

What the standard health insurance product offers

It can be a good entry point for those who do not have a health insurance policy yet

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With a host of health insurance policies available in the market, buyers often get confused and do not know how to compare them. To curb this confusion and to encourage more people to buy health insurance, the Insurance Regulatory and Development Authority of India (Irdai) has mandated all general and health insurers to offer a standard individual health insurance product with a maximum sum insured of up to ₹5 lakh. Find the circular, which was issued last week, at bit.ly/3719sPZ.

The product will be named Arogya Sanjeevani followed by the insurer's name. It will have to be made available starting 1 April 2020. "Standardization of a product offering will help customers get a parity-based understanding of product benefits, simplifying the purchase decision. It leaves no room for ambiguity for the customer in terms of product comparison, since they are assured of the fact that other insurers do not offer a different coverage," said Anuj Gulati, managing director and chief executive officer, Religare Health Insurance Co. Ltd.

While a standard product will surely simplify health insurance for you, do keep in mind that this may not be the best product in the market. We give you the features and details of the new standard plan.

MAIN FEATURES

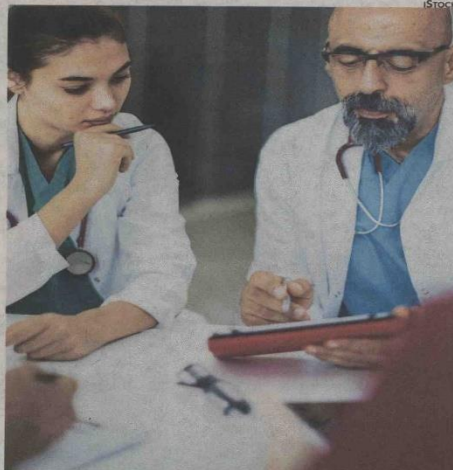
Like a typical health insurance plan, Arogya Sanjeevani will be an annual policy renewable for life and will pay for hospitalization expenses. This means costs incurred on the surgeon, anaesthetist, consultants, specialist fees, operation theatre charges, oxygen, surgical equipment, costs towards diagnostics and so on are covered too. Further, expenses incurred on hospitalization under the Ayush system of medicine will also be covered without any sub-limits. Pre-hospitalization (from 30 days prior to the date of admission) and post-hospitalization expenses (60 days from the date of discharge) will be included too.

The policy will also cover dental treatment and plastic surgery necessitated due to a disease or injury, all day-care treatments and expenses incurred on road ambulance. The ambulance expenses will be capped at ₹2,000 a day.

Anyone between 18 and 65 years can buy this product, but it can't be customized to your needs.

However, there are some important caveats to consider. The policy will cover room, boarding and nursing expenses but only up to 2% of the sum insured, subject to a maximum of ₹5,000 a day.

Gurdeep Singh Batra, head, retail underwriting, Bajaj Allianz General Insurance Co. Ltd, said the intention of the policy is to insure the non-insured population of the country, particularly in tier-2 and



IN A NUTSHELL

Irdai has mandated insurers to offer a standard health plan with a maximum sum insured of ₹5 lakh. Here are the main features

Policy name	
AROGYA SANJEEVANI*	
Entry age (years)	Sum insured (₹)
18-65	1 lakh-5 lakh
Premium As per insurer's discretion	Tenure
Not allowed	One year with lifetime renewal
Add-ons	Co-pay
Not allowed	5% of sum insured
Room expenses Capped at 2% of sum insured	Modern treatments
	30% of the sum insured
Cumulative bonus 5% for each claim-free year	Sub-limits
	25% for cataract treatment

*Along with the insurer's name
SANTOSH SHARMA/MINT Source: Irdai

tier-3 cities, which is why the sum insured is capped at ₹5 lakh. "Room rent makes for a large chunk of the hospitalization expense and not having a cap would push the premiums. Instead of a 1% cap, they've capped it at 2% or ₹5,000, which is reasonable because in tier-2 and tier-3 cities, most nursing homes and hospitals offer good rooms within ₹5,000," said Batra.

The policy also covers expenses on intensive care unit (ICU) and intensive cardiac care unit (ICCU) facilities up to 5% of the sum insured, up to ₹10,000 a day.

The mandatory covers prescribed by Irdai are inclusive enough for a standard product but this could have been enhanced by increasing some of the limits restricting the coverage such as cap on room rent, pre- and post-hospitalization expenses, and restricting ambulance charges up to ₹2,000 per hospitalization. Existing products offered by insurers offer flexibility and superior covers with no capping on room rent or a cover for more number of pre- and post-hospitalization days along with higher limits for ambulance," said Bireesh Giri, appointed actuary, head of product development and chief risk officer, Acko General Insurance Ltd.

The product will come with a fixed co-pay of 5%, across all age groups. A 5% co-payment clause would mean that you will pay 5% of the claim amount and the insurer will pay the rest.

There's also a limit on how much the policyholder can claim for cataract surgery. Irdai said, for each eye, expenses incurred on the treatment of cataract will be covered only up to 25% of the sum insured or ₹40,000, whichever is lower. Irdai has also listed the conditions that insurers shall cover after a prescribed waiting period.

What is positive about this policy is that it takes into account the

ever-evolving healthcare ecosystem. The policy will cover modern treatments like stem cell therapy and balloon sinuplasty up to 50% of the sum insured. "This (including modern treatments) is a good proposition from an insured viewpoint. Currently, other products are also being re-looked for such extended coverage in line with guidelines issued on standardization of exclusions in health insurance," said Batra.

PREMIUMS AND BONUS

The regulator has allowed insurers to determine the price of the policy keeping in view the mandatory covers they would need to offer. Insurers, however, will have to comply with Irdai norms while doing so. Pricing for any insurer is a factor of risk assessment, estimated claims, consumer behaviour and long-term sustainability of the product.

The range of pricing should largely be similar for most insurers but it's too soon to be sure, said Gulati.

While insurers are not allowed to offer any add-ons or optional covers with this product, they can package it in the form of a family floater plan where the premium is decided based on the age of the oldest member of the family. Giri said the premiums could start from ₹5,000 for an individual policy with a sum insured of ₹5 lakh and ₹15,000 for a family floater plan with a sum insured of ₹5 lakh.

Note that a cover of ₹5 lakh may not be sufficient for a whole family but is still better than having no insurance at all. "For a floater policy, ₹5 lakh may not be adequate. Nevertheless, we have a huge untapped market where most people don't have any insurance and are paying out of their own pockets or not getting properly treated," said Prasun Sikdar, MD and CEO, Manipal Cigna Health Insurance Co Ltd. Like other health products,

policyholders will get the option of paying premiums on a monthly, quarterly, half-yearly and annual basis. The cumulative bonus on this product, according to Irdai, shall increase by 5% in respect of each claim-free year, subject to a maximum of 50% of the sum insured but only if the policy is renewed without a break. If a claim is made in any particular year, the bonus will decrease at the same rate at which it was accrued: 5%. Also, no deductibles are allowed.

MINT TAKE

Sikar said it is difficult to say whether premiums will drive this product or awareness campaigns by Irdai, or the brand name of the insurers. "But this will definitely benefit the industry and increase penetration," he added. Batra said this product is specifically targeted

towards the lower middle-income group where medical expenses, especially the cost of hospitalization is still lower than metro cities.

Experts also said that this may impact the retail health insurance business in the long run as it will bring more uniformity and standardized policy wordings, making it easier for customers to choose.

However, keep in mind that this policy suffers from two major setbacks: room rent capping and co-payment. While this may make the policy affordable, in case of a claim, you will have to shell out a part of the claim from your pocket. Given the low sum insured, this policy comes with restrictive clauses that also make it more affordable. Before you buy the new standard product, compare the premiums and choose the least restrictive option. If you haven't bought a policy due to high premiums, this can be a good entry point. Whether the product will enhance the adoption of health insurance remains to be seen.

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The product will come with a fixed co-pay of 5%, which means you will have to pay 5% of the claim amount