

# Health insurance regulations and guidelines: recent overhaul

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## Introduction

Health insurance business in India has traditionally been regulated by the framework governing general insurance business, as issued by the Insurance Regulatory and Development Authority of India (IRDAI). However, due to a series of developments, it was felt that a specific framework for the development and operation of health insurance products was needed. In 2013, the IRDAI issued the IRDA (Health Insurance) Regulations 2013 (Health Insurance Regulations) and the Guidelines on Standardisation in Health Insurance of February 20 2013 (Standardisation Guidelines 2013), which set out the procedures and requirements for filing health insurance products and certain follow-through operational requirements.

Following a number of representations made by various stakeholders (including insurers) on a multitude of issues, and due to the need to update the existing framework, the IRDAI, by way of a notification dated July 18 2016, issued the IRDAI (Health Insurance) Regulations 2016, replacing the Health Insurance Regulations. The IRDAI also replaced the Standardisation Guidelines 2013 with the Guidelines on Standardisation in Health Insurance of July 29 2016 and the Guidelines on Product Filing in Health Insurance Business of July 29 2016 (Product Filing Guidelines).

## Health Insurance Regulations 2016

The key features of the Health Insurance Regulations 2016 are outlined below.

### ***Pilot products***

The Health Insurance Regulations 2016 have introduced the concept of 'pilot products' in order to encourage innovation in product design and cover risks that have not yet been offered. Pilot products may be offered by general insurers and health insurers for a policy tenure of at least one year, not exceeding five years. Further, the sales and publicity materials for these products must provide certain specific disclosures, as set out under the Health Insurance Regulations 2016.

### ***Wellness and preventive aspects of health insurance policies***

The Health Insurance Regulations 2016 have introduced norms aimed at encouraging the inclusion of wellness and preventive care as part of product design. Insurers may now promote wellness to health insurance policyholders by offering them health-specific services which are to be provided only by their network providers, such as:

- outpatient consultations or treatment;
- pharmaceuticals; and
- health check-ups.

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In addition, insurers are prohibited from offering discounts on third-party products as part of their policies or otherwise.

### ***Restrictions on life insurers offering health insurance policies***

Life insurers are now prohibited from offering indemnity-based health insurance products either as an individual or group policy. Consequently, all existing indemnity-based products must be withdrawn in accordance with the prescribed procedure.

### ***Group health insurance policies***

As per the Health Insurance Regulations 2016, insurers can offer group health insurance products for a one-year term, except in the case of credit-linked products, for which the term can be extended up to the loan period (not exceeding five years). Further, the regulations mandate that the minimum size of the group be seven.

### **Standardisation Guidelines 2016**

The Standardisation Guidelines 2016 set out a revised set of standard definitions for terminology and nomenclature and the procedure for critical illnesses which must be used in health insurance policies.

These guidelines also prescribe the standards and benchmarks that must be met by network providers and hospitals and set out the various health insurance returns that must be submitted by insurers periodically.

### **Product Filing Guidelines**

The Product Filing Guidelines set out the procedure and requisite forms for filing various types of health insurance product under the file and use procedure, such as:

- new health insurance products;
- pilot products;
- health package products; and
- non-life package products.

The provision requiring that a lawyer's certificate be submitted to the IRDAI when filing these products has been removed.

The Product Filing Guidelines also mandate that general insurers and health insurers establish a product management committee. Among its many functions, the product management committee must carry out due diligence and record its concurrence on various product-related risks for all product filings under the file and use procedure before any application for a product is sent to the IRDAI for approval.

The Product Filing Guidelines have now introduced the use and file procedure for filing group health insurance products. Per this procedure, a group product may be launched without the IRDAI's prior approval, subject to the following stipulations:

- The product must be approved by the product management committee.
- The insurer must obtain a unique identification number from the IRDAI for every insurance product by duly informing it of the name of the product proposed to be launched.
- The product must be filed with the IRDAI within seven days of the date of the product management committee's approval in the prescribed form.

Life insurers cannot file group health insurance products under the use and file procedure and must follow the file and use procedure prescribed under the Product Filing Guidelines for these products.

In addition, the guidelines provide detailed guidance on wellness features and benefits that an insurer may offer in a health insurance product and an extensive procedure for withdrawing products.

## Comment

The revised regulatory framework seeks to encourage greater internal accountability on the part of insurers by, for example, requiring insurers' product management committees to ensure that the products proposed to be launched on the market comply with applicable laws and regulations. Further, the revised framework seeks to encourage innovation in product design and promote wellness by introducing pilot products and wellness features as part of health insurance products.

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