Ruling Against Exclusionary Insurance Schemes

What is the issue?

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- Delhi High Court has ruled against an insurance firm that rejected the medi-claim of a person, by stating contractual conditions.
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- The ruling further stressed that discriminatory exemption cluses of insurance polies need to be done away with.
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Why was the claim denied?

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- The insurance claims of a person with a rare heart condition was rejected by the United India Insurance Company.
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- This was because the heart condition was due to a genetic disorder, which isn’t covered under the policy.
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- Notably, insurance policies sold to individuals invariably contain a plethora of exclusions in the fine print, which diminishing their practical value.
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- By its very nature, such exclusion defeats the purpose of the health policy and tilt the balance heavily in favour of the insurer firms.
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What was the Delhi high court’s ruling?

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- When the case was taken to the Delhi high court, it ruled against the insurance firm, and stated that the rejection of the claim was discriminatory.
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- The court has held that exclusions cannot be unreasonable or based on a broad parameter such as genetic disposition or heritage.
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- The order hence upheld the insurance claim made, and noted that the case can’t be seen merely as a contractual issue.
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- Rather, it has reasoned this as an extention of the ‘right to health’ as derived form the Article 21 (Right to life) in the Constitution.
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- Further, it was noted that ‘right to health’ is meaningful only with the right to health care, and by extension, health insurance required to access it.
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- It also called for the elimination of all other arbitrary exemption clauses in insurance schemes to curtail people’s rights.
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What is the significance of the ruling?

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- This judgement is indeed a significant one and the central government and the Insurance Regulatory and Development Authority (IRDAI), should heed to it.
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- They must review all the policies, and eliminate unreasonable exclusionary clauses designed to avoid claims.
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- Notably, the government has already stated its intent in proceding aheadf with a universal “National Health Protection Scheme”.
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How does the insurance landscape look in India?

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- Several studies have pointed out that health insurance in India suffers from lack of scale, and presently covers only about 29% of the households.
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- Even among those within the insurance bracket, the coverage is only limited

and the health-care system also lacks regulation of costs.
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- Also, there is an information asymmetry, and the insured member is usually unable to assess the real scope of the policy.
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- These highlight the need for stronger regulations within the health insurance and hospital sectors in India.
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What is the way forward?

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- This is a necessity to define costs, curb frauds and empower patients.
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- Insurance law has to be revisited to ensure that there is a guaranteed renewal of policies, and that age is no bar for entry.
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- It needs to be ensured that pre-existing conditions are uniformly covered.
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- State sponsored insurance that is universal in coverage (which is envisioned in the long-term) could help in addressing the problems of exclusion.
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- As a short-term priority, it is important to remove discriminatory clauses in policies and expand coverage to as many people as possible.
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Source: The Hindu

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