



***Health Care Insurance Session  
Regulating Health Insurance Business- Aspects &  
Issues***

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***Waves of Reforms...Oceans of Opportunities***  
***2013 AGFA & 15<sup>th</sup> Global Conference of Actuaries***

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India

# *Agenda*

- Role of the Regulator
- Health Insurance
- Some examples of Health Insurance Regulations from around the world
- Some learnings for India



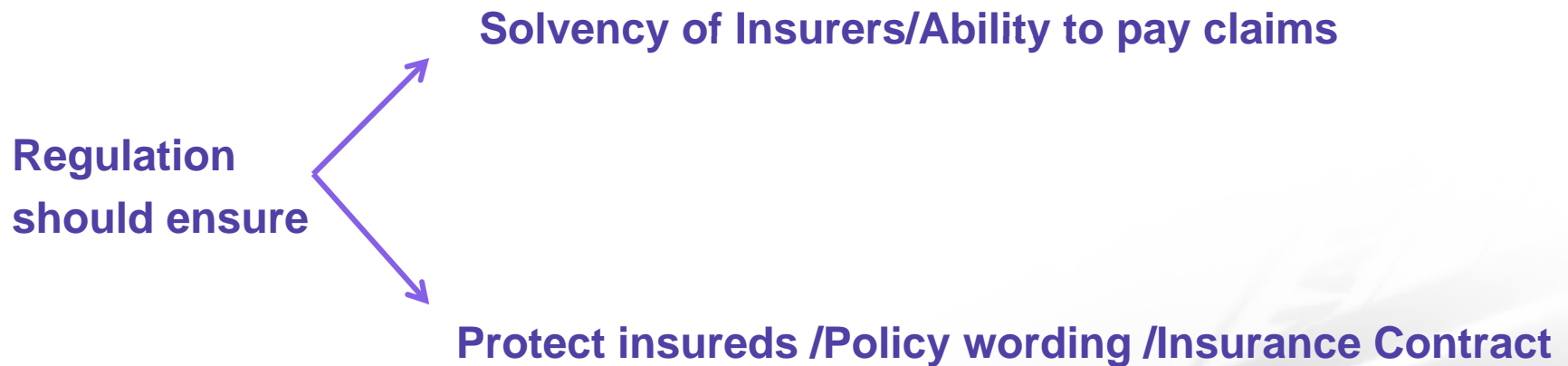
# *Role of the Regulator*


“As a starting point, it’s important that, at the core of our mission as insurance supervisors is the protection of insurance consumers – or policyholder protection, as it’s known in Europe. We pursue this objective in a variety of ways, using a variety of tools, but in the end, our duty is to create and preserve fair, open, secure, stable insurance markets for the benefit and protection of policyholders.”

**Peter Braumüller, Chair of the IAIS Executive Committee in keynote speech to NAIC National Meeting, August 2012**

# *Role of the Regulator*

**More simplistically put:**





## *What a Regulator should be doing for Insurers*

- Ensuring a level playing field
- Stopping anti-competitive practices
- Promoting good business practices
- Growing the market

# Role of Regulator



International Association  
of Insurance Supervisors

## **INSURANCE CORE PRINCIPLES, STANDARDS, GUIDANCE AND ASSESSMENT METHODOLOGY**

**1 OCTOBER 2011**

**AS AMENDED 12 OCTOBER 2012 (WITH NEW ICP 9)**

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# *Role of Regulator*

## **Insurance Core Principles, Standards, Guidance and Assessment Methodology**

- ICP 1 Objectives, Powers and Responsibilities of the Supervisor
- ICP 2 Supervisor
- ICP 3 Information Exchange and Confidentiality Requirements
- ICP 4 Licensing
- ICP 5 Suitability of Persons
- ICP 6 Changes in Control and Portfolio Transfers
- ICP 7 Corporate Governance
- ICP 8 Risk Management and Internal Controls
- ICP 9 Supervisory Review and Reporting
- ICP 10 Preventive and Corrective Measures
- ICP 11 Enforcement
- ICP 12 Winding-up and Exit from the Market
- ICP 13 Reinsurance and Other Forms of Risk Transfer
- ICP 14 Valuation

# *Role of Regulator*

## **Insurance Core Principles, Standards, Guidance and Assessment Methodology**

- ICP 15 Investment
- ICP 16 Enterprise Risk Management for Solvency Purposes
- ICP 17 Capital Adequacy
- ICP 18 Intermediaries
- ICP 19 Conduct of Business
- ICP 20 Public Disclosure
- ICP 21 Countering Fraud in Insurance
- ICP 22 Anti-Money Laundering and Combating the Financing of Terrorism
- ICP 23 Group-wide Supervision
- ICP 24 Macroprudential Surveillance and Insurance Supervision
- ICP 25 Supervisory Cooperation and Coordination
- ICP 26 Cross-border Cooperation and Coordination on Crisis Management





# *Role of Regulator*

The Insurance Core Principles (ICPs) provide a globally accepted framework for the supervision of the insurance sector.

The ICP statements prescribe the essential elements that must be present in the supervisory regime in order to promote a financially sound insurance sector and provide an adequate level of policyholder protection.

*A huge expansion of the role of the regulator, but also reflecting change in financial sector & events over past years.*



## *The interaction between a country's Health System and Private Health Insurance*

<b>Substitute/Primary</b>	Main source of cover = High penetration e.g. USA, Germany, Netherlands	
<b>Complementary</b>	Typically covers co-pays/deductibles within the public system e.g. France, Denmark,	} High → Low Penetration
<b>Supplemental</b>	What is not covered by the public system e.g. Canada, Korea, Japan	
<b>Duplicate / Double cover</b>	Private alternative to the public / universal system = Low penetration e.g. Mexico, UK, Brazil	

## ***Health Insurance & current situation***

- **Very different roles for Private Health Insurance within the healthcare system around the world**
- **Mix of reimbursement & fixed sum products, on a guaranteed or non-guaranteed basis (renewal and/or premiums)**
- **Products & services geared to handle acute/episodic health events.**
- **Little interaction with assureds**
- **Abuse/fraud by assureds & providers**
- **Battle to keep pace with medical trend**
- **Very varied results**

# *Health Insurance*

## Different from other Insurance lines

- Difficulty of describing what is actually covered & what not
- Subjectivity = “Medically Necessary” – Who decides??
- Applicants difficulty in understanding nature & extend of what coverage they actually need.
- Health Insurance is part of a broader healthcare system & healthcare is everywhere a very high profile political issue.

Despite all the above I was unable to find any specific reference on the IAIS website to Health Insurance....

# *Regulation from around the world*

Health Insurance, heavily or lightly regulated???

USA

State by State: Heavy ➡ California/Florida to  
Light ➡ Alabama/Texas

UK

Lightly regulated (NHS), but very active insurance organization (ABI) agrees e.g. statements of best practice (good governance?)

Abu Dhabi

- Part of Health Authority

## *Regulation from around the world – Abu Dhabi*

هيئة الصحة - أبوظبي  
HEALTH AUTHORITY - ABU DHABI



### **VISION**

**The Health System of the Emirate of Abu Dhabi is comprehensive, encompassing the full spectrum of health services and is accessible to all residents of Abu Dhabi. The system is driven towards excellence through continuous improvement, and monitored for achievement of targets. Providers of health services are independent, predominately private and follow highest international quality standards. The system is financed through mandatory health insurance.**

# Regulation from around the world – Abu Dhabi

هيئة الصحة - أبوظبي  
HEALTH AUTHORITY - ABU DHABI



## MISSION

**Ensure reliable excellence in healthcare for the community**

- Define the strategy for the health system and set PPP roadmap
- Monitor & analyze the health status of the population and performance of the system
- Shape regulatory framework for the health system
- Inspect against regulations and enforces standards
- Encourage adoption of world-class quality & performance targets
- Plan capacities and service levels
- Drive programmes to improve societal health
- Define minimum standards for health service providers and health professionals
- Regulate scope of services and premiums & reimbursement rates of providers and payers

**+ Have implemented:**

**Electronic Submission of Claims  
Introduced DRGs**



## *Regulation from around the world - Brazil*

### Premium regulation:

- Regulators provide the annual rate increase on individual health insurance
- Obligatory to apply, regardless of where you are selling, what providers you have or your actual experience
- Only 3 companies now left in the individual market
- All others sell to e.g. self-employed as Affinity Group Policy (e.g. all lawyers) & group policies can have rate increases



### Regulation can help some companies:

- ✓ Discovery made Vitality (their loyalty programme) a compulsory purchase when applying for membership of Discovery Health Medical Scheme
- ✓ They built up a massive basis of Vitality members
- ✓ The regulator then clamped down on the compulsory purchase – but Vitality was by then well established
- ✓ All other companies now at a disadvantage due to difficulty of building a loyalty plan from scratch

= Discovery now have a differentiation in the market that no one can challenge

## *Regulation from around the world - Mexico*

- Late 90's regulatory change anticipating a Healthcare reform / privatization of Social Security

- 2 Lines of Health Insurance were created:

- A&H      ➡      Traditional Major Medical Coverage

- Health Insurance      ➡      Above + Preventative Care

- Created 2 regulations & regulatory bodies for the new Health Insurance
  - Traditional Insurance + Health Regulations (provision of services)

Resulting today in 98% of health insurance is still traditional A&H.

Due to:

- Lack of healthcare reform
- Health Insurance Product too expensive
- Regulation perceived as being too onerous & expensive
- But insurers are unable to be involved in care/treatment decision, they have been reduced to being just payers.

## *Some learnings for India*

- There may be different players BUT the playing field should be level.
- Medical trend is a reality and needs to be managed by each Insurer according to the profile & performance of their block of business
  - Price should not be regulated
  - Medical trend is fast moving so product/rate review & their approval needs to be fast as well.
- Regulation should not provide a competitive advantage to some companies & not others
- If the insurer wants to manage/steer/be involved in actual care then more regulation will follow

## *Some learnings for India*

Heavy or light regulation ➡ expect heavy

- **As you develop/grow**
- **If as a market/industry you can't come together on key issues**
- **If you really want to be a major player within the healthcare system**



Thank you!!

Questions???

