

C.R.VIJAYAN  
GENERAL MANAGER



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29.11.2016

Dear Sir,

**Re: Group Health Insurance Policy for IBA member Banks' Retired employees**

We refer to your letter Ref: 2016/570 dated 29.10.2016 on the above subject addressed to IBA. This letter was forwarded to us by IRDAI.

We would like to state our position as under with regard to the above policy -

IBA, on behalf of the participating member banks had placed a Group Mediclaim Policy with our Company as lead insurer w.e.f 01.10.2015 for serving employees and w.e.f. 01.11.2015 for retired employees. In the policy issued to Retirees of IBA member banks on 01.11.2015, the policy clearly states that the domiciliary treatment expenses are not covered in the policy. The Employees Policy was offered to cover all the Employees of the bank whereas it was optional for Retired employees and the extension of domiciliary expenses is unviable for policies offered on optional basis. When the IBA member banks sought clarifications in the coverage as the policy for serving employees of IBA member banks cover both hospitalization as well as domiciliary treatment, a clarification was issued to IBA on 13.11.2015 in this regard and an option was given to retired employees to withdraw from coverage if they so desire and full refund was allowed for such cases.

Since the insurance was to be continued for a period of three years, a Matrix was designed which would protect the interest of both the Organizations by prescribing discount for low claim ratio and loading for high claim ratio with a range from 25% to 140%. If incurred claim ratio (ICR) was below 25% or crossed 140%, the premium payable had to be looked into afresh. The increasing trend of ICR had been communicated to IBA and the Member Banks periodically. In the month of July 2016, United India had taken initiative to conduct Meetings with Individual Banks and representatives of IBA to highlight the performance of Individual banks and concerns on rising ICR etc. In the meetings, mention was also made of the fact that high ICR will have an impact on the coming year's premium.

The Retired Employees' Policy was having ICR of 231% in September, 2016 which is very adverse, basically because of the increased risk associated with advancing of age, optional basis of joining etc.

The basis of arriving at renewal premium is as under -

The employee's policy was working at a loss rate of 195 % in September, 2016 and the ~~Retired Employees' Policy was having ICR of 231%. For the sake of good order, the premium worked out for employees policy (details in table below) was offered to retired employee's policy also as detailed below: It may be noted that there was no change in~~



the terms & conditions of the policy except premium which is based on the claims experience (ICR) of the expiring policy.

|  | Officers | Clerical/Staff |
|--|----------|----------------|
| Premium charged during 2015-16             | 6,573    | 4,930          |
| Incurred claims ratio in employee's policy | 195 %    | 195 %          |
| Amount calculated on ICR                   | 12,820   | 9,616          |
| Add : TPA and Brokerage                    | 1,115    | 836            |
| Premium to be charged for renewal          | 13,935   | 10,452         |

Applicable service tax extra

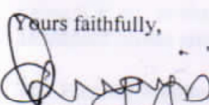
However, due to persistent demand, we have given another option for retirees' policy for coverage of Domiciliary Treatment for an additional premium in the current year policy to be renewed on 1-11-2016. We submitted a quote for Rs. 17,400/ + Service Tax for a sum insured of Rs. 4,00,000/- (with a Domiciliary cover of Rs. 40,000 within the sum insured) and Rs. 13,000/ + Service Tax for a sum insured of Rs. 3,00,000/- (with Domiciliary cover of Rs. 30,000 within the sum insured) and IBA retirees were provided with the option to choose expiring terms or revised terms. The policy has been renewed from 01.11.2015 and retirees have paid premium under both options.

On receiving request from IBA for reconsidering the increase in renewal premium, we had reviewed the working and communicated our inability to reduce the renewal premium in view of the high Incurred claims ratio above the Matrix limit. That the intention was only to control losses is evident by the fact we offered to share equally profits if any that would be generated.

This information is shared with you in order to appraise you of the reasons for the revision in premium at the time of renewal of the policy.

Thanking you,

Yours faithfully,

  
**C.R. VIJAYAN**

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