Health Insurance Underwriting Policy
Liberty General Insurance Limited

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LIBERTY GENERAL INSURANCE LIMITED - HEALTH INSURANCE UNDERWRITING POLICY

PREAMBLE / REGULATORY REFERENCE

Health Insurance offers a significant opportunity for Liberty General Insurance Limited as this business has been growing at a rapid pace. The Health Insurance industry is the fastest growing and evolving business in the Insurance sector. However, there are challenges in pursuing this opportunity due to rising medical inflation, risk of adverse selection and limited influence over health care delivery network. In this scenario it is very imperative that this line of business is managed prudently.

Our underwriting philosophy is primarily to produce "Growth" with "Profit" despite changes in marketplace, environmental and economic conditions and to create a sustainable and profitable portfolio. The key element is developing and sustaining a long term business strategy for the benefit of all the stakeholders.

Accordingly, this Policy has been framed in accordance with the provisions of the Master Circular on Health Insurance Business, 2024 ('Master Circular') and IRDAI (Insurance Products) Regulations, 2024 ('Product Regulations') which requires the Company to establish an Underwriting policy governing the underwriting standards of health insurance products along with appropriate guidelines for product development, pricing, design, performance monitoring and controls.

SCOPE & PURPOSE / OBJECTIVE

The prime objective of the Underwriting policy is to guide the management of the Company in implementing and maintaining prudent underwriting standards including pricing of the risks to ensure achievement of the Company's overall financial goals in the Health Insurance business. In order to achieve this objective, the Company shall maintain Formalized and Documented guidelines for Product design and approval, underwriting guidelines, pricing standards, Product performance review and controls.

This Health Underwriting Policy Statement of the company covers the following aspects –

a) Underwriting Philosophy
b) Product Design approach
c) Underwriting Management
d) Pricing Methodology
e) Reinsurance Strategy and Risk Transfer
f) Technical Review and Underwriting Audit Mechanism
g) IT systems
h) Key Performance Indicators and Reporting to Board

APPLICABILITY

This Health Underwriting Policy is applicable to all the "Health Insurance Products" of the Company (hereinafter referred as 'product/s') and would include Health, Personal Accident and Travel Products whether Individual, Group, Pilot, Package, Micro or Government sponsored schemes.

KEY DEFINITIONS

1) "Act" means the Insurance Act, 1938 (4 of 1938).
2) "Authority" means the Insurance Regulatory and Development Authority of India established under the provisions of section 3 of the Insurance Regulatory and Development Authority Act, 1999.
3) "AYUSH treatment" refers to the medical and / or hospitalization treatments given under Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy systems
4) "Group" consists of persons who join together with a commonality of purpose or engaging in a common economic activity and includes employer– employee group and non-employer– employee group:
    a. Employer – employee group is a group where an employer-employee relationship exists between the master policyholder and the member in accordance with the applicable laws
    b. Non-Employer– employee group is a group other than employer– employee where a clearly evident relationship between the member and the group policyholder exists for services/activities other than insurance
5) Health insurance business" means the business of effecting the contracts of insurance that provide sickness benefits or pay for medical and health expenses and includes, —

    (i) the personal accident insurance business of effecting the contracts of insurance that provide for payment of money in the event of death, disablement or hospitalisation arising out of an accident; and

    ii) the travel insurance business of effecting the contracts of insurance that provide for sickness benefits or pay for medical and health expenses or payment of money in the event of death, disablement or hospitalisation arising out of an accident or for losses suffered, in the course of travel;

6) "Product Regulations" means the IRDAI (Insurance Products) Regulations, 2024 issued by the Authority
7) "Master Circular" means the Master Circular on Health Insurance Business, 2024, issued by the Authority

8) "Product management committee (PMC)" shall be a Board constituted committee within the insurer with functions as per IRDAI (Insurance Products) Regulations, 2024
9) "Products" include base products and riders or add-ons.
10) Pre-existing disease (PED)" means any condition, ailment, injury or disease:

a) that is/are diagnosed by a physician not more than 36 months prior to the date of commencement of the policy issued by the insurer; or

b) for which medical advice or treatment was recommended by, or received from, a physician, not more than 36 months prior to the date of commencement of the policy.

Provided that the definition of the pre-existing disease shall not be applicable for Overseas Travel Policies.

11) "Portability" means a facility provided to the health insurance policyholders (including all members under family cover), to transfer the credits gained for, pre-existing diseases and specific waiting periods from one insurer to another insurer.
12) "Migration" means a facility provided to policyholders (including all members under family cover and group policies), to transfer the credits gained for pre-existing diseases and specific waiting periods from one health insurance policy to another with the same insurer
13) "Specific waiting period" means a period up to 36 months from the commencement of a health insurance policy during which period specified diseases/treatments (except due to an accident) are not covered. On completion of the period, diseases/treatments shall be covered provided the policy has been continuously renewed without any break.

DESCRIPTION OF POLICY

A. Underwriting Philosophy

The Company strongly believes in having effective underwriting controls in place and would like to conduct business by reinforcing prudent underwriting procedures and guidelines. This would enable us to write quality risks with high underwriting standards and generate satisfactory and expected results.

Combined Operating Ratio (COR) would be the key criterion for assessing the performance of this line of business. The Company will expect underwriting profit net of reinsurance in each Product under this line over medium to long term. The product design, pricing and selection of risk will be based on the aperformance over the cycle business and ensure objective decision making by building good experience database and by working on actuarial models to the maximum possible extent.

The Company will ensure that it will not disturb the orderliness in the market place and will achieve the targeted profitable growth. Our aim is not to underwrite loss making portfolios just to gain market share. During initial stages of building up the portfolio underwriting loss could be reflected on portfolio basis due to thin volumes and high expenses. Such situations may also arise during new product launches. In all such cases the Board will be duly informed.

It will be endeavoured that every health product of the Company (Health, PA & Travel) shall comply with the prevailing laws & regulations applicable, including the Insurance Act, 1938, and all other applicable regulations and guidelines, as may be notified by the Authority from time to time. Further, the terms and conditions of the Product shall comply with requirements of the following Acts and Regulations:

- The Mental Healthcare Act, 2017, that requires every Health product to make provision for medical insurance for treatment of mental illness on the same basis as is available for treatment of physical illness
- The Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome (Prevention and Control) Act 2017, that requires not to discriminate against the protected person on any ground including the following, namely, the denial of, or unfair treatment in, the provision of insurance unless supported by actuarial studies.
- An exclusive product designed for persons with disabilities (PWD), Persons afflicted with HIV/AIDS and those with Mental illness as guided by the Regulator namely 'Sampurna Swashraya-Liberty General Insurance Ltd'. The Underwriting Guideline of the product ensures that no proposal of above-mentioned category of population is denied for reason of the above stated disabilities and/or illness/es.
- Guidelines on providing AYUSH coverage in Health Insurance policies, in accordance to which, AYUSH Treatment shall be placed at par with other treatments for the purpose of health insurance and policyholders shall have the option to choose treatment of their choice.
- A specially designed product for providing insurance cover to Oocyte Donor and Surrogate Mother as per The Surrogacy (Regulation) Act, 2021, The Assisted Reproductive Technology (Regulation) Act, 2021 and Surrogacy (Regulation) Rules, 2022.
- The Transgender Persons (Protection of Rights) Act, 2019

B. <u>Product Design approach:</u>

The Company endeavours to have multi-channel distribution offering insurances across the Products in this line. In line with the Company's philosophy for sustainable growth, the Company shall constantly work towards designing innovative Product solutions, catering to the emerging market needs.

The Company shall strive to design products/add-ons/riders that provide a wider choice to the policyholders/prospects catering to all ages; all types of existing medical conditions; pre-

existing diseases and chronic conditions; all systems of medicine and treatments including Allopathy, AYUSH and other systems of medicine; every situation of treatment; all regions, all occupational categories, all types of hospitals and health care providers to suit the affordability of the policyholders / prospects etc. in line with the Underwriting guidelines for each Product under this Line of Business.

The Company aims at enhancing insurance penetration of its Products and work towards providing inclusive insurance to all market segments by designing simple and easily comprehendible products that meet the health insurance needs of the insurable population.

Towards achieving the above, the Company shall be guided by Product Regulations, and Master Circular as specified by the Authority and amendments being issued thereafter. Product design, premium rating, terms and conditions of cover and underwriting activity shall be consistent with the provisions of these Regulations and Circulars and its subsequent amendments.

Group policies including Policies for Affinity partnerships shall be compliant with Product Regulations and Master Circular and amendments being issued thereafter, and relevant provisions of other Circulars and Regulations as issued by the Authority from time to time. The regulations pertaining to "Protection of Policyholders' Interests" shall be kept in mind while designing the Products.

i. New product Development

There will be in place a structured approach to the Product Development function. The product offerings shall be designed to provide us with leverage in the market & to strengthen our presence whilst keeping in mind our overall business strategy and budgeted plans.

As required under the Product Regulations, 2024, the Product Management Committee (PMC as constituted under the Company's Non-Health Underwriting policy) shall also assume the additional role for reviewing and approving the Health Insurance Products and shall be responsible to ensure proper due diligence of product design and protection of the policyholders interests.

All products as may be mandated by the Authority will be offered within such periods, as may be prescribed by the Authority.

As part of product design and development cycle, the Company shall ensure that:

a. evolving risk coverage needs of the customer are taken into account while developing new products and revising existing products;
b. product covers an insurable risk with an underlying risk transfer;
c. the products offered are simple to understand and not complex;

d. there is transparency and clarity in wordings, terms, coverage, exclusions and conditions;
e. policyholder's interests are protected;
f. the basic principles of insurance like insurable interest, indemnity, utmost good faith, proximate
g. cause, contribution clause, salvage and subrogation etc. are adhered to;
h. all the risks relevant to the products are appropriately considered in the pricing;
i. the premium rates are fair and not excessive, inadequate, unfairly discriminatory and provide value for money;
j. all relevant factors such as risk appetite, capital availability, claim experience, reinsurance costs, guarantees, options are considered;
k. products are viable and self-sustainable;
l. market conduct practices are appropriate and fair;
m. appropriate systems, procedures relevant to the product, such as underwriting, pricing, reinsurance, claims management are in place.

ii. Product Management

The Company may voluntarily withdraw or revise any Product after being noted under these Regulations or earlier guidelines, subject to prior information to the Authority. The decision to withdraw/revise terms and condition/re-price the product shall be taken by the Product Management Committee based on the feedback on performance of the product by the Appointed Actuary.

iii. Product classification

Health insurance products shall be classified into either indemnity or benefit based products and may be offered to individual or families or groups.

All products offered under this line of business would also be fully compliant with this Underwriting Policy.

C. <u>Underwriting Management</u>

i. <u>Underwriting Guidelines</u>

The Company will have Underwriting guidelines for each Product under this Line of Business. Underwriting guidelines will provide for amongst other things -

- Risk category details (Target Risks /Referral Risks /Non-preferred / Declined risks) which are based on customer segmentation, Risk Exposure, geographical location, industry claims history
- Risk evaluation process through collection of risk information in the proposal form as well as through medical underwriting as made applicable under the guidelines
- Reinsurance treaty limits and the capacity
- Underwriting authority and limits of acceptance / declinature for the underwriters
- Pricing guidelines

- The Underwriting Guidelines shall clearly specify entry / exit age eligibility in compliance with the extant regulations.
- Risk evaluation process through collection of risk information in the proposal form as well as through medical underwriting as made applicable under the guidelines. All proposals falling under portability, and migration categories shall be evaluated & underwritten afresh, unless specifically waived off by the Chief Underwriting Officer / President - Underwriting/ Head of Department
- Individual member who are exiting from group policy shall have the option to opt for coverage under Retail Health product offered by company.
- Following measures will be taken to prevent fraud and misrepresentation:
  1. Confirmation from existing insurer for claims.
  2. Verification of proposal details, claims MIS and Summary Report.
  3. Intermediary / Client confirmation in case of fresh proposal without any previous insurance.
  4. Enrolment criteria in case of non-employer group.

ii. <u>Delegation of Underwriting Authority</u>

Delegation of authority will be based on the customer segment and product line, the technical competence & experience of the underwriter concerned. Each Underwriter will be issued a document clearly setting forth the prescribed levels of underwriting authority.

The delegation of Underwriting Authority at various levels will be in line with the Board approved delegation of Authority.

The delegation of Authority shall be reviewed periodically, at least once a year.

iii. <u>Portfolio Management</u>

As mentioned under Underwriting Guidelines risks under all product lines will be categorized as:

- Target
- Referral
- Non Preferred / Declined

The Company shall have monitoring and analytical tools to help in early detection of trends enabling quick adjustments to ensure financial viability of products under this Line of business.

The Company will monitor and periodically analyze underwriting results based on the portfolio mix - product, segment, risk category and channel-wise. There will be monthly review of loss experience based on distribution channel / geography / product / industry vertical / risk category. A close monitoring will be also done with respect to claims frequency and average claim cost across sum insured, age bands and risk classifications.

The overall objective is to achieve a profitable portfolio along with budgeted product mix.

D. Pricing Methodology

All the risks underwritten by the Company would follow strong underwriting and pricing practices in order to ensure sustainable return on capital invested by the shareholders.

The Principles of Pricing of Health Insurance Products as stipulated in Product Regulations and Master Circular, as specified by the Authority and any amendments being issued thereafter shall be scrupulously followed while determining the price for various Health Insurance Products to be underwritten by the Company.

Retail Health Business

The rating for all Individual Health policies both in terms of standard and Referral risk would be strictly in terms of the rates & methodology cleared by the Regulator. Referral risks would be evaluated by way of medical underwriting of the proposal and if required by way of a pre policy check for proper medical underwriting of risk.

Group Health Business

Group Policies are experience rated and the pricing methodology is driven by the following parameters included but not limited to:

I. Demography of members to be covered.
II. Type of Industry & Category of Employees
III. Sum Insured proposed against members to be covered
IV. Terms of Coverage sought ---- information on the terms of coverage
V. The previous policy expiry date (where applicable).
VI. The number of members at the inception of the expiring policy (where applicable).
VII. The sum insured and the coverage under expiring policy (where applicable).
VIII. The previous claims history along with the claims dump in respect of claims paid, claims outstanding & claims rejected with claims reckoned date (where applicable).
IX. The addition/ deletion pattern in the expiring year (where applicable).

X. The lag in intimation pattern (where applicable).

XI. Available credible group experience of similar group / industry data

Thus, the Underwriting function will consider below mentioned factors while determining the terms and conditions to be imposed and prices to be charged for acceptance of various risks:

Risk Factors

a. Risk Category, prior loss experience
b. Forecasted Frequency and Severity of expected Losses
c. Company's Risk Appetite
d. Age of the Prospect in Individual Policies and Inputs from Medical Underwriting in deviant cases

Capital /Expense

a. Cost of management, marketing expenses and acquisition cost
b. Profit margins, Capital allocation to risk, Reinsurance Cost

The Appointed Actuary's role shall be vital in relation to design of the Products and Pricing. The Appointed Actuary shall ensure that all material facts in relation to the Financial Viability of the product have been taken into account and the Premium charged is sufficient to meet all future payments in respect of claims incurred under this product. In the initial years, the actual level of expenses will be higher than that provided for in pricing. The expense level is expected to stabilize as company achieves scale as projected in its business plan.

Underwriting and Actuarial team shall work very closely in evaluating the results of each Product under this Line of business as against the predefined performance benchmarks. It would help in building higher degree of objectivity in our decision making.

In order to ensure minimum deviation from the performance benchmarks, the Company would:

I. Create superior portfolio wise reporting capabilities to identify, analyze and correct the problem areas. It would also enable us to forecast and understand trends of the results reported.
II. Continuously improve product and pricing sophistication by engaging superior statistical tools and implementing the global technical best practices available within the Liberty Group.

While the Pricing Strategy mentioned above is aimed to ensure profitability of portfolio in terms of actual Incurred Claims Ratio & Combined Ratio, the following corrective measures would be adopted in case of a breach leading to a deterioration in product performance:

Breach of Projections for Incurred Claims Ratio

- Pricing patterns would be scrutinized for all group products to ensure that risks are adequately priced
- The pattern of preferred risk to non-preferred risks underwritten would be analyzed to ensure correction of proper risk selection
- Severity and Frequency pattern of claims across Regions would be analyzed to identify loss making geographies, industry and demography and ensure that pricing is commensurate with the exposure involved.

Breach of Projections for Combined Ratio

- Identify the component of Combined Ratio responsible for breach of projections and follow measures to ensure that the breach is rectified. In case the breach is on account of the Incurred Claims Ratio, the measure indicated above will be followed to ensure correction.

Where the breach is related to the expenses, measures will be adopted to ensure that the breach is rectified by bringing down the expenses ratio.

E. Reinsurance Strategy and Risk Transfer

Reinsurance programme will be designed considering the risk retention strategy of the company. The Company aims to increase its retention in a phased manner especially in Accident Business. The objective of the Reinsurance is to ensure optimum retention with maximum protection.

Reinsurance Programme shall be broadly guided by the following factors:

- Maximize retention within the country;
- Develop adequate capacity;
- Secure best possible protection for reinsurance costs incurred;
- Simplify the administration of business.

Details of specific Reinsurance agreements every year will be placed before the Board for approval.

The Company will have systems and process in place for continuous monitoring, so as to avoid any breach of company's risk transfer policy. Monitoring will be undertaken with respect to "any one risk and / or any one event". As the Company builds its book, the Company shall explore having Stop Loss Reinsurance Arrangement for Health Business.

F. IT Systems

The Company's IT systems shall endeavour better management of underwriting risks and facilitate high level of analytics. The systems shall be capable of enabling –

I. pricing support in all lines of business
II. statistical & granular data base for analysis
III. review of underwriting decisions
IV. support for pre policy check references and internal audit.

The business benefits to be derived from the Company's IT architecture shall be as below:

-
- Tracking analysis
- To stay competitive
- Distribution expansion
- Cost containment
- Service excellence
- Productivity increase
- Strategic Alignment
- Enhanced self service capabilities
- Lower cost Support models
- Replication / Reuse across business
- Enable sales / service by partners
- Cost savings
- Industry best practices
- Speed to market
- Cost benefit
- Scalability and flexibility

The IT application landscape shall include

- Front end applications viz Portals, CRM, Business Intelligence/analytics etc.
- Business process- Work flow Management, Document Management System and Quotation Management System
- Core Systems for Policy Administration, Claims, Reinsurance and Underwriting

G. Key Performance Indicators and Reporting to Board

Our key performance indicators would include the following as minimum:

1. Segment by way of age, sum Insured & geography.
2. Classification of risk
3. Factors which could influence claims frequency and/or severity eg., accumulation, population covered, and time to claims settlement;
4. Premium data on gross and net written / earned basis (GWP, NWP, NEP)
5. Claims data – cause type & loss type along with reserve movements
6. Exposure / accumulation measurement

7. Loss ratios on gross / net basis

Besides, the Company will have in place well-defined KPIs with supporting MIS systems to constantly monitor the health of the book and take corrective action whenever necessary.

Formal reports will be provided to the Board summarizing key findings and issues from the underwriting and actuarial reviews. The underwriting results of the Company reflecting the plan vis a vis actual GWP, NWP, Retention ratio, NEP, Incurred claims, Expense of Management, Acquisition costs, underwriting profit/loss, Combined operating ratio will be presented to the Board and the Board will review the underwriting performance at the portfolio level.

REVIEW OF POLICY

The Policy shall be reviewed at least on annual basis or such other shorter intervals as per the directions of Board.