



Class: FY BSc

Subject : Non-Life Insurance – Products, Principles and Practice

Subject Code: PUSASQF2.5

Chapter: Chapter 2

Chapter Name: Health Insurance

Today's Agenda

1. Introduction to Health Insurance?
 1. What is Health Insurance?
 2. Why should you buy Health Insurance?
 3. Segment-wise business overview
 4. Health Insurance Coverage
 5. Things to consider while buying
2. Types of Health Insurance
 1. What is covered by health insurance?
 2. What is not covered?
3. Health Insurance product
 1. Indemnity based products
 2. Fixed benefit based products
 3. Factors influencing Health Insurance premiums
4. Claims
 1. Cashless claim settlement procedure
 2. Reimbursement claim settlement procedure
 3. Documents Required to Claim Health Insurance
5. Impact of Covid on Health Insurance sector
6. Frauds
7. Role of actuaries in Health Insurance

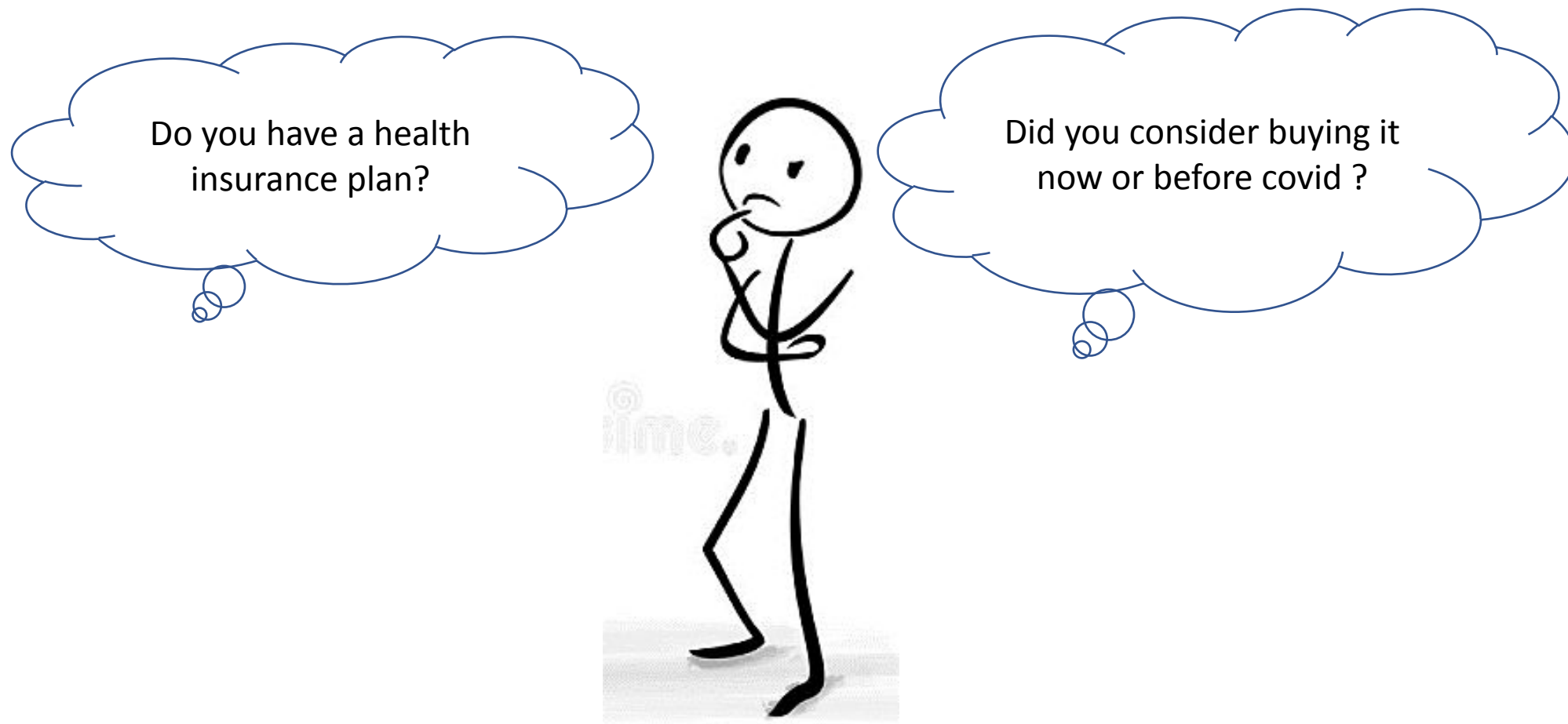
1.1 What is Health Insurance?



The term health insurance is a type of insurance that covers your medical expenses. Health insurance can reimburse the insured for expenses incurred from illness or injury, or pay the care provider directly.



1.1 Is buying Health Insurance popular in India?



1.2 Why should you buy Health Insurance?

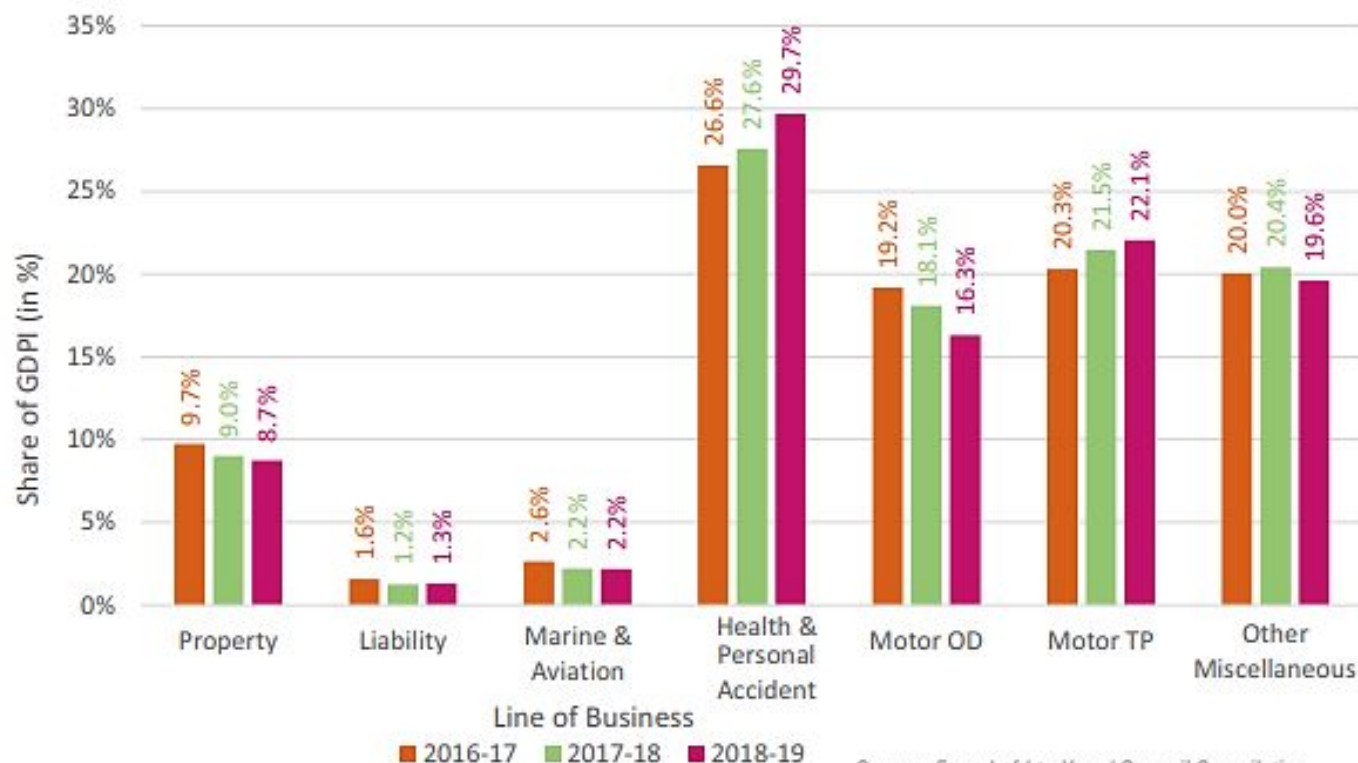
- Financial Coverage
- Rising Inflation
- Tax Exemption
- Affordable Policies
- Changing Lifestyle
- Fall Back Option



<https://www.iciciprulife.com/health-insurance/reasons-why-you-should-buy-health-insurance.html>

1.3 Segment-wise business overview

Gross Direct Premium income (in and outside India) written by non-life Insurance Industry increased from Rs. 1,53,438 crores in 2017-18 to Rs. 1,72,483 crores in 2018-19. Personal lines of business namely Motor and Health & Personal Accident insurance constituted close to two-thirds of the Non-Life Insurance premium. Crop insurance as an emerging segment comprises majority premium in Other Misc.



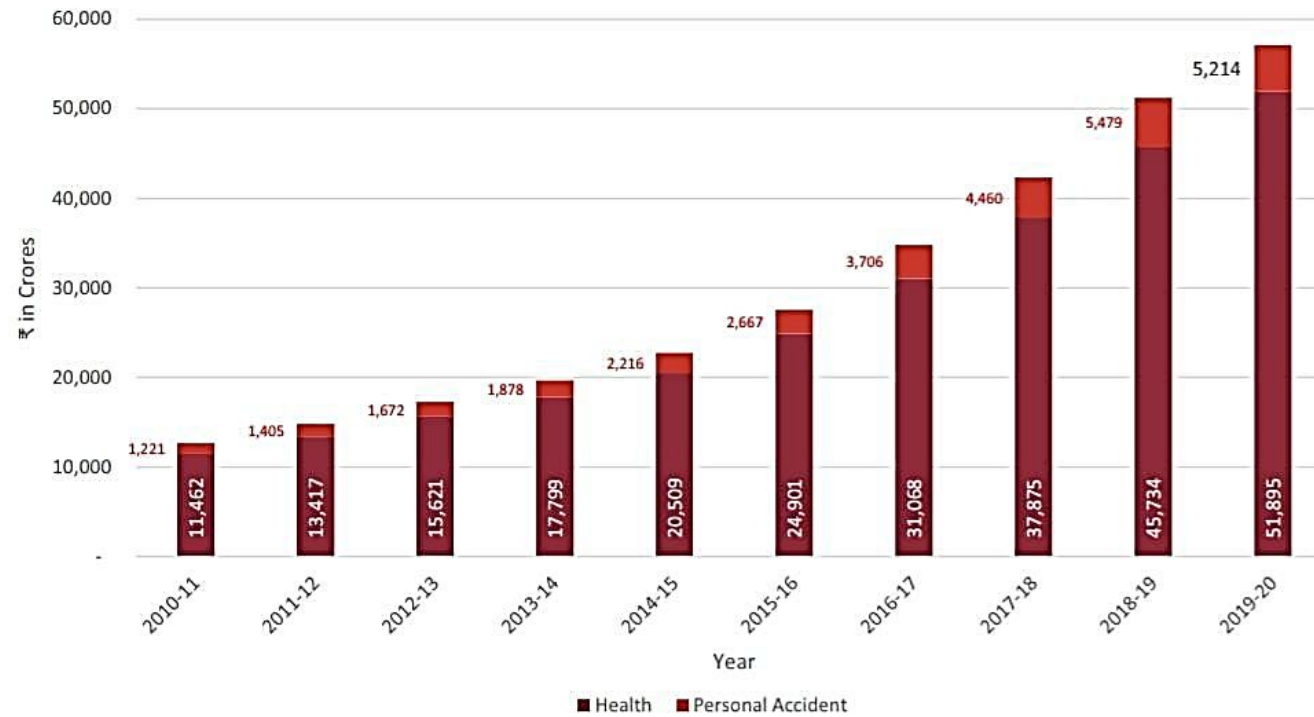
Source: Form I of I to X and Council Compilation

1.4 Health Insurance Coverage

The Health & Personal Accident Insurance segment has grown at a CAGR of 18.2% over the period 2010-11 to 2019-20. Health Insurance comprises of around 91% of the segment. Health & Personal Accident has crossed the 50,000 Cr mark for the second time over.

2019-20	Value
No. Of Policies	516,77,233
Premium (in Cr)	56,867
No. Of Claims Reported	190,84,147
No. Of Paid Claims	176,44,057
Amt of Paid Claims (in Cr)	43,680

1.4 Health Insurance Coverage



1.5 Things to consider while buying

1. Inclusions and exclusions of the plan

The coverage of the health insurance plan (inclusions) and the conditions against which a claim cannot be made (exclusions) determine the scope of the policy.

2. Choosing the right health insurance company

The speed of the claim processing varies from insurer to insurer, and thus you must select only the best one.

3. The waiting period

The waiting period is the time when you cannot raise a claim against the health insurance plan. It is usually applicable to pre-existing diseases and maternity benefits.

4. Day care procedures

Nowadays, certain medical treatments are completed within a day. Thus, it is important to ensure if such treatments are covered under your health insurance plan. These are small medical procedures like cataracts, tonsillectomy, etc.

5. Alternative treatments

These are non-allopathic treatments like Ayurveda, Yoga, Unani, Siddha and Homeopathy (AYUSH). Many health plans allow these non-allopathic treatments' coverage up to a specified limit. AYUSH treatments have gained importance during the COVID-19 pandemic, and many people prefer these over standard allopathic medicines.

1.5 Things to consider while buying

6.The availability of add-on covers

Add-ons are optional coverage's available with health plans for increasing the scope of coverage.

7.Pre/post-hospitalization coverage

Pre- and post-hospitalization include any tests, treatment, doctor visits, etc., conducted before or after the hospitalization.

8.The co-payment clause

As per co-pay clause, the policyholder is bound to pay a predefined percentage amount of the hospital bill. Such policies cost less but also offer less compensation as you must pay a considerable part of the hospital bill.

9.The abundance of network hospitals

Consider the company's claim settlement approach before buying a policy. Check if the insurer has a wide network of hospitals where you can avail of cashless treatment.

2 Types of Health Insurance



<https://www.bajajallianz.com/blog/health-insurance-articles/types-of-health-insurance.html>

2 Types of health insurance

1. Individual Health Insurance

An Individual Health Insurance plan is meant for a single person. The individual who gets himself insured with this plan is compensated for the expenses incurred for illness and medical expenses.

2. Family Health Insurance

Family Health Insurance Policy secures your entire family under a single cover including your spouse, kids, and elders.

3. Critical Illness Insurance

The Critical Illness Insurance plan insures the person by offering a lump sum amount of money for life-threatening diseases. At the time of buying the insurance, the chosen health problems are included, and if you get affected by any of the pre-selected conditions, you can claim your insurance.

4. Senior Citizen Health Insurance

This policy provides coverage to people who are 65 years and above. The Senior Citizen Health Insurance will offer you coverage for the cost of hospitalization and medicines, whether it arises from a health issue or any accident.

2 Types of health insurance

5. Top Up Health Insurance

An individual can buy the Top Up Health Insurance plan if he seeks coverage for higher amounts. But there is a “Deductible Clause” added to this policy.

6. Hospital Daily Cash

This plan can help you to protect yourself from unexpected expenses during your hospitalization. Convalescence benefits are also offered in some of the plans if the individual gets hospitalized for more than seven days. Other add-ons include Parental accommodation and wellness coach.

7. Personal Accident Insurance

This policy provides a lump sum amount to the victim or his/her family as support. It can be used in case of any loss or damage to the owner or driver.

8. Mediclaim

The Mediclaim Policy ensures compensation for your hospitalization expenses in case of any illness and accident. The Mediclaim Policy is available in the market as group mediclaim, individual medical insurance, overseas medical insurance, etc.

9. Group Health Insurance

This type of health insurance is bought by the employer of the company for its employees. It is offered to the group of employees to meet the financial crisis and prudence in the company.

2 Types of health insurance

10. Disease-Specific (M-Care, Corona Kavach , etc.)

Disease-Specific comes under the situation-oriented types of medical insurance policy that provides you coverage for specific diseases .It is suitable for those who are suffering from pandemic-manifested conditions or prone to one.

11. ULIPs

ULIPs expands to Unit Linked Insurance Plans. In these plans, a part of your premium is invested, and the other remaining part is used for buying health covers. Therefore, this plan helps you earn a return besides providing you a safety net.

2.1 What is covered by Health Insurance?

- Ambulatory patient services (outpatient care you get without being admitted to a hospital)
- Emergency services
- Hospitalization (like surgery and overnight stays)
- Pregnancy, maternity, and newborn care (both before and after birth)
- Mental health and substance use disorder services, including behavioral health treatment (this includes counseling and psychotherapy) (2017)
- Prescription drugs
- Rehabilitative and habilitative services and devices (services and devices to help people with injuries, disabilities, or chronic conditions gain or recover mental and physical skills)
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care (but adult dental and vision coverage aren't essential health benefits)

2.2 What is not covered ?

- All pre-existing diseases (the pre-existing disease exclusion is uniformly defined by all nonlife and health insurance companies).
- Under first year policy, any claim during the first 30 days from date of cover, for sickness / disease. This is not applicable for accidental injury claims.
- During first year of cover – cataract, Benign prostatic hypertrophy, Hysterectomy for Menorrhagia or Fibromyoma, Hernia, Hydrocele, Congenital Internal diseases, Fistula in anus, piles, sinusitis and related disorders.
- Circumcision unless for treatment of a disease
- Cost of specs, contact lenses, hearing aids
- Dental treatment / surgery unless requiring hospitalization
- Convalescence, general debility, congenital external defects, V.D., intentional self-injury, use of intoxicating drugs / alcohol, AIDS, Expenses for Diagnosis, X-ray or lab tests not consistent with the disease requiring hospitalization.
- Treatment relating to pregnancy or childbirth including cesarean section i) Naturopathy treatment

3 Health Insurance products

Classification – based on payout

- Indemnity
- Fixed benefit

Classification – based on segment

- Retail
- Group
 - Employer-employee
 - Other groups

3.1 Indemnity based products

An indemnity plan is a health insurance plan that reimburses the covered person for incurred medical expenses.

Indemnity plans may include a deductible that must be satisfied before claims can be paid.

Examples

- Retail Health Insurance
- Group Health Insurance products

3.2 Fixed Benefit based products

Lump sum is paid under the policy on occurrence of covered perils

No deduction/ deductible in claims payment

Examples

- Personal Accident
- Critical illness
- Hospital Cash

3.2 Factors influencing Health Insurance premiums



Why do you think the premium for your father and your grandfather on the same policy differ?

- Age
- Past medical history
- Occupation
- Policy duration
- BMI index
- Smoking habits
- Geographical location
- Policy type
- Coinsurance feature

4

Claims

Cashless Claims:

A cashless claim means you (as a patient and policyholder) do not have to pay the hospital bill (apart from a nominal amount), as your insurance company will settle it with the hospital (as part of claim settlement), as it is a network hospital.

Reimbursement Claims:

A reimbursement claim means you (as a patient and policyholder) settle the hospital bill on your own and then submit the health insurance claim application to your insurance company for applicable reimbursement.

4.1 Cashless claim settlement procedure

Claims Process for Planned Treatment at the Cashless Network:

- You have to submit the cashless claim form to your insurer through letter or email at least five days before the treatment date.
- The insurance company will inform the hospital after receiving your cashless claim form.
- You will receive a confirmation letter which will be valid for seven days from the date it was issued.
- Submit the confirmation letter and health card before admission. Your medical expenses will be paid by the insurance company.

Claims Process for Emergency Treatment at the Cashless Network:

- You have to notify your insurance company/third-party administrator within 24 hours of hospitalization. Your Claim Intimation/Reference Number will be generated.
- The hospital should fill in and submit your cashless claim form to your insurer.
- An authorization will be sent to the hospital by the insurance company on receiving your cashless claim form.
- Your medical expenses will be paid by the insurance company. If your claim is rejected, you will receive a notification about the same on your email address and registered mobile number.

4.2 Reimbursement claim settlement procedure

- Verify the details mentioned on your medical bill.
- You have to submit the relevant documents to the insurance company/third-party administrator after you are discharged.
- The insurance company/third-party administrator will review your documents. The time to review your documents and process the payment can take about 21 days.



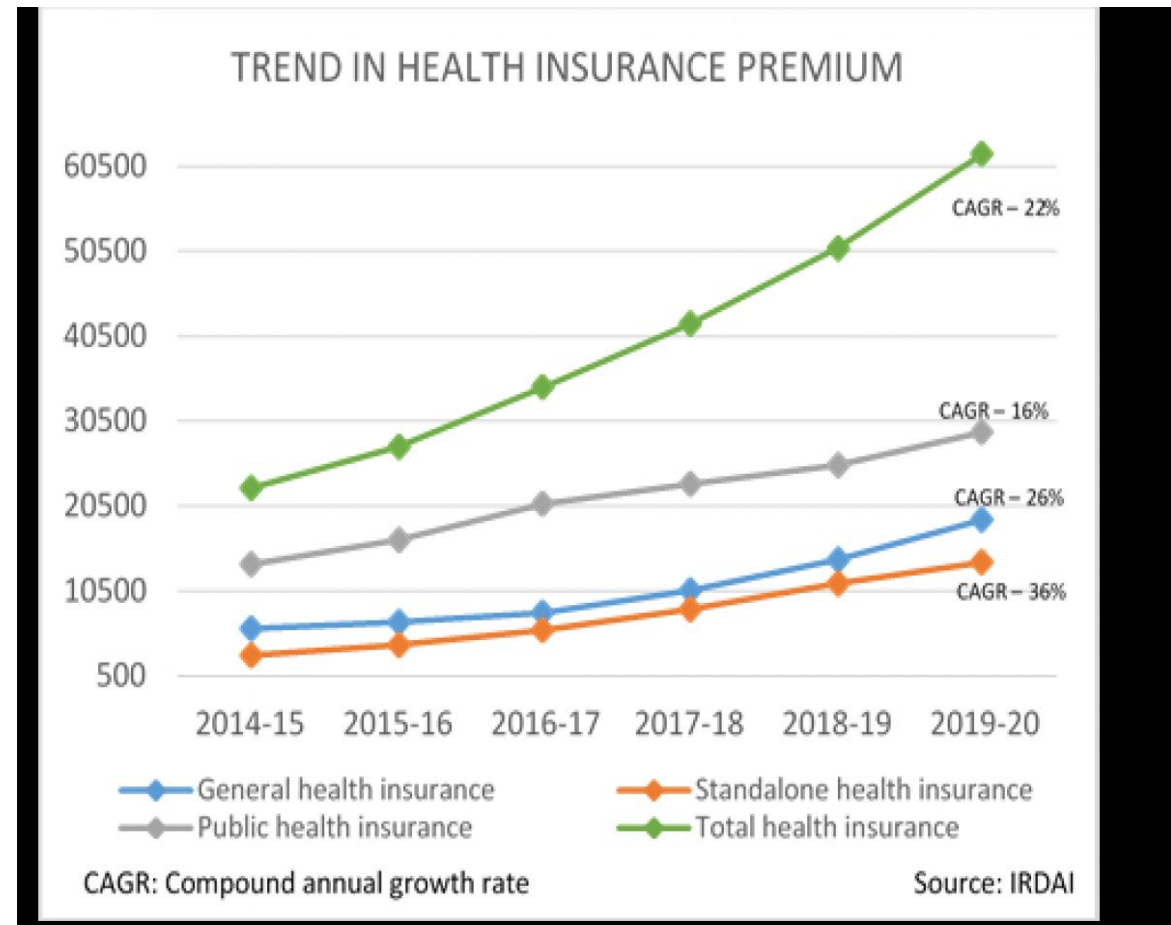
4.3 Documents Required to Claim Health Insurance

- Health card
- Duly filled claim form
- Medical Certificate/ Form which is signed by the treating doctor.
- Discharge summary or card (original), availed from the hospital.
- All bills and receipts (original)
- Prescription and cash memos from pharmacies/ the hospital.
- Investigation report
- If it is an accident case, then the FIR or Medico Legal Certificate (MLC) is required.

5 Impact of Covid on health insurance sector in India

Health insurance sector has transformed positively in a lot of aspects but at the same time has also faced some challenges, but it continues to serve its policyholders with modesty and sincerity.

<https://www.insurancedekho.com/health-insurance/news/impact-of-covid-19-on-health-insurance-sector-in-india-2866>



6

Frauds

Policyholder Fraud and/or Claims Fraud

Fraud against the company in the purchase and/or execution of an insurance product, including fraud at the time of making a claim.

Intermediary Fraud

Fraud perpetrated by an insurance agent/Corporate Agent/intermediary/Third Party Administrators (TPAs) against the company and/or policyholders.

Internal Fraud

Fraud/ misappropriation against the company by its Director, Manager and/or any other officer or staff member (by whatever name called).

<https://www.hindustantimes.com/india-news/in-gurugram-fake-insurance-claim-unravels-racket-101625251072158.html>

PARTNERS IN CRIME

A gang of six may have claimed at least 150 insurance policies in Gurugram through an elaborate fraud, police say

MODUS OPERANDI**DATA STOLEN**

Through connections at hospitals, banks and govt depts., the gang got insurance policy details, Aadhaar numbers and other details.

FAKE DEATH CERTIFICATES

The accused created around 300 bank accounts in the name of a patient's nominee and forged death certificates to claim insurance

SAFETY NET

The gang targeted people with policies up to Rs 30 lakh as insurance companies don't carry out physical verification for such claims.

Four of the six accused have been arrested and search is on for the remaining two.

7 Role of Actuaries

In the health insurance sector, healthcare actuaries use data and statistics to estimate financial uncertainty and calculate the cost of health insurance premiums based on reported health data. A healthcare actuary develops and implements solutions to elaborate financial challenges within the health insurance industry. The daily responsibilities of healthcare actuaries can be divided into two parts: administrative and communicative tasks.

1. Administrative

Healthcare actuaries use electronic health records data collected from national databases to analyze and condense information. They are typically tasked with researching and authoring new proposals for offering additional services or premiums, such as the possible implications of the addition of chiropractic services or mental health coverage to a health insurance policy.

2. Communicative

Communicative tasks for healthcare actuaries typically involve consulting with management teams who train employees on best practices for collecting, calculating, and storing data.

8 Case Study based Questions

Instructions: You are instructed to answer in line with the logic which has been taught during these chapters. Some answers maybe subjective but there is only one answer to each of the selections. This section is designed to make you think and develop logic.

Based on your team's year end target, you are only 1 client away from achieving the targets in each of the 4 products listed below.

Each of these products are assumed to be available in your inventory to be sold. No other combination of sum insured is also available except the ones mentioned in the questions.

You may not have access to provide 2 of the same products to clients even though you may feel it is ideal to do so. There may be more than 4 clients who approach you but due to inventory shortage you are unable to provide all of them with policies.

8 Case Study based Questions

Client Personas

Client 1: Wants to purchase a base plus super top up health policy for her senior parents (F – 61, M – 67) of sum insured of 50 lakhs (base 15 + 35 lakh super top up). Has a limited budget of 90k per annum hence cannot afford to buy one full policy of INR 50 lakh. Client is an employee earning 24 lakhs per annum.

Client 2: Unmarried woman wants to buy a 25-lakh base health policy. Has unlimited budget, is getting married in the next 6 months and wants to have children.

Client 3: Family of 2 adults plus one child – Currently living in Australia but having NRI status. Age – 55 years and wanting to move back to India at age 60. Wants a plan to cover the family and has only one requirement to get a policy of at least 50 lakh sum insured. He is not picky with the budget but just wants to safeguard his family when they move back to India and has pre-existing diseases.

8 Case Study based Questions

Client Personas

Client 4: Man 32 years old, recently married who has only a term life policy without accidental disability rider inbuilt (does not have any insured products) and feels that they need to buy another term policy to cover for any accidental death or disability to protect their dependent spouse aged 30 and unborn child. May have limited budget (tentative 40k). Earns 18 lakhs per annum.

Client 5: Widowed Woman age (29) having immediate dependents (2 girls aged 2 and 4), limited savings and no insurance, cannot afford high premiums but would want immediate protection from adverse events till children reach marriageable age of 30. Maximum budget is 2k per month.

8 Case Study based Questions

Additional Guidance

- Health base policies can be purchased when all insured members (except adults) are ages 18 to 75 years
- Super top up policies can be purchased when all insured members (except adults) are ages 18 to 65 years
- Term life can be purchased when insured members are ages 18 to 60 years.

If premium is provided in the options, you should assume that all these clients including their family members are eligible to purchase this policy.

8 Case Study based Questions

Product 1

A Base health policy (IAQS assure) of 50 lakh INR. This product derives its name due to the unique proposition of providing accidental death and disability benefit for primary insured of the same sum insured (50 Lakhs). Who will you target this product towards?

- a. Client 1 – Premium 110k per annum
- b. Client 2 – Premium 20k per annum
- c. Client 4 – Premium 42k per annum
- d. Client 5 – Premium 30k per annum

8 Case Study based Questions

Product 2

A term life policy (IAQS i-term) of INR 50 lakhs with no inbuilt riders which pays out claims only in the event of deaths. Who will you target this product towards?

- a. Client 2 – Premium 20k per annum till client reaches age 60
- b. Client 3 – Premium 1 lakh per annum till client reaches age 60
- c. Client 4 - Premium 45k per annum till client reaches age 60
- d. Client 5 – Premium 20k per annum till client reaches age 60

8 Case Study based Questions

Product 3

A base health policy (IAQS women care) of 50 Lakh sum insured. This product gets the name because it is the first policy in India which allows coverage of baby if mother is the primary insured immediate post childbirth till the next renewal date for 25% of the policy sum insured (in this policy baby is covered for 12.5 lakhs till the policy is renewed). This policy has a waiting period of 1 year. The baby if born with any defects will also be allowed to be included in the policy during renewal for up to 100% sum insured by paying additional premium.

- a) Client 1 – premium 100k per annum
- b) Client 2 - premium 25k per annum
- c) Client 4 – premium 38k per annum
- d) Client 5 – premium 34k per annum

8 Case Study based Questions

Product 4

A base health policy (IAQS deduct) of 50 lakh sum insured. This product allows insured members to select a deductible of INR 50k which first needs to be paid by the insured cumulatively towards valid claims before claims are paid by the insurance company.

- a) Client 1 – premium of 80k per annum
- b) Client 2 – premium of 29k per annum
- c) Client 3 – premium of 50k per annum
- d) Client 5 – premium of 26k per annum

8 Case Study based Questions

Answers

Product 1 = **Client 4 – Premium 42k per annum**

Product 2 = **Client 5 – Premium 20k per annum till client reaches age 60**

Product 3 = **Client 2 - premium 25k per annum**

Product 4 = **Client 1 – premium of 80k per annum**