

**REPORT OF THE WORKING GROUP ON
SETTLEMENT OF PERSONAL ACCIDENT AND
BENEFIT BASED HEALTH INSURANCE CLAIMS
IN INSTALLMENTS**

January 2019



**भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA**

**REPORT OF THE WORKING GROUP ON
SETTLEMENT OF PERSONAL ACCIDENT AND
BENEFIT BASED HEALTH INSURANCE CLAIMS
IN INSTALLMENTS**

January 2019

**Chairman
Insurance Regulatory and Development Authority of India
Hyderabad**

Respected Sir,

Sub: Report of the Working Group constituted to examine the Concept of Settlement of Personal Accident and Benefit Based Health Insurance Claims in Installments

I have immense pleasure in submitting the report of the Working Group constituted vide IRDAI order Ref: IRDA/HLT/ORD/MISC/171/10/2018 dated 12th October, 2018 for analyzing the concept of settlement of personal accident and benefit based health insurance claims in installments.

The report and the recommendations contained are the outcome of extensive deliberations on the subject by the working group members, meetings with various stakeholders, study of the practice followed in the life insurance industry and the prevalent international practices. The deliberations were focused on the following points:

1. The need for allowing settlement of personal accident and benefit based health insurance claims in installments by general and health insurance companies.
2. If considered, operational procedures to be put in place to protect the policyholders' interests such as:
 - (i) Whether the installment option choice is to be given to the policyholder at the beginning, during the policy duration or at the claims stage.
 - (ii) Maximum number of years in which claim installments can be considered to be paid.
 - (iii) Possible options for the rate at which interest to be paid on the claims installment amount.
 - (iv) Legal issues involved at the claims payment stage viz. nominee rights etc.
3. Benefits to the policyholder/ beneficiary for allowing claim settlement in installments.
4. Actuarial, Accounting and Investment norms that need to be put in place before considering the concept.
5. The practice followed by life insurers and other international practices.
6. Any other matter relevant to the subject of claim settlement in installments.

The report is basically structured in the following parts:

PART A

Methodology Adopted by the Group

International Practices

PART B

Recommendations of the Working Group

PART C

Other details

On behalf of the members of the working group, I sincerely thank you for entrusting this responsibility to us.

Place: Hyderabad
Date: 10th January, 2019

Suresh Mathur
Chairman of the Working Group



Ref: IRDAI/HLT/ORD/Misc/111/10/2018

12th October, 2018

ORDER

Re: Constitution of Working Group to examine the concept of Settlement of Personal Accident and Benefit Based Health Insurance Claims in Installments.

- 1) Some General and Health Insurance Companies have proposed payment of claims in installments in respect of Personal Accident Policies and Benefit Based Health Policies as against lump sum payments. The concept of settlement of claim benefits in installments will enable the beneficiaries / claimants to receive payments in a series of pre-determined installments.
- 2) In order to examine the above concept and submit report, a working group is constituted with the following Members:
 - i. Mr Suresh Mathur, E D (Health), IRDAI.
 - ii. Mr Antony Jacob, MD and CEO of Apollo Munich Health Insurance Co. Ltd.
 - iii. Mr R M Singh, General Manager, New India Assurance Co Ltd.
 - iv. Mr Biresh Giri, Appointed Actuary, ACKO General Insurance Co Ltd.
 - v. Mr Sameer Shah, Chief Financial Officer, HDFC Ergo General Insurance Co. Ltd.
 - vi. Mr R K Sharma, General Manager (F&A), IRDAI, Hyderabad.
 - vii. Mr Pankaj Kumar Tewari, Dy. General Manager (Actuary), IRDAI, Hyderabad.
 - viii. Mr Md Ayaz, Asst. General Manager (Health Regulations), IRDAI, Hyderabad.

Mr Suresh Mathur, E D (Health) shall be the Chairman of the working group.

Mr Md Ayaz shall be the Member – Convener.

- 3) Terms of reference for the working group shall be: -
 - i. The need for allowing settlement of personal accident and benefit based health insurance claims in installments by General and Health Insurance Companies.
 - iii. Accounting, Actuarial and Investment norms that need to be put in place before considering the concept.
- 4) The working group may hold meetings as and when needed and submit the report with recommendations within eight weeks from the date of this order. The working group may invite other stakeholders to the meeting(s) as special invitees as may be required.


Member (Non-Life)

TABLE OF CONTENTS

Contents	Page No.
Acknowledgements	6
Background	7
Executive Summary	8-10
PART A	
Methodology adopted by the Group	11-12
International Practices	13
PART B	
Recommendations of the Working Group	14-19
PART C	
Other details	20

The report and the recommendations reflect the collective views and opinions of the members of the Working Group as a whole. These views are a result of the analysis, synthesis and deliberations with different stakeholders representing insurance companies (life/ general/ health), life & general insurance councils, policyholders' representative, representatives from IBAI, TPAs and reinsurers.

ACKNOWLEDGEMENTS

At the outset, the Working Group places on record its thanks to the Chairman, IRDAI and Member (Non-Life) for providing an opportunity to discuss about the need of customers and the industry for such products which pay personal accident and benefit based health insurance claims in installments and suggest the recommendations for the same.

The Working Group would like to profusely thank various stakeholders for sharing their valuable inputs and suggestions. These suggestions provided an outlook on the collective industry view after considering the demand for such products in the market, features of the prevalent products with similar benefits of life insurance companies, as well as, some international practices.

The Working Group would like to profusely thank the representatives of the life insurance companies, general insurance companies, health insurance companies, life and general insurance councils, reinsurance companies, representative of policyholders, IBAI, TPAs who gave their valuable time and shared valuable suggestions and viewpoints in the meetings, in person and through emails and letters.

The Working Group would like to especially thank HDFC ERGO General Insurance Company and Apollo Munich Health Insurance Company for providing the space and infrastructure in facilitating the discussions.

Last but not the least, the Working Group is extremely grateful to the management of the insurance companies that the Working Group members represent for providing the members with time and resources for completing this report.

BACKGROUND

Various General/ Health insurance companies are proposing to provide an option for payment of claim benefits in respect of Personal Accident (PA)/ Benefit Based Health insurance policies in installments.

This concept may be altogether new to the general/ health insurance industry, but it is in vogue since long in the life insurance industry, especially in respect of endowment policies where maturity claim benefits are paid in installments to the policyholders who exercise this option which is referred as settlement option.

The option proposed by general/ health insurance companies is limited to the extent of making payment of claim proceeds in pre-determined installments on the happening of a contingent event.

The premise behind considering the concept of settlement of claims in installments in PA/ benefit based health insurance products is that it may be of great help to meet the medium to long-term medical/ family needs of a policyholder/ beneficiary. Currently, benefit based health policies pay out the entire claim amount as full and final settlement on the happening of a specified event. However, the family may not be able to invest this compensation amount properly to generate regular income at least for some years till alternate means of income become possible. This concept may also enable insurers to design the products where one benefit may be payable in lump-sum to meet the immediate needs of the policyholders/ claimants and the other benefit payable in pre-determined installments.

The proposed concept in PA/ benefit based health insurance products may be more seen as a claim facilitation which is a function of the claims settlement of the insurer and as an extension of the methodology of payment of claims, which is for a limited period not exceeding 5 years.

Scenario in the Life Insurance Industry

It may be pertinent to note that the definition of Life Insurance Business as per Section 2(11) (b) of the Insurance Act, 1938 ("Act") includes the granting of annuities upon human life. This would strictly apply to the granting of immediate or deferred annuity policies which are contingent on human life.

This being the case, the option of payment of claims in installments in PA/ Benefit Based Health insurance products is limited to the extent of making payment of claim proceeds in pre-determined installments on the happening of a contingent event.

EXECUTIVE SUMMARY

The Working Group met on various occasions and discussed about the need of the customers and the industry for such products which facilitate settlement of PA/ benefit based health insurance claims in installments. The group carefully examined the suggestions received from various stakeholders in the industry. The group also deliberated in depth on various legal, operational, actuarial, accounting, investment issues, likely risks such as the liquidity and interest rate risk involved along with possible options at which interest has to be paid on the claim amount in installments in designing of such products. For ensuring informed choice for customers and for the protection of the policyholders' interests, the group took all these aspects into consideration while making the following recommendations.

1. Payment of claims in installments

- (i) The settlement of PA/ benefit based health insurance claims in installments shall not be a default option.
- (ii) The General and Health insurance companies may be allowed to offer the option of payment of claims in installments or in lump-sum upon happening of a contingent event in cases of Indemnity products that have a fixed component, as well. For example specific illness (like cancer) based product that has both fixed benefit and indemnity components.
- (iii) The installment facility may also be available for fixed benefit riders/ add ons attached to the indemnity policies.
- (iv) The provision of getting the claims in installments or lump-sum is a decision that should be taken by the policyholder and not the insurance company. An explicit consent shall be taken by the insurer from the insured.
- (v) It should be in addition to the lump-sum payment option and shall be allowed based on the option exercised by the policyholder.
- (vi) Combination of both the options i.e. lump-sum payment and in installments may be offered as part of the product design.
- (vii) The installment option may be offered for claim above a certain threshold limit only.

2. Timing of exercising the installment option

- (i) The option of receipt of claim amount in lump-sum or installments is to be exercised by the policyholder at the time of proposal.
- (ii) Further, as the needs of the policyholders are dynamic in nature, it is ideal that the policyholders have an option of altering the mode of receipt of payment of claims from lump-sum to installments and vice versa during the policy duration and also at the time of claim.

3. Nomination

- (i) The provisions of Section 39 of the Insurance Act, 1938 are applicable to the policies of life insurance. For the general/ health insurers, it is recommended that there shall be complete information made available in the policy contract about the rights of the policyholder to appoint a nominee, flexibility of changing the nominee and procedure for changing the nominee during the policy duration.
- (ii) Insurers shall invariably capture the details of nominee in the proposal form for the proper administration of the claim settlement process.
- (iii) Change in nominee by the policyholder shall be allowed during the currency of the policy and post the commencement of installment payments.

4. Tenure of the claim installments

Specifying a cap on the maximum number of claim installments would help in ensuring uniformity across the industry. It is recommended that the claim payment period can be capped up to a maximum of 5 years as per the needs of the target customers.

5. Periodicity of the claim installments

The periodicity of the installment can be either monthly or quarterly or bi-annual or annual basis as per the product design.

6. Payment mode of the claim installments

The mode of installment payments should be fixed as RTGS/NEFT in order to mitigate payment hassles and unclaimed balance situations.

7. Manner in which the payment of the residual amount to be made in case of the death of the claimant /nominee/beneficiary

While the laws of land determine the norms of inheritance, in the absence of specific provisions in the Insurance Act, 1938 governing the rights of inheritance to the unpaid/ residual claim monies of health insurance claimants/nominees/beneficiaries of general/ health insurers, it may be ideal if these are suitably framed in the terms and conditions of the policy contract.

It is expected that the insurers will frame the contracts in accordance to the applicable laws.

8. Pricing of the option

The pricing aspects have to be dealt by Appointed Actuary at filing stage while deciding about terms and conditions to be offered to policyholders for settlement option of claims in installments. Taking into account that this facility is introduced for the first time in case of general and health insurance products, Appointed Actuary has to exercise caution and review these options periodically so that they are more useful and attractive for the policyholder. The design part is

equally important and hence there is a need for sufficient literature so that the policyholder clearly understands what the settlement option is and how it is useful to him.

9. Accounting Norms

Post the approval of the claim, where installment option is exercised by the policyholder, the outstanding claim amount shall appear in outstanding claims reserve in Schedule 13 of current liabilities.

Accounting norms shall be continued to be governed as per the extant applicable regulatory framework.

10. Actuarial Norms

The pricing of settlement option of claim in installments shall be disclosed by the Appointed Actuary while filing the product with the Authority. Appointed Actuary is also expected to consider all the parameters that impact design of settlement option of claim in installments including pricing and reserving considerations, if any, and shall disclose them adequately in the Technical Note submitted along with the filing documents.

IBNR and IBNER will be provided as per the current IRDAI stipulations.

11. Investment Norms

The outstanding claims shall be invested in line with the extant IRDAI Investment Regulations.

METHODOLOGY ADOPTED BY THE GROUP

The Working Group constituted under the Chairmanship of Mr. Suresh Mathur, ED (Health), IRDAI met on various occasions and deliberated on the following points:

- (i) The need for allowing settlement of PA and benefit based health insurance claims in installments by general and health insurance companies.
- (ii) If considered, operational procedures to be put in place to protect the interest of the policyholders.
- (iii) Accounting, Actuarial and Investment norms that need to be put in place before considering the concept.

While deliberating on the abovementioned points, the Working Group members and the various stakeholders provided their inputs on the same. The Working Group collated all the information and came out with suitable recommendations to be considered by the Authority.

The Working Group met/took views from the following stakeholders:

- (i) Representatives from Life Insurance Council and General Insurance Council.
- (ii) Representatives from Life Insurance companies.
- (iii) Representatives from Non-Life Insurance companies.
- (iv) Representatives from Standalone Health Insurance Companies.
- (v) Representatives from Reinsurance companies.
- (vi) Policyholders' representative.
- (vii) Representatives from Insurance Brokers Association of India (IBAI).
- (viii) Representatives from Third Party Administrators (TPAs).

Key aspects examined and addressed by the Working Group

The Working Group, while evaluating the possibilities for development of product(s) which facilitates settlement of PA and benefit based health insurance claims in installments, for ensuring informed choice and for protection of policyholders' interests, deliberated on the following aspects.

1. Payment of claim amount in installments to be in addition to the lump-sum option and allowed based on the option exercised by the policyholder.
2. Provisions regarding the rights of the policyholder to appoint a nominee, flexibility of changing the nominee and procedure for changing the nominee during the policy year.
3. The option of receipt of claim amount in installments to be exercised by the policyholder at the time of proposal, during the policy duration/at the claims stage.
4. The option of receiving the claim amount in lump-sum to be allowed to the claimant/ nominee, in the event of a claim.

5. The duration/ number of years in which installments may be allowed to be paid.
6. The manner in which payment of the residual amount to be made in case of death of the claimant/nominee/beneficiary should be specified in the policy contract.
7. Manner in which the residual amount is to be determined/ calculated.
8. Insurers to be mandated to pay claim installments along with interest. Further, the rate at which the claim installment is calculated whether to be specified at the commencement of claim. Whether this should be at the bank rate prevalent at the beginning of the financial year in which claim becomes due or any other transparent criteria to be specified at the commencement of policy contract.
9. Issues relating to
 - (i) Accounting provisions
 - (ii) Actuarial Reserves
 - (iii) Investment norms

INTERNATIONAL PRACTICES

The committee has made an attempt to find out international practices in this regard. It was observed that there are not many jurisdictions having such kind of products. However, some products in international market offer the payment of accident benefit/ critical illness in installments or as annuities. Out of various international products examined, it was mainly observed that majority of the products are offered by Life Insurance Companies.

Some of the instances are as under:

Example from Zurich Australian Insurance Limited¹:

One product, namely, Personal Accident Insurance of Zurich Australian Insurance Limited is offered by the General Insurance Arm of the Company. The benefits offered under the Accident Insurance of Zurich Australian Insurance Limited are as under:

In case of Accidental Death- The insurer will pay the sum insured for accidental death to the estate of an insured person who dies anywhere in the world.

In case of Personal Accident- Following an accident causing injury to an insured person, the insurer will pay a weekly benefit payment and where applicable a capital benefit payment.

Example of a Korean Policy²:

According to the article 10 of the Korean policy, it is mentioned that the beneficiary can receive claims payment upon the business operation guideline (which is filed with the authority) and can decide to choose on agreed installments or as a lump-sum payment.

The method of the installments or lump-sum has described on how and which interest rate are to be applied and discounted.

Example of a German Policy³:

The policy allows payout of monthly sums if an accidental disability occurred, which can be interpreted as installments.

Further, websites of the Financial Services Board (South Africa), New York- Dept. of Financial Services, National Association of Insurance Commissioners (USA) and Monetary Authority of Singapore were visited which had limited information on such products.

¹Source :<https://www.zurich.com.au/content/dam/au-documents/business-insurance/accident-and-health/personal-accident-pds.pdf>

²Source: <http://www.fss.or.kr/fss/kr/bbs/list.jsp?url=/fss/kr/1207399008552&bbsid=1207399008552&page=2>

³Source:<https://www.gdv.de/resource/blob/6252/952c52d93fc486c4970a8c33e2ea0d1e/01-allgemeine-unfallversicherungsbedingungen-aub-2014--data.pdf>

RECOMMENDATIONS OF THE WORKING GROUP

1. Option of lump-sum payment or installment payment or both

The Working Group reached a consensus that for PA and benefit based health insurance policies, allowing payment of claim proceeds in installments may be of a great help to meet the medium to long-term medical/ family needs of customers. This is a positive move necessitated by ever increasing financial needs of a family on the happening of a contingent event under a policy. In case of a benefit based health insurance policy, it is necessitated by changing morbidity profile owing to rise in lifestyle diseases. Since, chronic diseases require ongoing or long-term monitoring through regular consultations, examinations, checkups, and /or tests, the need for payment in installments assumes greater importance. Also, when compared to the single payment mode, periodic payout has certain advantages as placed hereunder which may make them a popular choice:

- a) It provides a secure and regular income over a defined period of time.
- b) Installment payments are best suited where a policyholder being the sole bread-earner of the family is struck with a grave or total permanent disability.
- c) It is useful mainly in cases of protracted and expensive medical treatment.
- d) It is a safe option in the scenario where the beneficiary is not well versed with the financial market. He/ she would find it difficult to manage large sum of funds received in a single payment. A wrong financial decision/advice can lead to irreparable loss.
- e) Periodicity in claim payment is beneficial in situations where there is a defined periodic (monthly/quarterly/half yearly) liability (like child's education) with no other fixed source of income. It is therefore advantageous, that the individual/family receives these funds in installments.

There were also suggestions from some of the industry representatives that the installment option could be looked at only above a certain threshold limit (say Rs. 5 lacs or more). For smaller PA claims e.g. temporary total disablement/ partial permanent disablement claims, this would not add much value as it will increase the administrative costs of managing such portfolio.

The Working Group recommends the following:

- (i) Payment of claim amount in installments shall not be a default option. It should be in addition to the lump-sum option and shall be allowed based on the option exercised by the policyholder.
- (ii) Further, the General and Health insurance companies may also be allowed to offer the option of payment of claims in installments upon happening of a contingent event in cases of Indemnity products that have a fixed benefit component, as well. For example, specific illness (like cancer) based product that have both fixed and indemnity components.
- (iii) The installment facility may also be available for fixed benefit riders/ add ons attached to the indemnity policies.

- (iv) Both payment options, in lump-sum and installments, should be made available to the customers.
- (v) A combination of both the options may also be a good option, i.e. a percentage of the sum assured as a lump-sum payment at the time of claim and the remaining proceeds as periodic payments for a definite period.
- (vi) There shall be a clear demarcation of benefits in both the options at the time of taking the policy itself.
- (vii) The installment option may be offered for products with higher sum insured limit.

2. Timing of exercising the installment option

The timing of exercising the installment option is important from the point of view of both the insurer and the policyholder. Whether the decision should be allowed to be taken at the time of policy inception or at the time of the claim and whether the option once opted should be allowed to be changed during the policy duration, these are some of the things that need to be decided.

The group deliberated that as the needs of the policyholders are dynamic in nature, it is ideal that the policyholders have an option of altering the mode of receipt of payment of claims from lump-sum to installments and vice versa during the policy duration and at the claims stage.

It was further deliberated that the option to change the mode of claim payments is more appropriate from the perspective of the type of claim preferred by a policyholder. For example, under a critical illness policy, if a claim is preferred owing to diagnosis of cancer, the policyholder may prefer a lump-sum claim, however, if a claim is preferred on the performance of CABG, a claim in installments may be preferred.

It was also represented that once installment option is availed and the policyholder wishes to withdraw this option, then the commuted value of future installments may be allowed. Under such a case, the commuted value of future installments together with the earlier installments paid should not be less than the lump-sum benefit amount due under the policy. Some representatives also submitted that no change in the option may be allowed once the claim installment has initiated.

The Working Group recommends the following:

- (i) A policyholder must have the flexibility to decide on settlement option of claims in installments at various stages, i.e. at the time of policy inception, on renewal or at the claims stage.
- (ii) It is recommended that the policyholder may have an option of altering the mode of receipt of payment of claim from lump-sum to installments and vice versa during the policy duration any number of times.
- (iii) Even when installments have commenced, option may be made available to the policyholder to withdraw this option and seek the future installment amounts in lump-sum.

3. Nomination

It was highlighted to the Working Group that the provisions of Section 39 of the Insurance Act, 1938 is applicable on the life insurance policies. The Group acknowledges that the nomination is equally important in respect of personal accident and benefit based health insurance policies sold by general and health insurers specifically where the settlement of claims in installments is being considered. In the absence of the nominee details, there would be challenges in handling of claim payouts where the installment option has been exercised by the policyholder.

Further, the Group also deliberated upon the issue that whether a nominee may be allowed to have an option to receive claim payment in lump-sum or installments or whether the right should be available to the nominee to modify the option opted by the policyholder at the time of claim or not. The Group has observed that there are divergent views expressed on this issue by various industry representatives, as under:

- a) The option of deciding the mode of claim settlement should be with the policyholder only and not with the nominee at the time of settlement of claim.
- b) Further, subject to legal view in this regard, the nominee/ beneficiary (as the nominee may not be same as beneficiary and also may not have the legal rights to alter the benefit option chosen by the policyholder) may be given an option at the time of claim settlement to decide the form in which the benefit is to be made, i.e. either in lump-sum or installments.

The Working Group recommends the following:

- (i) For the general/ health insurers, there shall be complete information made available to the policyholder in the policy contract about the rights of the policyholder to appoint a nominee, flexibility of changing the nominee along with the procedure for changing the nominee during the policy year.
- (ii) Insurers shall invariably capture the details of the nominee in the proposal form for the proper administration of the claim settlement process.
- (iii) Change in nominee shall be allowed during the currency of the policy and post the commencement of installment payments.
- (iv) Subject to the legal position and policy terms and conditions, nominee may be allowed an option at the time of claim settlement to decide the form, in which the benefit is to be made, i.e. either in lump-sum or installments.
- (v) On incidence of a claim trigger where the claim amount is payable to the policyholder in installments, in the event of death of the policyholder during the tenure of the claims installment period, subject to the legal position and policy terms and conditions, nominee may be allowed an option to decide the form, in which the outstanding claim installments shall be made, i.e. either in lump-sum or to continue the installments.

4. Tenure of the claim installments

Specifying a cap on the maximum number of claim installments would help in ensuring uniformity across the industry. It is recommended that the claim payment period can be capped up to a maximum of 5 years as per the need of the target customers. The claim paid in installments will be spread during this period and will benefit the customers in the long term.

5. Periodicity of the claim installments

The periodicity of the installment can be on monthly or quarterly or bi-annual or annual basis as opted by the policyholder.

6. Payment mode of the claim installments

Some industry representatives expressed concern over unclaimed installments. It was suggested that as NEFT is mandatory, the unclaimed installments issue may not arise. The working group recommends that mode of installment payments should be fixed as RTGS/NEFT in order to mitigate payment hassles and unclaimed balance situations.

7. Manner in which payment of residual amount to be made in case of death of the claimant/nominee/beneficiary

While the laws of land determine the norms of inheritance, in the absence of specific provisions in the Insurance Act, 1938 governing the rights of inheritance to the unpaid/ residual claim monies of health insurance claimants/nominees/beneficiaries of General/ Health Insurers, it may be ideal if these are suitably framed in the terms and conditions of the policy contract. It is expected that the insurers frame the contracts in accordance to the applicable laws.

8. Pricing of the options (lump-sum or installments)

Keeping in view that the focus must be on the customers' needs, it is recommended that the premium for both the options i.e. lump-sum and installments should be kept uniform. Also, factored-in premium might conflict with the right of policyholder or the nominee to change the option at the time of claim.

There is an overall consensus, that as the benefit is delayed in case of the installment option, an additional benefit must flow in such a case to the policyholder. The claim amount so disbursed under the installment option should be higher as compared to the claim if paid in a lump-sum. In such a scenario, however, linkage to the interest rate may be avoided and fixed payout structure which is part of the claim installment schedule must be explained upfront to the policyholder at the point of sale itself. This would be more transparent to the customers since there would be no change in the payouts any time after the policy inception.

Additionally, it was also represented that at the time of approval of the product, the method of calculation to arrive at the installments (in lieu of lump-sum payment) may be provided.

The Working Group recommends the following:

- (i) Premium rate should be same for both the options.
- (ii) The total claim payment in installment option should always be higher than the lump-sum option.
- (iii) Linkage to interest rate should be avoided and fixed payout structure which is part of the claim installments schedule must be explained upfront to the policyholder.
- (iv) The pricing aspects have to be dealt by Appointed Actuary at filing stage while deciding about terms and conditions to be offered to the policyholders for settlement option of claims in installments. Taking into account that this facility is introduced for the first time in case of General and health insurance products, Appointed Actuary has to exercise caution and review these options periodically so that they are more useful and attractive for the policyholder. The design part is equally important and hence there is a need of sufficient literature so that the policyholder clearly understands what the settlement option is and how it is useful to him.

9. Accounting Norms

Post the approval of the claim, where installment option is exercised by the policyholder, the outstanding claim amount shall appear in outstanding claims reserve in Schedule 13 of current liabilities.

Accounting norms shall be continued to be governed as per the extant applicable regulatory framework.

10. Actuarial Norms

The settlement option of claim in installments is not a new term for the insurance industry. It is in vogue in respect of Life insurance products from considerable time period.

The pricing of settlement option of claim in installments shall be disclosed by the Appointed Actuary while filing the product with the Authority. Appointed Actuary is also expected to consider all the parameters that impact design of settlement option of claim in installments including pricing and reserving considerations, if any, and shall disclose them adequately in the Technical Note submitted along with the filing documents.

IBNR and IBNER will be provided as per the current IRDAI stipulations.

11. Investment Norms

It is recommended that the outstanding claims shall be invested in line with the extant IRDAI Investment Regulations.

12. Others

- (i) Policy Wordings: For PA/benefit based health policies, claim payment in installments has been suggested. Hence, to safeguard the policyholders' interests, the policy wordings should be standardized and it should be in simple language. The benefits, interest, if any, additional benefits, should be clearly defined and explained at the initial stage of the policy. This would help the policyholder in taking an informed decision.
- (ii) Operational challenges should be duly addressed such as provisioning norms, administrative and additional IT systems, intercompany claims, etc.

OTHER DETAILS

Following is the list of the Invitees who participated in the meetings of the group/ shared their valuable inputs:

Name of the Participant	Name of the Company/Organization
Mr. V Manickam	Life Insurance Council
Mr. Arvind Shenoy	General Insurance Council
Ms. Meenakshi Malhotra	LIC of India
Mr. Soumitra Narayan	HDFC Life Insurance Co. Ltd.
Mr. Rajanish Madhukar	SBI Life Insurance Co. Ltd.
Mr. Subhas Ray	India First Life Insurance Co. Ltd.
Ms. Kalpana Sampat	DHFL Life Insurance Co. Ltd.
Mr. Varun Gupta	DHFL Life Insurance Co. Ltd.
Mr. Neelesh Jha	DHFL Life Insurance Co. Ltd.
Mr. Mayank Agarwal	Max Life Insurance Co. Ltd.
Mr. Bharat Chhabra	Max Life Insurance Co. Ltd.
Ms. Malvika Thakur	Oriental Insurance Co. Ltd.
Mr. Bharat Dash	United India Insurance Co. Ltd.
Dr. Rashmi Nandargi	Bajaj Allianz General Insurance Co. Ltd.
Mr. Amrish Dubey	ICICI Lombard General Insurance Co. Ltd.
Mr. Azhar Wasi	Tata AIG General Insurance Co. Ltd.
Ms. A Vasundhara Devi	Reliance General Insurance Co. Ltd.
Mr. Gourahari Jena	Reliance General Insurance Co. Ltd.
Mr. K U Bhaskar	Chola MS General Insurance Co. Ltd.
Mr. Vishal Badhwar	Cigna TTK Health Insurance Co. Ltd.
Mr. Dheeraj Goyal	Star Health and Allied Insurance Co. Ltd.
Mr. A V Ramanan	Max Bupa Health Insurance Co. Ltd.
Mr. Tarun Taneja	Max Bupa Health Insurance Co. Ltd.
Mr. Anoop Singh	Religare Health Insurance Co. Ltd.
Ms. Deepti Rustogi	Apollo Munich Health Insurance Co. Ltd.
Mr. Hitesh Kotak	Munich Reinsurance – India Branch
Dr. Surya Prakash	AXA France Vie- India Reinsurance Branch
Dr. Jeetendra Agarwal	Health Insurance TPA of India Ltd.
Mr. Rajan Subramaniam	Vipul Medcorp Insurance TPA Pvt. Ltd.
Dr. Balraj Gupta	Vipul Medcorp Insurance TPA Pvt. Ltd.
Dr. Swapna Nair	United Health Care Parekh Insurance TPA Pvt. Ltd.
Mr. Prashanth Nagarkar	United Health Care Parekh Insurance TPA Pvt. Ltd.
Mr. Kishan Agarwal	Worldwide Insurance Brokers Ltd.
Mr. Kapil Mehta	Secure Now Insurance Brokers Pvt Ltd.
Prof. (Dr.) Abhijit K Chatteraj	Birla Institute of Management Technology
Mr. Sanjib Chaudhuri	Policyholders' Representative



प्रधान कार्यालय:सर्वे नं.115/1, फाइनेंशियल डिस्ट्रिक्ट, गच्चीबौली,
नानकरामगुडा, हैदराबाद-500 032. तेलंगाना (भारत)
फोन: +91-40-20204000, ई-मेल: irda@irda.gov.in

Head Office:Sy. No. 115/1, Financial District, Nanakramguda,
Gachibowli, Hyderabad-500032, Telangana (India)
Phone: +91- 40 - 20204000, e-mail: irda@irda.gov.in