

Portability of Health Insurance Policies

In general, health insurance policies have specific exclusions for pre-existing diseases for a specified period of cover during the initial years. However, it has been observed that in cases where policyholder wishes to switch from one insurer to other, they do not gain any credit for the period of cover with previous insurer. Consequently the insured is tied to the insurer which is detrimental to competition. This places in policyholder at a distinct disadvantage.

2. In order to address this, the Authority is satisfied that the following guidelines on the portability of health insurance policies shall be allowed in the manner prescribed in this guideline. This circular is issued in exercise of powers conferred upon the Authority under section 14(1) of the IRDA Act, 1999 to protect the interests of the policyholders and to regulate, promote and ensure the orderly growth of the insurance industry.

3. All insurers issuing health insurance policies shall allow for credit gained by the insured for pre existing condition(s) in terms of waiting period when he/she switches from one insurer to another or from one plan to another, provided the previous policy has been maintained without break.

For example if under a previous policy, the condition was excluded from coverage for two years and under a new plan with a different insurer the exclusion period for the same condition is three years, the new health insurance policy can only exclude the condition from coverage for one extra year.

4. This credit (in terms of waiting period) would be limited to the sum assured (including bonus) under the previous policy.

5. The insurers shall strictly comply with Regulation 4(6) of IRDA (Protection of policyholders' interests) Regulations, 2002 in accepting the proposals when the policyholder is switching from one insurer to other.

6. If the policy results into discontinuance because of any delay by the insurer in accepting the proposal, the insurer shall not treat the policy as discontinuance and shall allow portability.

7. Insurers shall clearly draw the attention of the policyholder in the policy contract and the promotional material like prospectus, sales literature etc that:

- i. all health insurance policies are portable;
- ii. policyholder should initiate action to approach another insurer, to take advantage of portability, well before the renewal date to avoid any break in the policy coverage due to delays in acceptance of the proposal by the other insurer.

8. All insurers are hereby directed that the entire database including the claim details of the policies, where the policyholders has opted for portability, shall be shared with their

counterparts, if requested by the counterpart within seven working days of such request by the counterpart.

9. All applications for the portability shall be acknowledged by the insurers within three working days.

10. This shall be applicable for all existing contracts and new contracts with effect from 1st July 2011.

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(J. Hari Narayan)

Chairman