

Date: 18.3.2021

Publication: Business Standard

Page no.: 8

Edition: Ahmedabad | Bengaluru | Chennai |
Hyderabad | Jaipur | Kolkata | Mumbai |
New Delhi | Pune

Irdai rule gives consumers more freedom

Barring insurers from raising prices by adding benefits may also lead to better pricing: Experts

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Mumbai, 17 March

The regulator's move to bar insurers from raising prices by adding benefits in health products will give consumers the freedom to opt for the benefits they need rather than being forced to accept the extra features, say experts.

To maintain a competitive edge over other products in the same segment, it's a common practise among insurers to add benefits to the existing products, resulting in an increase in premium for the consumers.

Bhabatosh Mishra, director, underwriting, products & claims, Max Bupa Health Insurance, said, "They (the regulator) do not want companies to acquire customers by keeping the price deliberately low and look at revision after a lot of customers have bought the product."

The regulator issued a circular on Tuesday which said that general and health insurance companies, while modifying health products, should not be allowed to alter the existing benefits and add new



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benefits that may lead to an increase in premiums.

However, the companies could carry out minor modifications. Also, the addition of new benefits or upgrade of existing benefits can be offered as add-on covers or optional covers with a standalone premium rate.

Gurdeep Singh Batra, head - retail underwriting, Bajaj Allianz General Insurance, said: "It will be beneficial for

the customers as they can choose to opt for add-on covers per their needs. Also, now, the insurers can expand the product for the benefit of the customer with necessary add-ons. The regulator is basically allowing insurers the flexibility to add any new benefits under the policy via separate add-on with a specific price of that add-on, so the insured can make an informed choice and expand the coverage."

Amit Chhabra, head of health insurance at policybaazaar.com called it a "very pro-consumer move, as there have been numerous cases where customers have experienced a major hike in the premiums without their consent".

From the insurance companies' perspective, it will do away with the flexibility they had in terms of increasing the premiums by adding certain benefits. Also, they will have to now make sure that their product pricing is such that it will be able to sustain over a long period of time.

"It will increase the responsibility on the part of the insurers to price the product well in the first go. Every 2-3 years, we have seen a hike in price by some insurers and that has resulted in some grievances from consumers. If there is a nominal rise, it is understandable but in some cases, the premiums went up by 30-40 per cent. Hence, the renewal rate went down. So, this move by Irdai will also help improve the retention rate or the renewal rate," said Naval Goel, founder & CEO,

PolicyX.com.

"This move will reduce the uncertainty regarding prices and give the consumers a choice."

As far as insurance companies are concerned, they have to work on the operational side a bit more, said Mishra of Max Bupa.

The regulator has also asked the appointed actuary of the insurance companies to review the financial viability of every product at the end of every financial year and submit a report to the board of the company to ensure the sustainability of the product and to protect the interests of policyholders.

Also, the companies have to submit a status report to the regulator along with the board's suggestions and the corrective actions to be taken by September 30 of every financial year.

Insurers have also been told to follow a standard format for giving out various information to the customers regarding the policy. The wording will need to be standard and simple without the use of any jargon.