

Back to the Comfort Zone?

8 February 2013

The progress of the Indian insurance market away from the tariff-based regime that existed from 1968 has been somewhat halted, and since the move started there has been a slow creep back to the tariff in certain areas, and the most obvious of these is health insurance.

By way of background, after the limited liberalisation of the Indian market, the first phase of de-tariffication began on 1st January 2007 when the market regulator, the Insurance Regulatory & Development Authority (IRDA), freed pricing (except for third-party motor insurance) for all insurance products that were previously governed by the tariff rates specified by the Tariff Advisory Committee (TAC).

The second phase of de-tariffication was intended to permit Insurers to file their own policy terms and conditions for those products that were governed by the forms mandated by the TAC. The IRDA's File & Use Guidelines for General Insurance Products of 28th September 2006 specified that this second phase was to commence from 1st April 2008, but this phase did not proceed as planned. Towards the end of March 2008, the IRDA issued a Circular requiring Insurers to use the forms mandated by the TAC "*until further notice*".

On 6th November 2008, the IRDA announced that it would permit some flexibility for former tariff products with effect from 1st January 2009. The IRDA permitted certain limited amendments to specific TAC-mandated forms for fire, engineering, motor (own-damage) and the industrial all risks sections of policies. These relaxations were as follows:

- Insurers could vary deductibles, subject to the variations being disclosed by the Insurer in advance and accepted by the Insured;
- Insurers could file Add-on Covers for subject to prior IRDA approval;
- Insurers could extend engineering insurance covers to movable/portable equipment;
- The minimum total sum insured limit of Rs.1 billion under the industrial all risks tariff was removed.

This same guidance from the IRDA specifically said that, apart from these limited relaxations, Insurers were not permitted to vary the TAC mandated forms. Following this second phase relaxation, the process of de-tariffication appears to have come to a halt and there has been no announcement by the IRDA that there will be further flexibility in product development.

Instead, in health insurance at least, the flow is back to the tariff. The IRDA issued an Exposure Draft on Standardisation of Health Insurance on 11th January 2013. The covering Circular to this Exposure Draft specifies that the IRDA intends to "*standardise/streamline important aspects triggering health insurance complaints*", a step it said it was taking in order to address the expectations of the public "*more effectively*".

This Exposure Draft proposes the following:

- Standard definitions for terms common to health policies;
- Standard nomenclature and procedures for critical illnesses;
- Standard pre-authorisation and claim forms;
- Standard list of excluded expenses;
- Standard product application, database sheets and customer information sheets;
- Standard form agreement between the Insurer and Third Party Administrator (TPA);
- Standard form agreement between the Insurer and Hospital Service Provider.

Although this Exposure Draft does not specify the complete terms and conditions for health insurance products, the terms of the Exposure Draft are comprehensive enough to create a number of standard formats which must be implemented by all Insurers on a compulsory basis. The IRDA has invited comments on this Exposure Draft and there is presently no indication whether the draft will be implemented in present form, but if it is then it may be a catalyst to the revival of the tariff regime.

For further information on this topic please contact Tuli & Co

Tel +91 11 4593 4000, fax +91 11 4593 4001 or email lawyers@tuli.biz

www.tuli.biz

Article

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