IRDAI to colour code health insurance based on complexity

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- **In its draft guidelines, IRDAI, has suggested three colours—green, orange and red—that will denote product complexity.**

The insurance regulator is planning to make it easier for individuals to pick a health insurance policy. To make it simpler, the regulator wants each health insurance product to have a colour code that would convey to the buyer the complexity of the plan.

In its draft guidelines, the Insurance Regulatory and Development Authority of India (IRDAI), has suggested three colours—green, orange and red—that will denote product complexity.

According to the draft exposure, the green colour will signify that the product offered is simple as well as easy to understand and comprehend. Orange will signify that the product is moderately complex and red to signify the plan is more complex compared with products that bear the green and the orange colour code.

"The initiative will help consumers buy the right health insurance policy that caters to their specific needs and requirements. IRDAI well understands that health insurance is a relatively complex subject for a common man to understand, especially for those buying health insurance for the very first time," said Amit Chhabra, head-health business, Policybazaar.com.

He further added, "While health insurance is a one-time purchase, it is important to buy the right product to meet all unexpected medical emergencies. With the color-coding initiative, IRDAI aims to curb mis-selling and help customers understand the products in a better way. As the three-color patterns will define the extent of complexity of the insurance products, it will be now easier for the consumers to buy a product as per their understanding and requirement."

IRDAI has also suggested that these colour codes will be used on websites, in advertisements and other places where insurers promote their products. The new concept will be applicable for individual policies sold by general insurance and health insurance companies.

The regulator has also provided a mechanism for insurance companies to calculate the degree of complexity of a product.

Insurers need to give a score to a product based on seven parameters, including the number of optional covers offered, percentage of co-pay, the number of months of waiting period, the number of treatment procedures or diseases to which sub-limits are applicable, deductibles, the number of permanent exclusions and simplicity of terms and conditions.

Insurers will assign equal weight to all these seven parameters and calculate the scores based on the criteria IRDAI has prescribed. The regulator has asked companies to send in their comments on the proposed concept by 15 October.