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Health insurance policy ratings have to evolve as more customer data becomes available

The panel on the topic 'Issues in rating health insurance policies' had Anuj Gulati, MD and CEO, Religare Health Insurance Co. Ltd; Kapil Mehta, co-founder, SecureNow Insurance Broker Pvt. Ltd; K. Sanath Kumar, chairman and MD, National Insurance Co. Ltd; Pushan Mahapatra, MD and CEO, SBI General Insurance Co. Ltd; Roopam Asthana, CEO and director, Liberty Videocon General Insurance Co. Ltd; and the moderator, Deepti Bhaskaran, insurance-editor, *Mint Money*.

Deepti Bhaskaran: With increasing healthcare costs, it is important for everyone to have insurance, which is why it is important to make it customer friendly.

K. Sanath Kumar: I think codification of the older health insurance regulations by the Irdai (Insurance and Regulatory Development Authority of India) was the biggest change.

It brought in a lot of certainty to the process, practice and filing of the product, its content, linking of policyholder's protection rights with health insurance regulations, and protection of the rights of senior citizens.

It brought clarity on what is

a pre-existing illness, and concepts of portability. Of course, more could be done but this particular regulation has brought in clearer parameters.

Anuj Gulati: The defining thing has been that health insurance has been recognised as a separate category from life and general insurance due to the Insurance Laws (Amendment) Act, 2015 that came about recently. The stage is set for the industry to take off from here.

Pushan Mahapatra: Standardisation around wording has been one of the biggest things to come out of the regulation. Best outcomes are those that help the customer take a better view of the products and make a choice.

Roopam Asthana: From a customer's point of view, guarantee of lifelong renewability. The fact remains that people don't buy health insurance. One of the biggest reasons for that is they believe the health insurance company will cheat them.

So, all features and regulations that encourage customers to buy health insurance and stays with it for long, are the strongest signal that you can get from a regulator.

Bhaskaran: While there has been standardisation,



From right: Roopam Asthana, Liberty Videocon General Insurance; Pushan Mahapatra, SBI General Insurance; Kapil Mehta, SecureNow Insurance Broker; Anuj Gulati, Religare Health Insurance; K. Sanath Kumar, National Insurance; and Deepti Bhaskaran, insurance-editor, *Mint Money*

there are still some grey areas.

Kapil Mehta: What I struggle with is that when I read a contract, I see new exclusions have crept in, something very specific. There are differences in the way people will treat, say, the definition of hospitalisation in a single room. If I as a person who does this business day in and day out, find it difficult to keep track of, I worry how consumers do that.

Kumar: There is always a dispute on how much you

should regulate. Is the regulator there to micro-manage all exclusions and policy conditions or give broad regulations and leave it to the industry and market to determine? I feel it's not the function of a regulator. There should be broad-based management and the rest should be left to the insurers. The regulator should watch the policyholder protection regulations, and allow the market to function. So, standardisation should

be left at a broad level (by the regulator) and the definitions to the insurer.

Asthana: I will take a contrary view. Health insurance is so desperately under-penetrated that it needs desperate surgery. For example, the Jan Dhan personal accident cover has worked. Low-cost, simple, easily available and simply administered.

This is the time for the regulator to work on a standard product that every company

has to make available. For more coverage, people should pay more. That's where ratings really come into place.

Gulati: Each segment is large in its own right. There is need for simplification and to cover the masses. But the challenge with retail is that when you go out and select individuals in an under-penetrated market, the riskiest or the people will be the first ones to buy. And that won't be good enough to sustain the pool.

One thing the regulator has done well and which goes a long way in building trust is grievance redressal.

Mahapatra: Ultimately, redressal of grievance has a lot to say. Right from the product to the servicing.

Mehta: In grievance redressal, route one is to complain to the insurer and keep escalating it within the company. Route two is to go to the regulator. But the regulator does not adjudicate. It will normally pass it back to the insurer.

In 15-20 cases I have personally gone to the ombudsman on someone's behalf, and it has taken me a year or a year-and-a-half, and it has not been a satisfying experience. But we didn't have public disclosures earlier.

Today it goes into 26, 30, 40 forms. This data has to become more granular so that analysts like us can see what is happening in the marketplace.

Bhaskaran: Why isn't the industry proactively disclosing and going beyond the reg-

ulatory mandate?

Gulati: There is never enough data. The intent is to make it more transparent. Increasing penetration with sustainability is very important. Guaranteed renewability can be the biggest disaster for the industry. The customer has the right to continue to renew, but we can't even differentiate the price on that individual. I feel very scared of 'cheap insurance' which were launched at low premium but at renewal the premium shot up dramatically. It has to be done in a sustainable manner.

Bhaskaran: We have seen companies come with rock-bottom pricing and then increasing it to unaffordable levels. Is it a case of competition or is it poor underwriting?

Asthana: It is more an issue of lack of numbers. If you have a small volume of business, some events do lead to such increase. As penetration goes up, these large variations would smoothen out.

Gulati: One of the suggestions the industry has been making is to look at inflation that is CPI-plus (consumer

price index-plus). At least that much inflation on premium should be allowed.

Asthana: What we see is medi-flation. But the bigger issue is regulating the healthcare system.

Bhaskaran: So how do you make a good product and then make sure that it doesn't become unaffordable in a few years? That would be a good metric to track in our ratings.

Gulati: I worry about sustainability. For instance, a large weightage given to no room rent sublimit. If those buying lower covers start staying in suites in hospitals, there will be inflation, which we will see in claims and all customer will have to pay. We have to balance out, first, feature benefit to exposure and price point, and second, disclosure on price increase in overall portfolio.

Asthana: One way is to look at it is the claims rate. A product is sustainable as long as losses are at a level that makes commercial sense. We have to look at data across different price points, plans, vintages and types of companies.

Mahapatra: It is good to have ratings. But we have to build models and continually improve them. Because they will also evolve, more and more data will be available.

Kumar: One point could be post-sales service. Is the insurer available for the customer after the policy is bought? There has to be visibility and accessibility to the company.

Codification of older health insurance regulations by Irdai was the biggest change