

52/15/IRDA/Health/SN/08-09

March 31, 2009

To,  
CEOs of all General Insurance Companies.

**Re: Renewability of Health Insurance Policies**

Under the provisions of section 14 (1) and (2)(b) of the Insurance Regulatory and Development Authority Act, 1999, and in compliance with recent court judgments and in pursuance of the recommendations of various committees and working groups constituted by the Authority, the following circular on renewability of health insurance policies as applicable to all general insurance companies is hereby issued:

1. A health insurance policy shall be ordinarily renewable except on grounds such as fraud, moral hazard or misrepresentation and upon renewal being sought by the insured, shall not be rejected on arbitrary grounds. Specifically, renewal shall not be denied on the ground that the insured had made a claim (or claims) in the previous or earlier years.
2. An insurer shall not compel any insured covered under a specific health insurance product to shift to another health insurance product except in cases where a specific product is being upgraded or discontinued with the approval of the Authority.
3. A prospectus of a health insurance policy shall contain detailed upfront disclosures about the terms of its renewal to enable the consumer to take an informed decision. This would include material information related to the coverage and likely premium for future renewals of the policy, including but not limited to a disclosure of the maximum age upto when the renewal would be available, any changes in the scope of cover after a certain duration of the policy or after a certain age – such as coverage of pre-existing diseases, a disclosure on whether renewal premium would be guaranteed or subject to revision, the premium currently being charged at different age slabs and details of specific circumstances where the premium could be loaded (or discount withdrawn) by the insurer, as also the extent to which it would be done. The terms of renewal shall also state the procedure and terms for enhancing the sum insured or scope of cover.
4. All health insurance policies shall contain a clause that provides for a mechanism to condone delays in renewal for upto 15 days from the renewal due date, so that the insured person(s) is /are treated as 'continuously covered' in terms of continuity benefits such as waiting periods and coverage of pre-existing diseases. This clause shall also specify further details of this mechanism, including the fact that coverage would not be available for the period for which no premium is received.

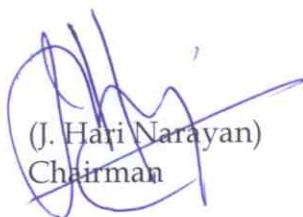
5. Any change in the premium structure or terms of health insurance policies filed with IRDA shall be made only after such a change(s) is/are filed and accepted by the Authority. Thereafter, insurers shall intimate such revision(s) to all the policyholders such that the policyholders are so informed at least three months prior to the date of renewal of their cover. These revisions will only be accepted by IRDA for justified and compelling reasons or if they are to the benefit of policyholders.
6. An insurer sending a renewal notice for a health insurance policy to the policyholder(s) which envisages a premium higher than that paid in the previous year, shall append a note to the renewal notice explaining the reasons for the increase in premium and also the quantum of this increase which is in accordance with the upfront disclosures earlier made in the prospectus.

The provisions contained in clauses 1 to 6 as detailed above shall not be applicable to tailor-made or group health insurance policies.

In cases of such Group and Tailor-made Health Insurance policies, the prospectus and policy documents shall contain upfront disclosures about the mechanism for continuity of coverage being offered by the insurer to the individual members covered under the group insurance, in the event that the group policy is discontinued or not renewed. Further, any mechanism for continuity also being made available to members of the group when leaving the group on account of resignation, retirement, termination of employment or otherwise may also be disclosed therein. The group policy shall, however, contain a clause that any such 'Disclosures on continuity' are made known to the members of the group by the policyholder/group organizer.

This circular shall be applicable to all health insurance policies issued or renewed on or after 1<sup>st</sup> June 2009.

All general insurance companies are advised to ensure due compliance with the provisions contained in the circular as any failure to do so would render them liable to appropriate action under the provisions of IRDA Act, 1999, the Insurance Act, 1938 and the regulations framed thereunder.



(J. Hari Narayan)  
Chairman