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Can't deny health claims for policies beyond 8 yrs: Irdai

Non-disclosure not a valid ground after moratorium period

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The Insurance Regulatory and Development Authority of India (Irdai) has ruled that health insurers cannot contest claims by clients who have persisted with their policies for eight years in a row, citing non-disclosure.

In such cases, insurers cannot reject claims on grounds of misrepresentations that could have been made in disclosures during commencement of the policy.

This is among 17 clauses that Irdai has asked insurers to standardise in new health products from October 1, 2020, and in existing policies from April 1, 2021. The period of eight years — for which the client has continuously renewed their policy — has been referred to as the 'moratorium period'.



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"After expiry of the moratorium period, no health claim shall be contestable, except for proven fraud and permanent exclusions specified in the policy contract. Policies would, however, be subject to all limits, sub-limits, co-payments, and deductibles based on the policy contract," the insurance regulator has stated.

"After completion of eight continuous years under the policy, no look-back will be applied," it added.

Sanjay Datta, chief of underwriting (health and claims) at ICICI

Lombard, said: "The issue here is that after 8 years, even if insurers discover any undisclosed piece of information, they have to honour the claim. It was in process since last year. For policies beyond 8 years, insurers will not look back at the history of the insured's disclosures for honouring the claim."

Health insurance claims usually flow in long after the policy commences. Sometimes, these get rejected on grounds of non-disclosure. It has been seen that during the issuance of policy, many are not

aware about certain pre-existing conditions, on grounds of which insurers reject claims later despite the customer paying premiums regularly.

"Basically, the regulator has given insurance companies 8 years to ascertain what policyholders have declared. Beyond that, they cannot reject a claim on grounds of non-disclosure," said Amit Chhabra, business head (health), Policybazaar.com.

"The policy is underwritten on the basis of disclosures given by policyholders. If they don't provide correct information regarding their health, the non-disclosure clause gets triggered during claim settlement. This either leads to cancellation of policies, or addition of new exclusions," said Rashmi Nandani, head (retail health), Bajaj Allianz General Insurance.

The regulator had last week issued guidelines on standardising general terms and clauses in indemnity-based products. These were issued to simplify the buying experience for consumers, and ensure uniformity across the industry.