

Ref: IRDA/NL/CIR/HLTH/160/07/2011

July 11, 2011

Re: Servicing of Health Insurance Schemes offered by Bodies other than Insurance Companies.

The Authority intends to modify the circular No.031/IRDA/TPA/05 dated 16th December 2005. Accordingly, the Authority has prepared the Exposure Draft (*attached as .pdf and .doc documents*). In this regard, comments/suggestions of all stake holders on the Exposure Draft are invited.

The comments/suggestions on the said draft may be forwarded at meena@irda.gov.in within 10 days.

(J.Hari Narayan)
Chairman

EXPOSURE DRAFT

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Re: Servicing of Health Insurance Schemes offered by Bodies other than Insurance Companies.

1. With a view to enhancing policyholders' services for health insurance, the IRDA had conceptualized the Third Party Administrator (TPA), as an intermediary. The IRDA thought it appropriate to define such an intermediary and permit them to operate as an insurance intermediary on a strength of a license to operate issued by the IRDA. The TPAs play an important role in delivering health insurance in a seamless manner to a policyholder.
2. In order to effectively regulate the functioning of a TPA, the IRDA has brought out the Third Party Administrator Health Services Regulations, 2001.
3. Under Regulation 2(d) "**Health Services**" means all the services to be rendered by a TPA under an agreement with **an insurance company in connection with "health insurance business" or 'health cover'** as defined in regulation 2(f) of the IRDA (Registration of Indian Insurance Companies) Regulations, 2000, but does not include the business of an insurance company or the soliciting, directly or through an insurance intermediary including an insurance agent, of insurance business.
4. Under Regulation 2 (e) "**TPA**" means a Third Party Administrator who, for the time being, is licensed by the Authority, and is **engaged**, for a fee or remuneration, by whatever name called as may be specified in the agreement **with an insurance company, for the provision of health services;**
5. Under Regulation 3 (2) the **main or primary object** of the company shall be **to carry on business** in India as a TPA **in the health services**, and on being licensed by the Authority, the company **shall not engage itself in any other business.**
6. Under Regulation 4 (1) The TPA shall **obtain** from the Authority **a licence** to function as a TPA **for rendering health services.**
7. From the above, it is clear that a TPA can offer its services only to an insurance company and to no other body.

8. In 2005, some of the TPAs represented to IRDA to permit them to offer these services to bodies other than insurance companies such as Central and State Governments. Even though, such permission was not entirely on all force with the provisions of the Regulations, the IRDA considered that the number of such schemes being extended by Central and State Governments was very small and consequently the IRDA in December 2005, had issued a circular conveying that it has no objection to TPAs undertaking the servicing of non insurance healthcare schemes promoted, sponsored and approved by Central or State Governments.
9. Since the issuance of the circular dated 16 December 2005, the gross written premium of health insurance in India has increased from Rs.1535 crores to Rs.11145 crores (provisional) as at the end of 31st March 2011. The Central Government and several State Governments have also introduced large insurance based health schemes such as the RSBY of Central Government, the Arogyashri scheme of the Government of Andhra Pradesh etc. In all these schemes the risk bearer is the insurance company which has been awarded the contract after following appropriate and transparent system as decided by the respective governments. Given the growth of the health insurance sector it is important that the systems in place for servicing the health insurance should be dynamic and effective in order to ensure the orderly growth of the health insurance business in India.
10. Lately, some Governments have issued tenders calling for the direct servicing by TPAs of health schemes promoted by them. Such schemes would not fall within the regulatory regime of the IRDA, as the risk carrier namely the Government is not subject to regulatory oversight of the IRDA.
11. Given the growth and likely future growth of the health insurance industry, there would be a regulatory burden with considerable reputation risk to the institutions and the industry, in the event of any act of omission and commission by any intermediary if acting directly as agent of the Government.
12. In the above circumstances, the circular dated 16th December, 2005 is withdrawn with immediate effect. It is hereby notified that the Licensed TPAs cannot enter into arrangements for servicing health schemes promoted, sponsored or approved by any non-insurance body including Central, State, Local Governments, Firms, Corporates etc. during the subsistence of the TPA license granted by the IRDA.
13. If anybody currently licensed to operate as a TPA in India is desirous of offering such services to schemes promoted, sponsored or approved by any body other than insurance companies, then such a TPA shall first surrender its TPA license and remove itself from the regulatory purview of the IRDA and thereafter may pursue such course of action as it deem appropriate. It may be noted that on surrender of license, the body shall not carry the word TPA in its name.

14. With respect to existing contracts, if any, that a TPA may have entered into on the basis of no objection issued in 16th December 2005, it is clarified that such contracts may continue to be serviced till the expiry of the contract period only without any further renewal.
15. The TPAs shall report to the IRDA the details of such contracts as might exist, within 15 days from the date of issuance of this circular. Further, if the TPA does not report existing contracts, if any, within the time prescribed, then it will be deemed that it has no such contracts. If at a later date, such contract is found to be in operation then the license of the TPA will be cancelled forthwith.
16. The Insurance Companies shall not renew contracts with TPAs who are in breach of the above directions. All Insurance Companies are directed to ensure that the TPA with whom they seek to enter or have entered into an agreement to render "Health Service" do not have any similar arrangement after the issuance of this Circular for servicing parties other than insurance companies and shall obtain a specific undertaking to this extent from them, prior to engaging or continuing to engage their services.

(J. Hari Narayan)
Chairman