Niva Bupa Health Insurance Company Ltd.

(“Niva Bupa” or “Company”)

Product Board Policy

Effective from January 2025

Version 3.0

POLICY SCOPE

Proposition	Board Policy for Products
Context	Amending the policy as per the Master Circular on Health insurance Business, dated 29th May 2024 and Master Circular on Protection of Policyholders' interests, 2024, dated 5th September 2024.
In Scope	All types of filings, PMC conducted and Pricing guidelines. The policy covers all areas of product design, underwriting, advertisements and overall management of the insurance products.
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	**1 September 2022**	**V1**
30th June 2023	**30 June 2023**	**V2**
29th Jan 2025	**29th January 2025**	**V3**

Contents

1. Introduction

The purpose of this document is to lay down the broad philosophy of the company in offering health, personal accident & Travel insurance products, product development process, the filing process and the pricing logics. This is in line with the Master Circular on Health insurance Business, dated 29th May 2024 (Ref: IRDAI/HLT/CIR/PRO/84/5/2024) and Master Circular on Protection of Policyholders' interests, 2024, dated 5th September 2024 (Ref: IRDAI/PP&GR/CIR/MISC/117/9/2024)).

- All categories of products/add-ons or riders to be introduced or modified are permitted to be launched through "Use and File" procedure
- The products can cater to all age groups. Which means that the products can be designed for specific age groups like senior citizens, students, children, for maternity and any other group as specified.
- The products can endeavour to cater to all types of existing medical conditions also.
- All documents shall be submitted to the PMC, instead of IRDAI. The PMC shall be responsible for the final approval of the products. Insurer will maintain the entire set of documents required under U&F Procedure and shall submit the documents to the IRDAI, as and when required.
- The product has to be launched within 30 days of generation of the UIN. In case of any delays in the same, a fresh PMC will be conducted.
- Insurer will put in place appropriate systems, procedures, manuals, all essential infrastructure required for launching the product and maintenance of insurance policies
- Products referred mean base products as well as riders/add-ons attached to the base products.
- Products shall comply with all regulations and laws specified.
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2. Objective

The objective of the Board Policy is to ensure:

- A clear vision for Product Development
- To ensure Consumer centric product approach and solutions
- 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

Products should help address 2 important issues in the country, under-penetration & under-insurance.

In addition to bringing appropriate products, increasing penetration of health insurance in India would need depend on making access to such products easier. Organization must focus on building new distribution channels both physical and digital to ensure reach to a wider audience. 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.

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.

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. product strategy 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

Product concepts are mainly solutions designed for a large segment of individuals. The core of the philosophy is to build innovative and affordable products for each segment of the society. The segments strategically divide the target population in different micro-segments, which helps in delivering suitable and sustainable products catering to people from all walks of life.

The process sits on 5 Core pillars of development: Innovation, Standardization, Personalization, Eco-system and Simplification.

For the purpose of building suitable products to increase penetration across different consumer backgrounds, the customers are segregated into different micro-segments based on:

i. Life Stage of the customer – Young unmarried, Married without Children, Married with children, Senior Citizens, etc.
ii. Health Status of the customer – Healthy, at risk, With Chronic Conditions, etc.
iii. Socio Economic Status of the customer – Mass, Mass Affluent, Affluent, High Net worth Individuals etc.

Moreover, 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 which 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.

To be able to achieve the right solution, each product goes through the following stages and process:

Research through focused groups, market analysis etc. → **Identification** of the problem → **Concept** Development → **Pricing & product filing** documentation → **Launch** of the product across different channels → **Monitoring** of the product

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 (in accordance to the Board Approved PMC Charter)

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) Appropriateness of the product design for the target market
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 final approval on the product 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.

k) All products, offered for sale, shall be reviewed by Appointed Actuary at least once a year taking into account:
   a. the reasonable expectation of all stakeholders, including policyholders;
   b. financial viability of the products;
   c. emerging risks and experience under the products;
   d. any other relevant factors.

l) Appointed Actuary shall present the results of such review to the PMC and make suitable recommendations for any modifications or withdrawal of the product.

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. 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. Once every year, the products filed, revised and withdrawn the previous year will be reviewed with the Board

Approving Authority
Mr. Vishwanath Mahendra – CFO Mr. Manish Sen- Appointed Actuary Dr. Bhabatosh Mishra – Director Claims, Underwriting & Products