



Institute of Actuaries of India

Issues involved in creating HI products for elderly

A presentation by- Jyoti Vaidya & Rajkishor Chaurasia

Guide – Samreen Asif

21st Indian Fellowship Seminar

*Indian Actuarial Profession
Serving the Cause of Public Interest*

Contents



- Current scenario
- Needs of senior citizens
- Various issues
- Risk mitigation
- Next steps

Contents



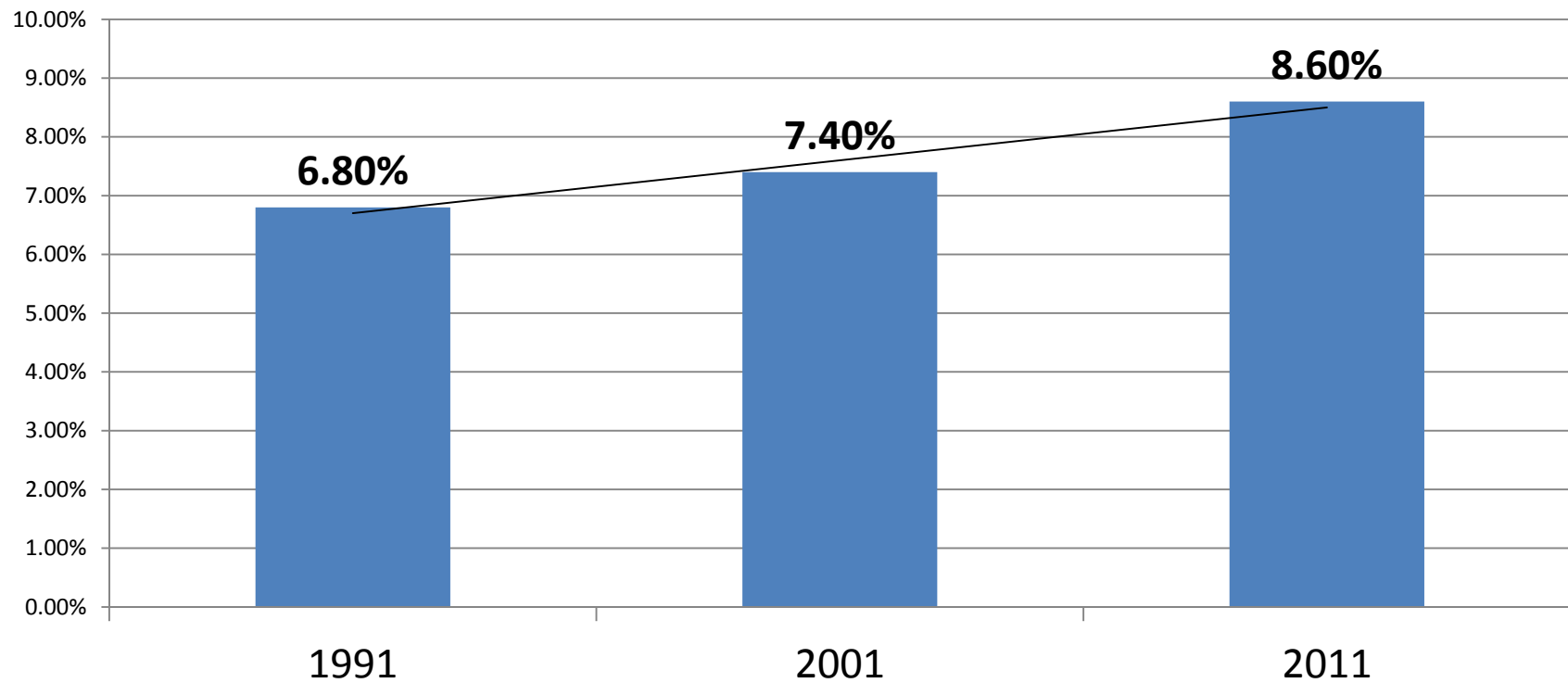
- Current scenario
- Needs of senior citizens
- Various issues
- Risk mitigation
- Next steps

Current scenario



Percentage of population with age 60+

(source census data 2011)



Current scenario

- Increase in ageing population in India (***more than double the population growth rate i.e. 35%***)
- Break down of traditional “joint” family system
- Low public expenditure on health (***1.5% of GDP***)
- Lack of medical infrastructure to handle elderly
- No provision for organized long term care for chronically sick
- Private healthcare services are very expensive
- Low penetration of health insurance in India (***10% of population***)
- Urban area centric medical facilities

Contents



- Current scenario
- Needs of senior citizens
- Various issues
- Risk mitigation
- Next steps

Needs of senior citizens



- Life time health insurance cover
- Inclusion of chronically diseases
- Inclusion of pre-existing diseases
- Easy access to medical facilities
- Simple cover with minimum exclusions
- Management of uncertain future cash flows at affordable premium

Responsibility of an Actuary



- **APS1- Section 2.3**

The essence of a profession lies in upholding its standard, technical & ethical in public interest.

Actuaries' code

- Client interest
 - *needs of customers*
- Compliance
 - *Compliance with all provisions of act, rules, regulations of IRDA (**APS-1**)*
 - *includes disclosure of data, pricing assumptions, public disclosures*
 - *Peer review (**APS-4**)*

Contents



- Current scenario
- Needs of senior citizens
- Various issues
- Risk mitigation
- Next steps

Issues- product design

- Lack of credible data
- Variable morbidity experience across the region
- Entry age
- Life long renewability
- Designing benefits-
 - *Provision of in-patient / outpatient cover*
 - *Covering pre-existing diseases*
 - *Providing add-ons / riders*
 - *Non allopathic cover- AYUSH*
- Exclusions

Issues- marketing of a product



- Lack of customer inclination and purchasing power
- Unavailability of suitable products
- Health insurance products are generally complex
- Face to face marketing requirements
- High underwriting requirements
- Special training requirements for sales
- High marketing cost
- Mis-selling

Market conduct- Periodical training to sales as required by Regulator

Issues- affordable premium

- High morbidity rates (supporting data?)
- High loss ratio (support data?)
- Higher medical inflation (supporting data?)
- High acquisition, administration & claims cost
- High level of underwriting requirements
- Special regulatory provision for separate window
- Margins in premium

Statutory role of Actuary- APS (3)- Premiums or contributions are adequate to meet future commitments.

Issues- underwriting

- Issues for risk based underwriting
 - *Non disclosure*
 - *Unavailability of old records*
 - *Specific preventive & health promotion behavior may go unwarranted*
- A large volume of medical tests / reports
- Expertise of staff
- Uniform underwriting practice across all products
- Large loading in premium rates – uncompetitive pricing
- Decline the proposal may lead to dispute

Issues- Claims settlement

- High frequency and long duration of claims
- Authorization and approval procedures
- Delay in claims submission
- Timely submission of claims requirements
- Interpretation of claims conditions for settlements
- Legal and reputational risks

Actuaries need to take care of IRDA (PPI Regulations), 2002 and subsequent amendments

Issues- profitability

- Low business volume
- Fluctuation in claims costs
- High set up cost and maintenance cost overrun
- Higher supervisory capital requirements
- Uncertain profit emergence
- All above factors lead to uncertain profitability

Contents



- Current scenario
- Needs of senior citizens
- Various issues
- Risk mitigation
- Next steps

Risk mitigation

Product design stage	Internal management tools	Other management tools
<ul style="list-style-type: none"> • Co-payment • Deductible • Reviewability clause • Sub-limits • Waiting periods • Exclusions 	<ul style="list-style-type: none"> • Business penetration • U/W practices • Claims management • Expense management • Corporate governance 	<ul style="list-style-type: none"> • Standard treaties with TPAs / Medical service providers • Reinsurance arrangements

Next steps

- Early entry into health insurance system
- Loyalty discount for continuous renewal
- Incentives to adopt healthier life styles
- Regular preventive health check ups
- Good market conduct at insurer level
- Regulation of health care provider
- Develop medical infrastructure for elderly

Thank you



Any questions?