

## “Retail health grew 68%, higher than any other segment”

The average sum insured in retail health insurance has also gone up from ₹4 lakh to ₹7 lakh for Reliance General Insurance in the past two years, Rakesh Jain tells **Riju Mehta**.



**Rakesh Jain**  
CEO, Reliance  
General Insurance

**In the recent past, IRDAI has mandated several standardised products, such as those for mental health, surrogacy, etc. Are insurers facing any difficulty in implementing these?**

When it comes to product development, you need to have certain data to create a product and price it. Mental health plans or IVFs were never under the ambit of insurance, and the confidentiality of data meant that the insurance companies could not understand the risk and pricing.

That is the basic apprehension. I don't think the insurers are saying they don't want to do it. They are just saying that it should be done in a defined way. The good part is that most of the things are now opening up and health insurance as a segment is growing. India has a large population, and if everybody comes under the fold of insurance, there will be a lot of resources available to cater to the exceptions, such as IVFs.

**Is there a need for a basic, standardised health insurance plan?**

Customers come with different psychologies. Some do not want to be cheated on coverage or price when they buy insurance for the first time, so they are happy to start with a standardised product. The people who require customisation can keep exploring and buy a product of their choice. We should not debate between this and that, but cater to every type of customer psyche. Besides, there is a provision for portability in health insurance. Even if somebody starts with a standardised plan, he can migrate to a better or customised product later on.

**How is the removal of cap on commissions likely to play out in the long term?**

We had two caps before the expense of management guidelines, one at the commission level and another at company level. The commission caps were derived from pre-independence insurance rules and IRDAI had to play around these. As the insurance industry evolved, people realised that in small products like a two-wheeler policy of, say, ₹400-500, if you put a 15% cap, an agent who really works hard will get only ₹50-70 as commission. Hence, he's not interested in chasing a customer for a two-wheeler policy. Since there was a cap, you could not pay him a commission. Another scenario is when you create new products and experiment, you really don't know where you'll have to spend. If you are constrained by caps, ideation will become extremely difficult.

What the industry asked from IRDAI was control at the company level and flexibility to give payouts in accordance with the time and effort put in, or for new products, so that companies have the flexibility to plan properly without getting caught in artificial limits. IRDAI did a very intelligent thing by analysing the total expense of every company, taking a number and capping it at that. So the limit of 30% is based on actual numbers of the past few years. There is no way companies can go above this. It will also ensure that nobody splurges and, over a period of time, this limit will also go down.

**After Covid, has there been a change in the sale of health insurance?**

The growth of health insurance is far higher than any other segment. Last year, we grew 68% in retail health, from ₹180 crore to ₹300 crore, while other segments grew only around 10%. In two years, the average retail health sum insured has also gone up from ₹4 lakh to ₹7 lakh. The health segment is meant to grow because the cost of healthcare is growing, and this is linked to the progress in medical science. Even if you are fully in-

sured today, it will not suffice for a lifetime due to medical inflation. There has been an uptick in health insurance due to the rise in awareness as well.

**Why is medical inflation so high?**

A lot of new drugs and procedures are coming up and the quality of hospitals is also improving. The more high quality treatments and diagnostics we go for, the higher will be the cost of healthcare. Don't blame the insurers because we pay the hospitals and labs, and many of us are not even making money in health insurance. On top of that, a scenario like Covid is pre-covered. Consumers must understand that insurance is protecting their lives and savings. Without it, they will have to dip into their lives' savings to pay for healthcare. We don't have a say in the cost of healthcare and there is no regulator for hospitals. People are trying to standardise and make hospitals more transparent and disclosure-oriented. Let's hope that over time some balance is reflected in the cost.

**Is there any scope for regulation and transparency in hospital costs?**

Health, in India, is a state subject and all the states need to come together to set standard rules. In the meantime, insurance companies are trying to standardise treatment patterns and costs. We are hoping that hospitals will come together and subscribe to this. When a customer is choosing a sum insured, he should be assured of a certain treatment for that amount. A treatment in Mumbai can cost ₹5 lakh, and in Kohlapur it is ₹2 lakh, so how does he decide whether he needs ₹2 lakh or ₹5 lakh? This is where we need to take social responsibility. Insurance companies are becoming organised and we are reaching out to hospitals. One of IRDAI's mandates is to go cashless for all claims, which means that hospitals need to build their packages appropriately. This is going to be a big agenda for all of us.

**What is the policy lapse rate when it comes to health insurance?**

We see a lapse rate of 10-15%. These are typically the people who have not claimed or they forget about renewals. We run reminder processes ahead of time: 60 days before and 30 days after renewal date. Besides digital reminders, SMSes, e-mails and renewal notices, we are also creating conveniences for renewal. We give EMI options to pay premiums, and for people who forget, we have multi-year plans and auto-debit mechanism.



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