

Insurance & Reinsurance - India

Return to comfort zone? IRDA proposes standardisation of health insurance

Contributed by **Tuli & Co**

February 19 2013

The progress of the Indian insurance market away from the tariff-based regime that existed from 1968 onwards has halted somewhat recently. More worryingly, a slow creep back towards the tariff regime has been evidenced in certain areas, the most obvious of which is health insurance.

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

The second phase of de-tariffication was intended to permit insurers to file their own policy terms and conditions for those products that were previously governed by the forms mandated by the committee. The IRDA's file and use guidelines for general insurance products, issued on September 28 2006, specified that this second phase was to commence from April 1 2008. However, this phase did not proceed as planned. Towards the end of March 2008, the IRDA issued a circular requiring that insurers use the forms mandated by the committee "until further notice".

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

- 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, subject to prior IRDA approval;
- insurers could extend engineering insurance covers to movable/portable equipment; and
- the minimum total sum insured limit of Rs1 billion under the industrial (all risks) tariff would be removed.

However, the IRDA guidance specifically stated that, apart from these limited relaxations, insurers were not permitted to vary the committee-mandated forms.

Following this second phase relaxation, the process of de-tariffication appears to have come to a halt and no announcement has been made by the IRDA that further flexibility in product development is in the pipeline. Instead, in health insurance at least, the consensus is moving back towards tariffs. On January 11 2013 the IRDA issued an exposure draft on the standardisation of health insurance. The covering circular to this draft specified that the IRDA intends to "standardise/streamline important aspects triggering health insurance complaints" in order to address the expectations of the public "more effectively".

The draft proposes:

- standardised definitions for terms common to health policies;
- standardised nomenclature and procedures for critical illnesses;
- standardised pre-authorisation and claim forms;
- a standardised list of excluded expenses;
- standardised product applications, database sheets and customer information sheets;
- a standard form agreement between the insurer and the third-party administrator; and

Author

Neeraj Tuli



- a standard form agreement between the insurer and the hospital service provider.

The draft does not specify the complete terms and conditions for health insurance products, but its terms are comprehensive enough to create a number of standard formats that must be implemented by all insurers on a compulsory basis.

The IRDA has invited comments on the draft and there is no indication as to whether the draft will be implemented in its present form. However, if this does occur, it may act as a catalyst to the revival of the tariff regime.

For further information on this topic please contact [Neeraj Tuli](#) at [Tuli & Co](#) by telephone (+91 11 4593 4000), fax (+91 11 4593 4001) or email (n.tuli@tuli.biz).

The materials contained on this website are for general information purposes only and are subject to the [disclaimer](#).

ILO is a premium online legal update service for major companies and law firms worldwide. In-house corporate counsel and other users of legal services, as well as law firm partners, qualify for a free subscription. Register at www.iloinfo.com.

Originally edited by, and first published on, www.internationallawoffice.com

Online Media Partners



© Copyright 1997-2013 Globe Business Publishing Ltd