Niva Bupa Health Insurance Company Limited

Board Policy

Proposition	Board Policy for Products
Context	As per the new circular dated 1st June 2022 on Use and file Procedure for all products, a Board Policy is needed to be put in place for Product Filings
In Scope	All types of filings, PMC conducted and Pricing guidelines.
Place	Niva Bupa Health Insurance, Corporate Office, Gurgaon

The document also outlines the process of filing/re-filing/withdrawal of products, the roles & responsibilities of the Product Management Committee and the pricing policy.

Version Control:

Changed date	Approval Date	Version
29th July 2022	**29th July 2022**	**V1**

Contents

1. Introduction

The purpose of this document is to lay down the broad philosophy of the company in offering health insurance coverage, the philosophy behind the product concepts, the filing process and the pricing logics. This is in line with the new circular (Ref: IRDAI/HLT/REG/CIR/108/06/2022) shared by IRDAI for partial modification of Consolidated Guidelines on Product Filing in Health Insurance Business (ref no: IRDAI/HLT/REG/CIR/194/07/2020). The IRDAI circular highlights

- All categories of products/add-ons or riders to be introduced or modified are permitted to be launched through "Use and File" procedure
- The insurer shall have a Board approved policy of products that are to be offered/modified and outline the philosophy of the company in increasing market penetration, building simpler and need based products and the need for inclusive insurance
- The product should be filed within 7 days of the launch of the product with all the requisite documents (as per the Consolidated Guidelines on Product Filing in Health Insurance Business dated 22 July, 2020)
- All categories of the products, namely, Pilot Products, Health plus Life Combi Products and Health Package Products are also allowed to be launched under the above procedure
- In case of non-compliance of guidelines issued by IRDAI, the regulator may take an action against the company under the provisions of the Insurance Act, 1938 including but not limited to withdrawal of the product, withdrawal of Use and File facility for the company

2. Objective

The objective of the Board Policy is to ensure:

- A clear vision for Product Development
- To ensure Consumer centric product solutions to be developed
- Simplified and consistent process for product filing
- To ensure compliance to all rules and regulations defined by IRDAI
- To ensure review of existing products being sold in the market

In lines with the vision of the Organization, the products should help to Increase the Health Insurance Penetration in the country. Also the products should ensure that adequate cover and benefits are offered to meet the needs of large part of Individuals. The key role of health insurance to safeguard the financial health of the people should be met with the products.

The product road-map and overall philosophy should be to increase the penetration of health insurance products in India by making it easier for people to buy an insurance policy. The organization must be focussed in building new distribution channels not just physically but digitally to ensure reach to a wider audience. Along with simplification of the process of buying a health insurance policy with just the click of a button, making it more convenient for the customers. The Organization should constantly evolve and work on building and enhancing product awareness with consumer education initiatives for health insurance products and benefits, helping customers become more aware.

The Product strategy must strive for innovation and offer need based health insurance products backed by strong market research with an overall understanding of the Indian Insurance landscape.

The Organization should constantly work towards building more inclusive and affordable health insurance products for people of all income classes and demographics. India today has a wide range of income classes with constantly evolving and new distinct consumer segments being added due to dramatic demographic shifts. Whatever the language or specific target, the product should endeavour to break open new markets through new adaptive business models, better technology, innovative products and partnerships to provide easy access and value for people.

3. Niva Bupa's Product Development Philosophy

The product concepts are solution lead. The organization must strive to solve a problem for the consumer.

The Product development philosophy is to build innovative and affordable products for each segment of the society. The segments strategically divide the target population in different categories. This helps in delivering suitable, sustainable and innovative products catering to people from all walks of life.

For the purpose of building innovative yet suitable products to increase penetration across different consumer backgrounds, the customers have been segregated into different segments based on:

i. Life Stage of the customer – Young without family, Family Family with children, Families without children, Senior Citizens, etc.
ii. Health Status of the customer – Healthy individuals, at risk individuals, individuals with chronic conditions, etc.
iii. Socio Economic Status* of the customer – Mass Affluent with annual household income of INR 5-10 Lakhs, Affluent with an annual household income of INR 10-20 Lakhs, High Net Worth Individuals with an annual household income of INR 20 Lakhs and above, etc.

Apart from the above customer segments, the idea is to also look at the type of healthcare needs of each particular segment. The healthcare needs may vary depending on what life stage a customer is in and their health status and can include Acute Care, Chronic Care, Rehabilitation, etc. The philosophy also takes into account the health financing mechanism that can address the healthcare needs of the customers. A product can be an indemnity product (for emergency hospitalisations), a benefit product (like personal accident plan) or a combination of both.

Keeping customer at its core the products philosophy is also to strive to work towards, making it convenient for people to buy health insurance policies. To work on transparency through easily comprehendible documents with simple language and words, creating ease for the people who are planning to buy or have already bought a health insurance policy. The benefits are clearly outlined and defined and customers clearly know what they are getting in the health insurance policy.

5. Framework

i. Pricing

a. The pricing exercise shall be performed under the framework stipulated by the latest Health Insurance regulations and any other guidelines as notified by IRDAI from time to time. This will ensure that the regulatory guidelines are diligently adhered, and avoids any violation/conflict.
b. The Company shall have a Standard Operating procedure for premium rating and shall be reviewed annually to update the modifications in process to account for changing needs due to changing economic environment.
c. The pricing of the products shall be based on the generally accepted actuarial principles.
d. The pricing must achieve the following objectives
    - Adequacy - Prices should be able to generate premium income that can cover
        i. Claim payments
        ii. Allocated and Unallocated loss adjusted expenses
        iii. Other expenses of management
        iv. Fair rate of return to investors of funds
    - Reasonableness – The rate shall be competitive and not be excessive to make abnormal gains.
    - Fairness – The rates should not discriminate among policyholders. The premiums shall not be different for similar risks.
    - Simplicity, Consistency and Flexibility – Rating methodology should be easy to understand and implement and designed such to discourage any adverse selection.
e. It is important to have data of sufficient quality and detail to form robust premium rates. Data checks for reasonability should be an integral part of pricing process.

f. The pricing methodologies and assumptions used in the premium rating must be adequately documented.
g. The premium rates shall appropriately reflect the benefits, terms and conditions of the underlying products/add-ons and shall not be discriminatory. The Company should assess the level of risk being accepted while setting the premium rates and decide a suitable premium to cover the risk.
h. The Company shall analyse the past experience of similar relevant business, while adjusting the resulting figures to reflect the commercial realities of the prevailing market conditions.
i. The Company shall analyse its own claims experience and, where ever possible compare it with the industry experience.
j. The performance against expectation should be reviewed to determine the appropriateness of the rates charged and assess the realisation of any assumptions made in the pricing process. The review should occur periodically as agreed as per PMC guidelines or as per any regulatory specifications.
k. A decision as to whether any corrective action needs to be taken will be discussed internally and implemented subject to compliance with applicable regulations.
l. The review should ideally include a review of the performance of the product across all rating factors and /or other factors impacting the experience. Any rate revision should be forward looking and account for future inflations, trends like claim experience and expected business mix.

ii. Product Management Committee and its Role

a) Product Management Committee (PMC) is a self-governing body within an organization which looks after new product development, existing product modifications, withdrawal of products and performance review of each product of the company/insurer.
b) The PMC members are as approved by the Regulator.
c) The Product Management Committee (PMC) will recommend and review
    - All the products that are in existence, either continues to be offered/withdraw/modify
    - New products proposed to be filed with the Authority

d) The PMC will review the product as per the following and accord its approval for filing post reasonable satisfaction – all norms complied with :
    - Complete pricing details including the methodology adopted to arrive at the premium, together with the data sources utilized. For new products and new benefits, wherever there is not enough past data, surrogates for the same and assumptions.
    - Assumptions made shall include the expected claim frequency and claim severities across age bands, expected expenses, lapse rates etc.
    - specific loadings, if any, allowed;
    - the profit margin at various model points or the expected loss ratios and the expected combined ratios at various model points across the entire portfolio;
    - the retention capacity to manage the business
    - internal capacity building measures, if any, required to offer the proposed product
    - Any other relevant metric for the product proposed.

e) The PMC shall ensure that all the products comply with the various stipulations relating to products enunciated in the various applicable provisions of law, rules, regulations, guidelines and other applicable regulatory framework
f) In case of revision of premium rates for existing products, the same will have to be approved by PMC with justifications for revision in price
g) The PMC will carry out a due diligence process and record its concurrence/sign off on various product related risks for all products.
h) The PMC will be responsible for Product Performance Review of every product at least after the expiry of three financial years or earlier from the date of launch. The review will cover
    - The viability of the product
    - The assumptions made at the time of launching the product vis-à-vis the actual experience in terms of business volume, Incurred Claims Ratio, Combined Loss Ratio and others
i) The PMC shall hold its meeting at least once every quarter

j) The minutes of meeting of the PMC meetings has to be maintained for a minimum period of five years.

iii. Use and File Procedure

All categories of products and add-ons or riders to be introduced, withdrawal, modified / revised under health insurance business and offered by General and Health Insurance Companies are permitted to be launched through "Use and File" by duly complying with norms set forth by IRDAI. The following steps are to be followed:

1. The new/revised product shall be designed, duly priced and then placed in front of the Product Management Committee (PMC).
2. The Product Management Committee (PMC) shall approve the product/changes in the product.
3. Post Approval from the PMC, the procedure to obtain the UIN will be carried out. We shall file the
    a. Proposed Name of the Product
    b. Date of Approval from the PMC.

    Basis the above, the regulator will issue the UIN.

4. Once the UIN is received, We shall file the product along with all other relevant documents specified in Consolidated Guidelines on Product Filing in Health Insurance Business dated 22 July, 2020 with the Authority within 7 days of launch of the product
5. We shall comply with the provisions of Insurance Act, 1938 and all other applicable regulations and guidelines / circulars as notified by IRDAI.

6. Administration of the Policy

1. The Head of Products, will be responsible to ensure that the Board Policy is implemented and reflected in all the operating processes including Standard Operating Procedures (SOPs). He/She will be responsible to ensure that the operating practices are always guided by this policy and there is absolute adherence.
2. The PMC minutes will be sent to the Board and once every year will be reviewed
3. Once every year, the products filed, revised and withdrawn the previous year will be reviewed with the Board

Approving Authority
Mr. Vishwanath Mahendra – Director & Chief Actuary Dr. Bhabatosh Mishra – Director Claims, Underwriting & Products