

## IRDA Update: Portability of Health Insurance

11 February 2011

By way of an update, the IRDA has issued the following press release and the attached circular on portability of health insurance policies.

*There have been several representations from consumer associations and policyholders for enabling portability of health insurance policies from one insurer to other insurer. Persons shifting from one region to other regions are many times put to disadvantage due to lack of insurers' office providing necessary policy servicing at the new location. Further, employees shifting from one organization to another organization many times lose health insurance cover due to lack of portability of the health insurance policies. It is essential to protect the policyholders against discontinuity and consequential loss of Pre Existing Diseases (PED) cover by making the health insurance plans portable across the insurance companies. The portability will also ensure that the policyholder is not tied to one single insurer throughout his life for fear of losing the cover of PED. The Authority has examined various issues involved in the portability of health insurance plan and has issued necessary orders for effecting portability which will be implemented from 1<sup>st</sup> July, 2011. The main features of portability are:*

- 1. The credit from the period elapsed excluding PED shall be carried forward to the new insurer.*
- 2. The accepting insurer shall provide cover, at least up to the sum assured in the previous insurance policy.*
- 3. The request for porting the policy shall be completed as per the timelines prescribed in the IRDA (Protection of Policyholders' Interests) Regulations and guidelines.*

*The Authority is making the policy wise claim history of the health insurance policies available to the insurers for effecting quick portability from 1<sup>st</sup> July, 2011.*

For further information on this topic please contact Tuli & Co

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## All life and General Insurers

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### Portability of Health Insurance Policies

1. 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 1<sup>st</sup> July 2011.

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**(J. Hari Narayan)**  
**Chairman**