



9th May 2012

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Hyderabad 500004

Sub: Health Insurance issues that need regulatory intervention and direction

Dear Sir,

Greetings. We would like to thank you once again for agreeing to address and interact with the members of MoneyLife Foundation (a not for profit entity engaged in financial literacy and advocacy on behalf of savers) members on 16th May 2012 in Mumbai. We also appreciate your willingness to interact with a small group of senior citizen activists on the way forward regarding their issues.

Sir, we have put together two notes compiling some of the pressing issues that affect policy holders which we hope may be useful to keep the interactive part of the meeting on track. There are several issues relating to Mediclaim which we would like to highlight for your attention -

I - Product issues

Issue# 1 - Senior citizens disallowed increase in Sum Insured (SI).

Survivors of critical illness like cancer are also denied increase in SI by the insurance company. This is easily managed by the insurance company under the garb of 'Right to Underwrite'.

Action required - There should be mandatory allowance for inflation-linked increase in sum insured irrespective of past claims history.

Issue# 2 - Lifetime cover.

Action required - Lifetime renewal of mediclaim should be for all customers, across all products. There should be no refusal for policy renewal on grounds of claims. Renewal notice should be mandatorily sent by the insurer.

Issue# 3 – Lifetime Personal Accident for Senior Citizens

Seniors are susceptible to accidents but Personal Accident (PA) is allowed till age 70 years.

Action required - PA policy should be offered with lifelong renewal.

Issue# 4 - Cashless facility stopped is only for individuals and not for groups.

Jaslok hospital in Mumbai has been added to Preferred Provider Network (PPN) to offer cashless facility, but New India Assurance asks for 20% co-pay for treatment, which is self-defeating.

Action required – Most of the major hospitals in Mumbai and other metros are not offering cashless facility with Government insurers. Cashless facility must be re-started for all consumers, at all Quality Council of India (QCI) accredited hospitals and nursing homes with no co-pay from insured.

Issue# 5 –Group insurance is affecting individual policies.

Individual mediclaim premium has been hiked substantially over the last five years due to heavy losses from group insurance portfolio. Individuals have no clout when compared to group insurance for whom the insurer is willing to go out of their way to acquire the business even if it is loss-making. The benefits enjoyed by group insurance are tremendous, but individuals end up with restricted cover. The undercharging of group insurance leads to overcharging for individual policies.

Action required – Coverage, claims settlement and customer service for individual insured needs to be drastically improved, while underwriting norms for group insurance needs to be made stricter. IRDA needs to ensure that insurance companies give value for the premium paid and settle genuine claims.

Issue# 6 – Claims-based loading is discouraging people from buying insurance.

Insurance companies assert that individuals should buy health insurance at a young age. Many times the insured has no claim for over a decade. Even a single claim leads to heavy loading subsequently, without consideration, for the number of years the insured has had no claims. This is a disincentive to buy health insurance for young Indians. How can health insurance penetration be increased when people do not believe that insurance company will pay their claim?

Action required – Claims-based loading needs to be relooked by IRDA. Senior citizens are worst affected, but so are others.

Issue# 7 - Need to cover prosthetics and artificial limbs for disabled.

At the moment, not all insurance companies cover the cost of prosthetics. The government insurers cover artificial limbs and prosthetic devices implanted during surgical procedure, like pacemaker. Max Bupa mediclaim cover prosthetic implants up to sum insured while Bajaj Allianz mediclaim does not cover it. There is huge variation in the cost of prosthetics depending on the quality, workmanship, etc.

Action required - IRDA must make it mandatory for all insurance companies to cover the cost of prosthetics up to the sum insured without artificial caps.

II - Claims settlement issues

Issue# 8 - 24 hour hospitalisation used as an excuse to reject claims.

Today technological advancement does not necessitate hospitals to keep the insured for more than 24 hours in many cases. In some cases, even cataract patients are allowed to go home after a few hours. Insurance companies are rejecting claims under the garb of 24 hours hospitalisation.

Action required - More day-care procedures need to be added to mediclaim. IRDA should make insurance company needs realistic rather than mechanically rejecting claims just because the stay in hospital was less than 24 hours.

Issue# 9 - Lack of infrastructure to receive hospitalisation intimation.

Many insurers have a 24 hour intimation rule for hospitalisation and 7 days for claim submission. This works in many cases, but not when it is an emergency - e.g. accidents, heart attacks. Claim submission takes longer if the patient is recuperating and does not have help. This happens often enough with nuclear families these days. Delay in submission is used as an excuse for rejecting claims even when timelines have been met. There are other issues too. For instance, TPA's deny having received hospitalisation intimation. Sometimes they do not have 24-hour helpline, are closed on public holidays and weekends, or are short-staffed leading to endless wait time to get connected to a person. This prevents genuine hospitalisation intimation and is often exploited to reject claims mechanically.

Action required - The good news is that Insurance Ombudsman (especially in Mumbai) has been ruling in favour of the insured, but it takes one year to get justice. IRDA should take tough stand on such frivolous claims rejection by making it a class action issue, especially when there are multiple examples available from the Ombudsman's ruling. This will put an end to deliberate rejections. The Reserve Bank of India's Ombudsman's office

was hugely empowered by the decision to treat multiple complaints of a similar nature as a class-action issue.

All insurers should have 24 hour toll-free phone number, fax, email and SMS facility for customers or agents to intimate hospitalisation. Technology makes this both inexpensive and easy to provide. Email/ internet and SMS should have an auto confirmation facility. It is not acceptable that genuine intimation within the timelines end up rejected with TPA's denying receipt of intimation.

The purported reason for hospitalisation intimation within 24 hours is to prevent hospital fraud. In less than 5% of cases, the insurer/TPA actually visits the hospital to verify the case. Why insist on the timeline when insurer/TPA does not act on it? The timelines differ by each insurer.

There is a case to extend the hospital intimation as well as claim submission deadlines; after all we are dealing with illness which brings with it trauma or temporary disability or simply lack of access to relevant support in emergency situations. At best, insurers ought to be allowed to reject claims if the lack of intimation seem deliberate or is done despite a planned, non-emergency hospitalisation. Sundays and public holidays ought to be excluded from the calculation of claims submission period; it ought to be strictly based on the number of working days. IRDA should prescribe that all insurance companies must have common rules for intimation and claims submission in order to make it easy for the insured. This is an important need after portability of policies had been introduced by the regulator. Policyholders ought not to be confused with frequent changes in terms and conditions by insurance companies. Examples can be provided if necessary.

Issue# 10 – Poor grievance redressal even after introduction of new system 'Integrated Grievance Management System (IGMS)'

Action required - Quick disposal of claims is desperately needed. Cheques must be issued in a specified time by the insurance company, say in one month. For non-compliance, the insurance company must be fined. We need a proactive action against insurers and to stop them being just a facilitator. IRDA should institute Sr Citizen centric nodal officers at Director-level, and also at insurance companies, to specifically address all elder related issues.

Issue# 11 – Wide inconsistency in claims settlement.

There are instances wherein claim is passed for a group insurance patient and rejected for an individual patient (for same hospital). Also, claim is passed for a bigger hospital patient and reduced for smaller hospital patient. There is no standardisation in claims settlement. The matter has worsened with TPA involvement as they have power to pay or reject without proper medical reasoning or qualified doctor evaluation.

Action required - IRDA draft guidelines of claims settlement is still awaited. It was supposed to be ready by April 30, 2012. Please expedite the same.

III- TPA issues

Issue# 12 - 'Reasonability clause' cited for rejecting claims does not exist under any section of the Insurance Act or Health Services Regulations.

Action required - Consumers must get a statement of specific medical reason for denial, which must include name, signature and license number of the doctor making the final decision. Consumer must also have the right to a review by designated independent qualified experts, who are not affiliated to the insurance company, before the matter can be taken to an Ombudsman.

Issue# 13 - Health Services Regulations and Insurance Act does not provide for a TPA to act as an intermediary who can settle claims.

Today, TPA's issue claims settlement cheques to consumers. There are instances where TPA mails the cheque several months after the cheque issue date.

Action required - Claims settlement cannot be outsourced to a TPA and must be done in-house, by a qualified medical practitioner as per section 42D(5)(e) of the Insurance Act. All claim documents should be scanned, to be accessed online by the empanelled doctor to sanction claims. Each claim must be settled in a pre-specified time and the statement must include name, sign and license number of the doctor. Since there is no tri-partite agreement between the Insurer-TPA-consumer, TPA's cannot issue cheques to the consumer. There is also a potential misuse of funds.

Issue# 14 -TPAs receive an incentive from insurance companies to reduce claims outgo which is against the spirit of insurance.

Action required - There is a need for complete review of TPA working by IRDA (as per the Sastry committee recommendation). Further, Oriental Insurance Happy Family Floater policy provides a 5% discount on premium if the insured opt for no TPA; the same should be applicable to the other three public sector insurers as well.

IV -Intermediary issues

Issue# 15 - Service issues with bank group mediclaim policies.

Action required - Mediclaim policies offered to account holders of public sector banks are at low premium, but the service specifically for claims is an issue. There is no help from bank, which is an intermediary. There is a need for service improvement from insurance companies.

Issue# 16 - No discount if policyholder does not want intermediary services.

Action required - Caps on intermediary commissions needed. There should be discount if customer buys directly from insurance company with no involvement of an intermediary.

V - Hospital Charges

Issue# 17 - Lack of control on the medical charges of hospitals and consultants.

Action required - All the services provided by hospitals, consultants and GPs need to be covered by IRDA's Regulatory framework. There needs to be subsidisation of healthcare services rather than subsidising premiums (Sastry committee recommendation). This is possible if Armed Forces Medical College (AFMC) report on procedure rates is implemented. The report is with IRDA. It can be updated and used to enforce hospital charges.

Issue# 18 - Differential charges for insured and non-insured patients. Action required - Rate charts must be prominently displayed at the hospital. Severe action should be taken against hospitals flouting this rule. The Insurance Forum may be asked to look into the issue.

VI - Class action

Issue# 19 - Overcharging of premium by New India Assurance.

On March 20, 2012, IRDA issued a warning to New India Assurance about refunding the excess premium charged in respect of one Mr. Bhagi Ramanath's mediclaim policies. IRDA has asked the insurer to refund excess premium charged to the concerned mediclaim policyholder. It was attributed to a software glitch. IRDA needs to treat this as a class action and ask the company to refund the excess charged to all policy holders. We learn that New India Assurance collected extra premium from policy holders during the period of 16th Aug 2007 to 29th May 2008. Anant Meghji Nandu has written a letter to you on Feb 17, 2012 to seek justice for all.

Action required - The amount of overcharged premium runs into crores of rupees. IRDA needs to direct New India Assurance to refund the excess premium in all the cases and not just to those who make complaints.

Issue# 20 – Mandatory nominee for personal accident policy

The Lucknow bench of the Allahabad High Court, we learn, has issued contempt notice to IRDA on this issue. We believe that insurance companies are uninterested in having nominee details filled out, since it reduces claims. The process of providing that a nominee is legally entitled to collect on the policy is very cumbersome and insurance companies are clearly getting the advantage of this slow process.

Action required – We request IRDA to put the onus on insurance companies to have nominee details entered in policy documents.

VII - Hospital insurance forum

Issue# 21 – Public Representation

Health insurance forum needs to have public representation. Currently, there is only one IRDA nominated public representative.

Action required - Revise membership to include Sr. Citizens and other interested groups.

With Best Regards,

**Trustees: Moneylife Foundation (Sucheta Dalal & Debashis Basu- Founder Trustees;
Raj Pradhan, Director)**

(This document has been prepared after detailed consultation and collaboration with a number of activists, experts, eminent persons and citizen groups. They include – Mr B N Makhija (The Law Point), Mr Nagesh Kini (Social Activist), Mr Sailesh Mishra (President, Silver Inning Foundation and National coordinator of Joint Action Committee of Senior Citizen organisations), Mr Samar Mahapatra (Vice-President, General Insurance Pensioners Association), Mr Kaka Samant (General Secretary, General Insurance Pensioners Association of Western Zone), Ms Alpa Desai (Social worker with Family Welfare Association), Mr Gaurang Damani (founder – Karmayogi Prathistan NGO), Mr Hoshang Nekoo (Insurance Activist), Vijay Aundhe (Secretary, FESCOM Mumbai), Ms C.Saigita (Center for Life Long Learning , TISS), M.B.Kulkarni (Vice-President, AISCCON), J.K.Karulkar (All India Retired Insurance Employees Federation), Ankita Luharia (iVolunteer), Dhanalaxmi Rao ('1298' Senior Citizens Helpline), Chandrakant Dhole (Helpage India)