

Date: 28.4.2020	Publication: ET Wealth Online
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[Scope of health insurance coverage to get wider soon but policies may become dearer](#)

Due to the prevailing COVID 19 outbreak, the need for prolonged hospitalisation of almost 2 weeks pushes the claims costs. These factors are likely to influence the pricing of health insurance in the coming years.

By Navneet Dubey, ET Online | Last Updated: Apr 28, 2020, 12.43 PM IST

The Insurance Regulatory and Development Authority of India (IRDAI) has made several changes to the 'Guidelines on Standardization of Exclusions in Health Insurance' to provide extensive coverage to policyholders.

Last year the insurance regulator had asked insurance companies to increase the coverage of their policies, i.e., include more diseases. According to IRDAI, these conditions can no longer be excluded from health insurance policies: genetic disorders, mental health procedures, puberty, artificial life maintenance, internal congenital diseases, age-related muscular degeneration, menopause-related disorders and mental illnesses.

Industry sources say that some insurers have already re-filed their products with the regulator and some are re-filing their products at revised prices.

Wider coverage is good news for the policyholder, however, there is a flip-side. Insurance industry experts say that policies will get dearer since more diseases will be covered.

Subrata Mondal, Executive Vice President, IFFCO-Tokio General Insurance said that there are certain factors that may compel an upward revision in pricing. "First, the inclusion of certain medical procedures or treatments as per the new IRDAI guidelines. Second, the regulator has also allowed inclusions of conditions like Alzheimer's, Parkinson's disease, HIV/AIDS. Third, due to the prevailing COVID 19 outbreak, the need for prolonged hospitalisation of almost 2 weeks pushes the claims costs. These factors are likely to influence the pricing of health insurance in the coming years," Mondal explained.

How much hike is expected?

Generally, health insurance product pricing depends on factors like claims settled and policies sold in a year by the insurer, changing age and disease demographics, age band, product benefits, up-gradation of benefits, new regulations etc.

Therefore, with the scope of coverage being broadened, that is, increase in the number of ailments being covered under an insurance policy, new health covers will be available at revised rates.

Rashmi Nandargi, Head - Retail Health, PA and Travel Underwriting, Bajaj Allianz General Insurance said that there is a provision stating that if premium amounts have to be revised due to the added coverage and if the premium change is within the range of 5 per cent, then it can be done based on certification. "If the increase is more than 5 per cent, then the regular process of file and use has to be followed. We are working on the changes and evaluating the

impact of the proposed changes. However, as a process and as per health insurance regulations, insurers can review the price every three years basis the product performance and can take up the revision of coverages and premiums,” Nandargi said.

Medical inflation, i.e., the current demand and cost of medical treatment also plays a part in determining the cost of health insurance.

Pankaj Chauhan, MD & CEO, EPOCH Insurance Brokers said, “It is expected that a premium increase up to 10 per cent may be pushed by the insurance companies in the current scenario. It would be difficult to get IRDAI nod for an increase exceeding 10 per cent keeping in mind the past track record.”

When is the premium hike expected?

The spread of the coronavirus and the financial stress caused due to it could mean that insurers may not increase premiums soon. Also, IRDAI had given insurers a maximum of one-year to restructure their health insurance products.

Mondal said, "Looking at the current economic condition prevailing in the country due to COVID-19 where health insurance is becoming the need of the hour, pricing cannot be revised immediately, and also the due process has to be followed."

It is also likely that insurance companies may or may not increase premiums for existing policyholders, according to industry sources. Therefore, existing policyholders should check the terms and conditions with their insurer individually at the time of policy renewal.

Why is health insurance coverage being increased?

The price rise is largely expected due to increasing medical inflation and comprehensive coverage in health insurance products resulting from the regulatory changes. “Since these changes would widen the cover available in the products, there would be an appropriate price correction that would be required. We estimate the price increase to be in the range of 5-10 per cent, and it would vary across products and companies,” said a senior spokesperson at Max Bupa Health Insurance.

The main aim of standardisation is to help consumers in buying insurance, in a way making it easier to understand the terms and conditions. This way, you must know that by paying a little extra premium, health insurance products will become more inclusive, less complicated and more attractive for customers.

Apart from these factors, an important reason to expand the coverage of health insurance is to increase its penetration.

Roopam Asthana, CEO and Director, Liberty General Insurance said that as per available data, approximately 35 per cent of the country’s population is covered under some form of health insurance. A large majority of the population (about 75 per cent) is covered under a government-sponsored scheme such as Ayushman Bharat, the second-largest set is employees of large corporations who are covered under group health insurance products. “Penetration of retail or individual health insurance products is still very low. Retail health insurance is a non-mandatory product in India and has a lower degree of awareness,” he said.

Currently, as per the latest annual report by IRDAI, there has been a wide protection gap in the country with non-life insurance penetration just at 0.97 per cent in 2018 (0.93 in 2017) and density at \$19 in 2018 (\$18 in 2017).

Density is as an indicator for the development of insurance within a country. It is measured as the ratio of total insurance premium (in US dollars) to the total population of the country.

Mondal said, "Compared to India, insurance density for the year 2018 is quite high in developed countries such as the US (\$2,672), Hong Kong (\$ 659) and Singapore (\$1,014)."

Hence, considering the insurance density of India (which is low compared to other developed countries), the regulator brought about several changes to health insurance products last year which could also be a reason for the increase in premiums.