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Will new insurance rules help senior citizens? | Explained

What is the change in the upper age limit to avail a new health cover? What has the Insurance Regulatory and Development Authority of India said about designing products for senior citizens? Will all types of existing medical conditions be accepted?

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The new regulations have asked insurers to establish a separate channel to address health insurance related claims and grievances of senior citizens. | Photo Credit: Getty Images/iStockphoto

The story so far: The **Insurance Regulatory and Development Authority of India (Insurance Products) Regulations, 2024**, came into force on April 1. Introduced as part of a wider reforms agenda that the IRDAI has been actively pushing for in recent months, the

new norms covering various aspects of life, general and health insurance have generated considerable interest, particularly around a presumed change in the upper age limit to avail a new health cover.

What do the new regulations address?

The keenly watched new regulations are intended to enable provisions for insurers to respond faster to emerging market needs, improve ease of doing business and enhance insurance penetration while ensuring protection of policyholders interests. The last objective is sought to be achieved by encouraging insurers to conform to good governance while designing and pricing their products.

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Specific to health insurance, the new norms are important, for instance, in reducing the “specific waiting period” from four years to three years. What this means is a reduced wait time, from the time the policy is purchased, to get insurance cover for specified diseases/treatments (except due to an accident). As per the new norms, on completion of the waiting period, diseases/treatments will be covered provided the policy has been renewed without any break. The time-frame for defining pre-existing disease has also been set to three years in the new regulations. Pre-existing disease refers to any health condition, ailment, injury or disease diagnosed by a physician not more than three years prior to the commencement of the policy or for which medical advice or treatment was recommended or received from a physician not more than three years prior to the date of policy issue.

AYUSH (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy systems) treatment coverage is another aspect emphasised in the new norms. Mandating a Board approved policy for the insurers, the regulator wants insurance companies to treat AYUSH on par with other treatment options. The previous regulation, which was in force till March 31, 2024, said: “all insurers may endeavour to provide coverage for one or more systems covered under AYUSH treatment, provided the treatment has been undergone in the hospitals or healthcare facilities subject to the guidelines as may be specified by the Authority from time to time”.

The regulator has also advised insurers against denying renewal of a health insurance policy on the ground that the insured had made a claim or claims in the preceding policy years, except for benefit based policies where the policy terminates following payment of the benefit covered under the policy such as in the case of a critical illness policy.

What changes are relevant to senior citizens?

The April 1 notification attempts to broaden insurance coverage from a demographic perspective, broadly in line with IRDAI's 'Insurance for All by 2047' goal. In contrast, the Health Insurance Regulations, 2016, on entry and exit age, stipulated that "all health insurance policies shall ordinarily provide for an entry age of at least up to 65 years". In other words, under the previous regulations health insurers could not deny cover to those aged up to 65. This, however, does not mean that all insurers were hitherto averse to providing health cover to those aged above 65 years. Siddharth Singhal, Business Head, Health Insurance, at Policybazaar.com, listed nine policies offered by different health insurers, where the maximum entry age is 99 years and five policies where the maximum entry age is 75 years. The new regulations have also asked insurers to establish a separate channel to address health insurance related claims and grievances of senior citizens.

How are insurance companies likely to respond to the new regulations?

Since it is more of a nudge from the IRDAI, many general insurers dealing in health insurance as well as stand-alone health insurers are likely to wait and watch, while some may start work on new products for those above 65. Industry officials expect health insurers to over time reformulate their products by resetting the maximum entry age to 99 years.

Hari Radhakrishnan, Regional Director, First Policy Insurance Brokers, observed that there had been no explicit age restriction in the previous regulations either. Every health insurance product has a minimum and maximum entry age, he noted, adding that the earlier regulations had a provision whereby the maximum entry age needed to be at least 65 years. Now, that provision has been dropped and so insurers are free to fix their minimum and maximum entry ages.

How significant are the changes?

While measures to enhance access are indeed welcome, affordability or the ability to pay premiums is crucial for senior citizens in terms of opting for health insurance, especially at a time when they require the cover most.

IRDAI, which does not interfere with the pricing of health products, has in the new regulations said the “premium shall remain unchanged for the policy term. Insurers may offer facility of premium payment in instalment, [also] devise mechanisms or incentives to reward policyholders for early entry, continued renewals, favourable claims experience, preventive and wellness habits and disclose upfront such mechanism or incentives in the prospectus and the policy document”.

In terms of buying health insurance, ‘earlier the better’, is something that those seeking cover should ideally keep in mind, underscored Amitabh Jain, COO, at Star Health & Allied Insurance, which is among the few companies that already provide health insurance to those above 65 at the time of entry. “Buying a policy early provides comprehensive coverage, especially as the risk of ailments increases with age. Insured customers who develop ailments like cancer and cardiac conditions are covered without an increase in premium and with guaranteed policy renewal. However, without insurance, and an increased risk of hospitalisation as you age, the risk needs to be priced into the premium,” he explained. Acknowledging the importance of affordability of the premium as being a key consideration for many customers, Policybazaar’s Mr. Singhal said health insurance policies were increasingly becoming modular with varying features depending on the paying capacity of customers. Also, buying health cover young would mean less waiting period.

Mr. Radhakrishnan said the changes give plenty of latitude to insurers to develop products for various demographic segments. The ability to develop products with better features and affordability will ultimately, to a large extent, depend on factors like disease incidence and medical inflation, he observed.