भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Cir No. IRDAI/ACT/CIR/MISC/069/04/2021   **Date**: 01.04.2021

To

CEOs/CMDs of all General Insurers and Stand-Alone Health Insurers.

Sub: Standard Technical Note (Template)- Health Insurance

1. This circular is issued in exercise of the power vested under section 14(2)(e) of the IRDA Act, 1999.

2. Reference is drawn to the Circular No. IRDAI/ HLT/ REG/ CIR/ 194/ 07/ 2020 dated 22nd July, 2020 on "*Consolidated Guidelines on Product filing in Health Insurance Business*". In terms of the above Circular, insurers are required to submit a Technical Note detailing pricing aspects of health insurance product filing.

3. In order to expedite the product clearance process, it has been decided to standardize the Technical Note so that insurers can provide all necessary details in a prescribed standard format. This will help to ensure uniformity amongst insurers in the matter of filing pricing and product related information for health insurance products.

4. Insurers shall submit Technical Note providing complete information and duly signed by the Appointed Actuary as per the prescribed format. The format is enclosed as **Annexure – 1** with this Circular.

5. In case, a General Insurance packaged product has Health as one of its sections or covers, this Technical Note template shall be used for health portion of the packaged product.

6. This Technical Note format shall also be used while filing PA (Personal Accident) and Pilot health insurance products.

7. This Circular shall come into force with immediate effect.

(P K Arora)

Member (Actuary)

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<u>Annexure – 1 (Cir No. IRDAI/ACT/CIR/MISC/069/04/2021 dated 01.04.2021)</u>

Technical Note
(Template)

For

"Brand Name of the Product/Add-on"

(Please strike off Product or Add-on as applicable)

Name of the Insurer   : _____

Product/ Add-On   : _____

Line of Business   : _____

Name of the Appointed Actuary/ Panel Actuary   : _____

Name of the Mentor (if applicable)   : _____

This technical note supersedes the Technical Note (version number* _____) dated DD/MM/YYYY.

This technical note is based on latest File and Use document / Use and File document submitted to the Authority as on DD/MM/YYYY.

*Initial version number shall be 1. It shall get incremented by 1, every time an updated technical note is submitted to the Authority.

Version No: Date:

Section 1.   General Information

SI.No.	Description	Details
1.1	Brand name of the Product/ Add-on	
1.2	New or Modification of existing Product/ Add-on *If modification of existing product/Add-on, please mention UIN.*	New/Modification
1.3	Filing under File & Use or Use & File	
1.4	Target Market	
1.5	Is the product Reinsurance driven?	Yes/ No
1.6	If the filing is for base product, provide details of approved Add-ons that will be sold alongside, if any: | Name of Add-on with UIN No, Date of approval	Brief Description of Benefits under the Add-on	Whether Benefit based/Indemnity based | |---|---|---| | | | | *Confirmation that there is no overlap of benefit between base product and add-ons.*	
1.7	If the filing is for Add-on, provide name of Base product along with UIN, date of approval. *Confirmation that there is no overlap of benefit between base product and add-ons.*	

Section 2.   Summary of Benefit Structure

2.1   This section should provide benefit structure for each variant/option of the Product / Add-On. In case of modification of existing Product / Add-on, provide the comparison of the benefit structure in the following format between the proposed modification and existing Product / Add-On along with the reasons for changes.

Table 1

SI.No.	Benefits covered	Indemnity / Fixed Benefit	Benefit Amount / Sum Insured limit / sub-limit		Deductibles & Co-pay	
			Variant 1	Variant 2	Variant 1	Variant 2

2.2	**Type of Product / Add-on**	Individual/ Group Product
		Individual basis/Family Floater basis/ both
2.3	**Policy Term**	
2.4	**Mode of premium payment**	
2.5	**Age Group**	Minimum age at entry: Maximum age at entry:
2.6	**Details of number of floater combinations along with relationships covered in family floater**	
2.7	**No Claim Bonus** *Please provide a grid about No Claim Bonus (if applicable)*	
2.8	**Other Conditions:**	

Section 3.   Data used

3.1 Source of Data

SI.No	Item	Description
i)	**Source of Data**	Internal / External
ii)	**Indicate the source of internal data, if used in pricing**	Provide the name of the Product or Add-on, whose experience has been used in pricing.
iii)	**If External data is used, indicate the source of external data**	Reinsurer data/ IIB Data/ Industry data/other countries data/ any other data source
	o if IIB Data is used	Provide the publication reference with date.
	o if Industry data/ other countries data / any other data source is used	Provide the reference from where the data has been collected.

3.2 Data Checks, Adjustments and experience

i)   Justification of data source.

ii)   Details of data checks, adjustments done to data, data related issues and how these issues are addressed.

iii)   Comment on quality and completeness of data.

iv)   Confirmation that if internal data is used, whether the product (s) mentioned in 3.1.ii) above have similar benefits and coverage as the current product, for which the approval is being sought. If the same is not the case, list of adjustments done to data along with rationale of such adjustments.

v)   Actual experience in terms of loss ratio, frequency, severity etc. of at least three years of similar product whose data is utilized for pricing a new product. In case of modification, similar information of existing product / add-on along with the expected versus actual Premium income, Loss Ratio, Combined Ratio and Profit Margin for last three years.

vi)   If own experience is available but not relevant to use in pricing, justification for the same.

Section 4.   Assumptions and Methodology

i)   Assumptions used in arriving at the risk Premium along with the justification.

ii)   Description of the methodology used in pricing and justification for the choice of methodology.

iii)   Explanation of extrapolation / smoothening procedures adopted, if any.

iv)   Details & rationale of any relativity used in pricing.

v)   Explanation of how the impact of co-pay, pre-existing disease, waiting period, cost of pre-insurance health check-up, sub-limits, No-Claim bonus, wellness benefits, outpatient benefits and any other specific feature have been allowed in pricing (if the same is not adjusted in the data itself).

vi)   Details of how the pricing is adjusted for multi-year policies, if applicable.

vii)   Details of computation of floater premium including explanation of joint incidence probabilities, cost saving, etc.

viii) Details of the minimum and maximum floater discount and respective model points.

ix)   Ratio of floater premium to "Sum of individual premiums" for some model points including those having minimum age and minimum sum insured, minimum age and maximum sum insured, maximum age and minimum sum insured, maximum age and maximum sum insured. Confirmation that floater discounts are reasonable and fair to the Policyholders.

x)   Details of Reinsurance, if any.

xi)   Any other relevant information, if any.

Section 5.   Rating Factors

i)   List and justification of all the rating factors and / or risk factors, as relevant (*Rating factors/risk factors used in pricing shall be objective and quantifiable*).

Section 6.   Gross Premiums

i)   Complete details of each loading on Risk premium along with the basis and justification of such loading and how these are factored in pricing. For example,
   o Expenses,
   o Reinsurance Cost loading, Commission, profit margin etc.
   o Contingency loadings (mention if it is part of expected claims or profit margin), investment income.

ii)   Confirmation of compliance with Commission, Expenses of Management Regulations of IRDAI.

iii)   Expected loss ratio.

iv)   Formula for arriving at gross premium from risk premium.

v)   Any other relevant information for calculation of gross premium.

vi) Comparison of existing and modified premium rates (in case of modification) across all ages, sum insured, floater options etc.

vii) Justification for change/revision of premium rates with necessary reference to actual experience of the current product.

Section 7. Discounts/loadings/Cancellation & Terminations
(Discount / Loadings other than rating factors mentioned in Section 5)

i) Description of the methodology for computing and applying discount/Loading along with the basis and justification of such discounts / loadings.
(Discounts / Loadings should be based on objective criteria, not at the discretion of insurer resulting in discrimination amongst identical policyholders/proposers).

ii) Capping (if any) on aggregate of Discounts / Loadings.

iii) Indicate if these loadings / discounts are applicable in multiplicative or additive manner.

iv) Underwriting discounts / loadings if any at broad level – e.g. maximum loading and discount based on underwriting criteria. Mention overall limit for medical loading in case of sub-standard risk.

v) Illustration on calculation of premium rates, incorporating all loadings and discounts, as applicable.

vi) Terms for cancellation/termination of contract and details of how the cancellation factors were determined along with basis.

vii) Year wise cancellation factors for Long Term Products.

Section 8. Business Projections

Projections for at least 3 years- Expected business in terms of premium income, expected loss ratio, combined ratio & profit Margin.

Table 2:

Amount in Crores

Item	Financial Year 1	Financial Year 2	Financial Year 3
Gross Written Premium			
Loss ratio (inclusive of IBNR)			
Combined ratio[1]			
Profit margin			
Capital Required for this product at 150% of RSM			

[1]As defined under Annexure III (FCR) of Circular with Ref: IRDAI/ACT/CIR/GEN/ 075/03/2017 dated 31st Mar 2017.

Section 9.   Profit test, Sensitivity/Scenarios test

(*Please indicate the most critical/sensitive assumptions on the premium rates & profitability aspects. The Appointed Actuary should consider their variability depending on nature of product. Demonstration of the impact of varying such factors on profitability and capital requirement with comments of the Appointed Actuary thereon. Summary of results for Scenario testing considering base, optimistic (+10%) and pessimistic scenarios (-10%))*

Section 10. Reserves
(*Brief note on types of reserves (premium, claim, others) planned for the product including the methods used for determination of reserves).*

Section 11. Premium tables / rate chart
(*Premium Tables/Rate chart for both risk premium and office premiums for all variants/options and add-ons have to be reproduced in Technical Note or as an Appendix to technical note. Explicit mention of whether the premium rate tables are exclusive of tax.*
To ensure that premium, including all loadings and taxes, in respect of each base cover and options shall be less than the benefit under the respective base cover and options for all model points).

Section 12. Any Other Details
(*Any comment/specific observations in addition to the above aspects).*

Section 13. Checks

i) Whether information (updated) provided in Technical note, wherever relevant, is reflected in F&U / U&F, Policy document, Customer Information sheet etc.? (Y/N)

ii) Are Certifications in verbatim with extant Product Filing Guidelines / IRDAI Regulations and duly signed by AA / Panel Actuary / Mentor?   (Y/N)

iii) Have premium rates for all base benefits/options been provided? (Y/N)

iv) Are family floater premiums less than individual premiums added together for all model points and in line with the provisions as prescribed in IRDAI (Health Insurance) Regulations, 2016? (Y/N)

(In case any of the above answers is no, AA needs to provide the detailed explanation.)

Signature   **Signature (delete if not applicable)**
<Name of the Appointed/ Panel Actuary>   <Name of the Mentor Actuary >
<Name of the Insurance company>
<Date: DD/MM/YYYY>   <Date: DD/MM/YYYY>