

Pay health premiums in instalments now

Monthly, quarterly or half-yearly: choose your frequency to pay

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Are you delaying purchasing a health insurance cover because you find the annual premium too steep to be paid in a lump sum? Or have you bought a lower cover to ensure the premium is affordable? The insurance regulator may have found a solution to these problems. Policyholders will now be given the option to pay health insurance premiums in various frequencies or instalments such as monthly, quarterly or half-yearly. The Insurance Regulatory and Development Authority of India (Irdai) on Monday issued a circular, which allows general and standalone health insurers to collect premiums in instalments; until now, these were collected on an annual basis.

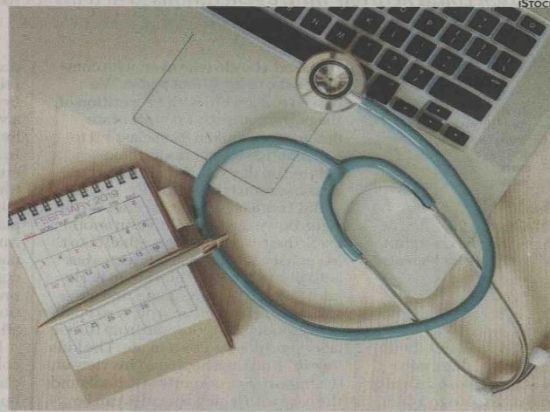
"Every consumer industry has seen a jump in sales with the availability of easier payment options. Relaxed premium frequency options, especially monthly premium, is a great boon for customers and will increase the adoption of health insurance, as well as empower people to buy larger covers," said Mahavir Chopra, director, health, life and strategic initiatives, Coverfox.com.

THE CHANGES

Other than this, the regulator has also allowed insurers to undertake minor modifications in approved individual insurance products on a certification basis without waiting for Irdai's approval. Some of these modifications include addition of distribution channels, change in the base premium rates but not exceeding a change of (negative or positive) 15% of the annual premium rates, decrease in minimum premium and increase in maximum premiums, decrease in minimum age or increase in maximum age, among others.

Irdai said insurers are allowed to increase or decrease premiums by 15%, caused due to the modifications, based on the loss-ratio numbers of the last three financial years. The circular stated, "The proposed increase is allowed subject to 'actual loss to expected loss' ratio exceeding 130% in each of the preceding three full financial years." Rashmi Nandargi, head, retail health, personal accident and travel underwriting, Bajaj Allianz General Insurance Co. Ltd, said this change in premium would be applicable on annual premiums and across all age bands.

Sanjay Dutta, chief - underwriting and claims, ICICI Lombard General



Insurance Co. Ltd, said allowing minor modifications is a welcome change as it is beneficial for both the insurer as well as the policyholders. He said the insurer will be able to provide better and more viable products and in a much shorter time span as the circular allows making changes on a certification basis. "Although the proposed modifications should not impact the benefit structure of the product, including the manner of settlement of the underlying benefits and the way a product reaches the customers, it still gives a lot of flexibility in terms of premium payment modes, sum insured options and premium increase or decrease option to the insurers," added Dutta.

Irdai, in its circular, stated that the change of premium rates, resulting in an increase, shall be applied only after the expiry of three years from the date of launch of the approved or modified individual product. Also, if the premiums are modified as per the suggested framework, they cannot be changed for the next three years.

Typically, maximum age limit to buy a policy or the entry age for health insurance policies is up to 65 years—once bought health insurance can be renewed for life—but now, the insurer can extend the entry age beyond 65 years or as per the maximum age filed. However, the insurer will have to inform the regulator on certification basis and also all the marketing channels with reference to these changes and then make the product available. "The minor modification does not allow the

insurers to make any changes in the filed premiums. If the product is filed with differential premium for healthy and unhealthy lives, the same would continue," said Nandargi. She added that there would be no changes on the premiums and the terms and conditions front. "The insurers can bring in various premium payment options to make insurance more affordable with convenience of instalments. However, insurance premiums are based on age, sum insured and sometimes the geography. The same would continue," said Nandargi.

The regulator's move also comes as a relief for senior citizens whose premiums increase significantly

Insurers can also add approved standalone riders or add-ons to individual health insurance policies, expand the list of day-care procedures offered and add more to the list of critical illnesses offered under benefit-based products.

HOW DO YOU BENEFIT?

Amit Chhabra, head, health insurance, Policybazaar.com, said customer demand changes very frequently and this move will allow insurance companies to offer greater flexibility and benefits to customers at a faster pace.

The guidelines are expected to help insurers implement the changes quickly, making their products more customer-centric. "The paying in instalment option would make products affordable and easy on the pocket enabling higher penetration of insurance," said Nandargi.

Chopra said the move is also a relief for senior citizens who face a significant hike in premiums.