7 but may be higher.

> *If you are above 7 but below a specific insurer's threshold, that's their commercial policy — not regulation. Shop around.*

03 Formal registration supports — but doesn't define — eligibility

The Regulations do not list a GST certificate, LinkedIn page, domain, or corporate email IDs as requirements. These are sometimes requested by brokers or insurers as part of their own KYC. Having them reduces friction; they are not defined by the regulator.

04 Coverage attaches to a defined employment event — not the policy purchase date

Individual members enter from a clearly identifiable event — most commonly the date of commencement of employment. Coverage ceases when a member leaves the group, unless a specific continuation arrangement has been agreed. The policy structure should reflect your actual employment lifecycle.

SECTION ONE — ELIGIBILITY (CONT.)

One more signal — and a question worth asking

05 Your team composition can affect underwriting terms

While regulations do not restrict which professions can be insured, individual insurers may underwrite higher-risk occupations differently under their board-approved policy. This is commercial, not regulatory. If your team has an unusual composition, work with your broker to identify insurers whose guidelines are a good fit.

A USEFUL QUESTION TO ASK

Requests for GST certificates, LinkedIn pages, and domain-based email IDs reflect insurers' internal KYC — not IRDAI Regulations. If an insurer says their minimum is 10 or 15, that's their own underwriting policy; the regulatory floor is 7.

Always worth asking your broker: which requirements are regulatory, and which are the insurer's internal policy?

Eligibility is not purely about size. It is also about the nature of the group being insured.

SECTION TWO — READINESS SCORE

Where do you stand today?

SCORE EACH STATEMENT: 0 = NOT TRUE · 1 = SOMEWHAT TRUE · 2 = DEFINITELY TRUE

	0	1	2
TEAM & ELIGIBILITY			
We have (or will soon have) 7+ full-time employees	○	○	○
We have a clear employer-employee relationship (not contractors)	○	○	○
We can provide basic company documentation if requested	○	○	○
HIRING SIGNALS			
Candidates have started asking about health insurance	○	○	○
We are trying to hire mid-level or senior talent	○	○	○
We've lost or struggled to close candidates due to benefits gaps	○	○	○
INTERNAL PRESSURE & RISK			
We've had at least one situation where a medical expense became a concern	○	○	○
We would feel pressure if a major medical event occurred tomorrow	○	○	○
We've had internal conversations about offering insurance more than once	○	○	○
TIMING & COST AWARENESS			
We are aware that delaying increases premiums over time	○	○	○
Our team is currently young (and likely cheaper to insure today)	○	○	○
We would prefer to lock in pricing before costs rise further	○	○	○

TOTAL SCORE OUT OF 24 [0]

SECTION TWO — READING YOUR SCORE

How to use *your score*

BAND	WHAT IT MEANS	WHAT TO DO NEXT
NOT YET 0 – 6	*The decision is approaching, but not urgent.*	Build awareness now to avoid reacting later. Understand the eligibility floor and plan for when you cross it.
ALMOST 7 – 12	*You are close to the inflection point.*	Early action gives you better pricing and control. Start getting quotes and understanding what good terms look like.
NOW 13 – 18	*The decision is already affecting hiring or risk.*	This is the optimal window to act. The fastest path is to see what this looks like for your team.
OVERDUE 19 – 24	*The absence of insurance is visible.*	Delaying will only increase cost and friction. Move now — but first, understand what 'good' looks like.

Optimise for predictable outcomes, not the largest number on paper.

SECTION THREE — THE CHECKLIST

Choosing the right plan — a founder's checklist

Reaching eligibility is only the first step. The more consequential decisions come right after — often with less attention than they deserve. Six questions to test any proposal against.

- [ ] **Is the sum insured meaningful in real scenarios?**

Optimise for predictable outcomes, not the largest number on paper.

Room rent limits, sub-limits, co-pay clauses, and exclusions often determine how much of a claim is actually settled. A ₹5 lakh policy with restrictive conditions can behave like a ₹3 lakh plan in practice.

- [ ] **Does coverage begin when employees expect it to?**

Day-one coverage signals the company takes this seriously.

Waiting periods or unclear start dates create friction exactly where trust should be forming. A smooth enrolment shapes the first impression new joiners form of the benefit.

- [ ] **Is the broker working for you, or for their commission?**

The cheapest plan is often the most expensive one when a claim is made.

A good broker leads with claim settlement history, insurer ICR, and plan quality — not price. Ask direct questions about ICR, settlement time, and how they'll advocate for you.

> **Watch out:** Brokers who lead with price alone without discussing claim quality or ICR are often optimising for their own commission.

- [ ] **Does the plan offer value even if no one makes a claim?**

It should be something employees use — not something they wait to need.

Most employees will not use their insurance in a given year. That doesn't mean the benefit should be invisible. Teleconsultations, preventive check-ups, and wellness support get experienced more frequently.

- [ ] **Is the plan designed to hold up over the next few years?**

A good plan scales without becoming difficult to manage or explain.

Premiums evolve. Teams grow. Claims experience influences renewals. What feels sufficient today may need adjustment sooner than expected.

- [ ] **Is the endorsement process actually workable?**

Every new hire and exit will pass through this process.

If adding or removing an employee is slow, HR will quietly disengage from the benefit. Ask how endorsements are processed, the turnaround, and what self-service tools exist.

If you can answer all six with confidence, the plan is likely structurally sound.

SECTION FOUR — GLOSSARY

Terms you will *need to know*

A working vocabulary. If any of these feel opaque in a broker conversation, that is a useful signal in itself.

Sum Insured (SI)
Maximum amount payable in a policy year. Annual aggregate — can be exhausted by one event.

Premium
Amount paid to the insurer for coverage. Calculated annually based on team age-mix, claims, and plan design.

Incurred Claim Ratio (ICR)
Claims paid ÷ premiums collected. A directional health indicator for insurer sustainability.

Claim Settlement Ratio (CSR)
% of claims settled versus filed. Useful paired with settlement time.

Co-pay
Fixed % of claim the insured must bear. Lowers premium but raises out-of-pocket.

Sub-limit
Caps on specific expenses — room rent, ICU, surgeries. Directly affects effective coverage.

Room Rent Limit
Ceiling on eligible daily room charges. Can trigger proportionate deductions on the full bill.

Waiting Period
Time before certain conditions are covered. Group policies often waive first-year waits.

PED (Pre-existing Disease)
Conditions existing before coverage began. Frequently waived in corporate plans.

Maternity Cover
Includes childbirth and related expenses; usually a defined sub-limit.

Endorsement
Formal addition or removal from the policy — used for new joiners and exits.

OPD
Outpatient care without hospital admission. Optional add-on on most group plans.

Cashless Network
Hospitals where the insurer settles directly. Check density in your team locations.

Top-up / Super Top-up
Additional coverage kicking in above a deductible. Cost-effective way to raise SI.

SECTION FIVE — PITFALLS

Common pitfalls, and what to challenge

The quality of a plan is most visible in its fine print. Six traps to look for before you sign.

01 **Low sum insured that looks adequate on paper**

A ₹2–3L SI rarely survives a single major hospitalisation. Always pressure-test against real-world scenarios, not averages.

02 **Restrictive room-rent limits**

If capped below what your network hospitals charge, it triggers proportionate deductions on the entire bill — not just the room.

03 **High co-pays applied broadly**

10–20% co-pay across all claims silently shifts a large share of cost back to the employee. Worth negotiating down or capping.

04 **Sub-limits on common surgeries**

Cataract, hernia, and similar procedures often carry fixed caps far below real costs. Ask for the sub-limit annexure, not just the brochure.

05 **Weak cashless networks in your core cities**

"5,000+ network hospitals" is meaningless if few are in Bangalore, Mumbai, or Delhi-NCR. Filter by postcode before signing.

06 **Unclear endorsement turnaround**

Ask explicitly: how many business days from submission to card issue? Anything above 5 creates real onboarding friction.

SECTION SIX — HOLISTIC BENEFITS

Beyond hospitalisation — *the full picture*

Hospitalisation coverage is the base layer. What makes a benefits programme *felt* by employees is everything that sits alongside it.

Teleconsultation

On-demand doctor access covering common, everyday concerns. Gets used monthly — not once every few years.

Preventive check-ups

Annual screenings that shift healthcare from reactive to proactive. A visible, tangible benefit.

Mental-health support

Therapy and counselling sessions. Increasingly expected, particularly by mid-level hires.

Wellness & EAP

Fitness, nutrition, and employee assistance. Small add-ons that signal care for whole-person health.

Maternity & parental cover

Often a deciding factor for employees in the 25–35 band. Sub-limits and waiting periods vary widely.

OPD & pharmacy

Outpatient and medicine coverage. Expensive to add — but the highest-utilisation benefit when included.

A well-designed benefit is one employees experience, not one they wait to need.

SECTION SEVEN — FAQ

Frequently asked questions

Q. Can we opt to cover family members?

A. Yes — you have three policy design options:

E plan: Covers employees only

ESC plan: Covers employees, spouse, and up to 2 dependent children

ESCP plan: Covers employees, spouse, up to 2 dependent children, and parents

Q. How long does it take to get a policy in place?

A. Typically 2–4 weeks from quote to live coverage — much of that is choosing between options, not the insurer onboarding itself.

Q. Can we start with just founders and a few employees?

A. Only once you cross the regulatory floor of 7 members. Below that, individual or family-floater cover is usually the right path.

Q. Do part-time or contract employees count?

A. Group health insurance requires a clear employer-employee relationship. Long-term contractors are sometimes included with a policy rider — confirm with your broker.

Q. What if our team grows (or shrinks) mid-year?

A. Endorsements are routine. New joiners are added, exits removed. Premium is adjusted pro-rata at renewal.

Q. Can we change insurer at renewal?

A. Yes — and it is healthy to benchmark every year. Portability is easier now than it was, and continuity benefits are often preserved.

Q. Should we offer the same plan to everyone?

A. Most companies do, for simplicity and fairness. Some add optional top-ups employees can buy individually.

CONCLUSION

The right time is the one *you can act on*

There is no universally perfect moment to buy group health insurance. There is, however, a moment that is right for your company — visible in your hiring pattern, your team's expectations, and the risk you are willing to carry.

The best decision is rarely the largest one. It is the one made with clarity, at a time you can defend.

If your score placed you in *Not Yet* or *Almost*, use this window to understand the landscape. Ask for quotes. Pressure-test plans. Learn the vocabulary. The decision becomes lighter when it arrives.

If your score placed you in *Now*, this is the optimal moment. Acting today preserves the pricing and control a slightly older team will not enjoy.

If it placed you in *Overdue*, the cost of further delay has already begun to accumulate — in hiring, in retention, and in unhedged risk.

Whichever band you land in, the goal of this guide is the same: to make the next decision easier, and more informed, than the last one would have been.

WRITTEN & PUBLISHED BY
Plum Benefits

TALK TO US →