

## **A Study of Health Insurance in India**

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### ***Abstract***

*Nature is uncertain and unpredictable. The same is true with the life of an individual which is surrounded by risks and uncertainties in this volatile world. Any kind of misfortune may lead from minor to serious injuries or even loss of life. Diseases too never knock our doors to enter our body. Money was and will never ever be able to buy life or cure diseases till the existence of this world but to cope up with hard times in our life and life of our near and dear ones when we leave for heavenly abode, insurance is the perfect solution. Generally, insurance is of two types: life insurance and non life insurance or general insurance. The present paper is an attempt to outline the current picture of health insurance sector in India which is a part and parcel of general insurance.*

*Health insurance sector in India has gained huge escalations since liberalization due to introduction of private health care financiers, increase in health consciousness among all sections of the society, increase in income of the households, price and service competition between health insurers and absence of bureaucratic attitude in health insurance employees.*

Key terms: General insurance, health insurance, liberalization, health consciousness.

## **I. Introduction**

Life of an individual and a family is generally peaceful unless any kind of health issue arises which is indecisive and cannot be predicted before its occurrence. Needs such as desire of owning a house or a motor car or any other instrument of social status or other consumer durables of comfort can be postponed if the family has shortage of savings and limited sources of income. But, this is not the case with the unforeseen medical obligations which need immediate cash flows and have an adverse impact on the savings of the family. Financial commitments on medical grounds can certainly ruin long term financial goals of a family which may include education or marriage of children and retirement plans besides desires stated supra. One may wonder about a solution to overcome such situations and the answer to this is none other than health insurance which will help in maintenance of good health of an individual and a family without creating any possibility of financial crisis and hindering financial stability.

Health insurance is a product of general insurance that covers expenses related to medication and surgery of an insured which could be an individual, family or a group of people. It is an arrangement where an individual, family or a group purchase health care coverage in advance by payment of a fee called as premium. In other words, health insurance is an arrangement that helps to delay, defer, reduce or avoid payment related to medical expenses of an insured. The insurer will either ensure cashless treatment of medical ailments or provide a reimbursement of medical expenses incurred under the policy in any of the network hospitals across the country.

## **II. Objectives of the study**

1. To study the concept and structure of health insurance in India.
2. To describe the sector wise distribution of health insurance in India.
3. To identify the key areas for improvising this sector.

### **III. Review of Literature**

K Swathi and R Anuradha (2017), Health insurance in India- An overview. The paper highlights the concept and benefits of health insurance besides presenting an overview of health insurance sector in India. A brief of number of persons covered under various schemes such as government sponsored, group insurance, family insurance, individual policies is portrayed. Sector wise health insurance policies along with number of persons covered by public, private and specialized insurers are depicted. Suggestions of the study are for government to introduce new health insurance schemes for welfare of the common people. The Insurance Regularity and Development Authority (IRDA) is suggested to take initiatives to promote competition in health insurers as available in telecom service providers. Government is also advised to conduct awareness campaigns to inform people about benefits of taking health insurance policies.

Binny, Dr. Meenu Gupta (2017), Health insurance in India- Opportunities and challenges. The paper is about present trends of health insurance sector in India. Growth opportunities and challenges in the sector are identified. The study is of the opinion that health insurance is a growing sector in India. Companies are required to enhance their business by introduction of new business models with innovative products. Need of a universal health insurance program is recognized to cover families below poverty line. Medical tourism is also a growing business in India and health insurance companies can take advantage of this sector to enhance business. The sector is also advised to have a common information bank for information sharing which may help customers in assessment of prices, quality and services provided by health insurance companies.

BC Lakshmana, P Jayarami Reddy, P Sravan Kumar (2019), Operational efficiency of selected general insurance companies in India. The study is conducted on selected general insurance companies regarding pattern of insurance premium, claim settlement procedure and evaluate performance of companies. In percentage analysis of the insurance premium collected by both public and private sector insurance companies showed a significant growth from 13.55% to 24.29% during the years 2011 to 2013 which later decreased to 13.42% in the year 2018. Average growth rate during the years 2010 to 2018 was 13.85%. After the

study was conducted it was observed that public sector general insurance providers required new and innovative products in order to compete with their private counterparts. IRDA, being a regulatory authority of the sector was suggested to formulate standard policies and benchmarks to be followed by both public and private sector players.

Suman Devi and Dr. Vazir Singh Nehra (2015), The problems with health insurance sector in India. The study narrates some of the new inventions in the health insurance sector such as health insurance portability, RashtriyaSwasthyaBimaYojna (RSBY), hybrid products and critical illness cover. Problems associated with the health insurance are highlighted and probable solutions are given. Examples of Bajaj Allianz, Cholamandalam MS and Star Health are given that have eliminated Third Party Administrators (TPAs) and have opted for direct settlement of claims. As per study, insurers now have started visiting hospitals to meet patients for claims in the category of group insurance. If any fault is found then policy renewal is stopped. There are also pre-agreed rates for surgeries and treatments which prevents differential charging of tariffs. Other problems like high claim pay-out ratio in public sector insurers, unprofessionalism of TPAs, lack of development of health insurance in rural areas, wrong selection of health insurance policies, and lack of awareness about health insurance policies are highlighted.

SatakshiChatterjee, Dr. ArunangshuGiri, Dr. S.N. Bandyopadhyay (2018), Health insurance sector in India: A study. The study is descriptive and describes various health insurance products offered in India. It attempts to analyze the insurance models of healthcare of selected other countries as well. Non amalgamation between public and private companies is identified as a major hindrance in development of the health insurance sector in the country. Health insurance is regarded as an unsaturated market in India and the middle income group i.e. the targeted population of this industry will definitely create a boom in health insurance in years to come. It is estimated that overall insurance sector will value around USD 280 billion by the end of 2020. The health insurance sector is required to be made universal irrespective of the income level and background of individual and a family.

#### **IV. Research Methodology**

The present study is descriptive in nature and based on analysis of secondary data available on internet. For the purpose of studying current scenario of health insurance pertinent information has been collected for last five years mainly through the reports of Insurance Regularity and development Authority (IRDA), journals published on the subject, books published and annual reports of various health insurance providers available on the websites of the company.

#### **V. Health insurance products available in India**

For the purpose of avoiding risk aroused of health issues, there are different type of policies and plans for the risk coverage by public sector as well as private sector insurance companies. The financial products offered by these companies regarding health insurance give protection to individuals, family or group of persons. Different types of insurance plans have been discussed as under:

1. ***Individual health insurance plan***

This plan offers risk coverage to an individual towards hospitalization and other incidental expenses during the course of hospitalization subject to the sum insured. In this policy, one can buy different independent policies for each member of a family. These plans are basically indemnity plans and are generally offered on cashless basis.

2. ***Family floater health insurance plan***

In this policy, single sum insured covers all the members of the family in one policy. The sum assured is available to any one member or to all members in case of any eventuality during the term of the policy. The premium amount paid under this policy is generally lower as compared to individual policies for each family member under individual mediclaim policy.

3. ***Group medical plan***

These plans are generally taken by business owners, private companies, government companies and departments, to provide a financial cover to their employees and their dependent family members on nominal deduction from salary towards premium.

**4. *Unit linked health plan (ULHP)***

In this form of health insurance, the insured gets the benefit of investment along with health care coverage. In this plan, a part of premium paid is invested and the balance is used to buy health cover. The return enables the insured to pay medical expenses over and above the sum assured. These kinds of plans are new and considered to be under development stage in India. Returns under a ULHP depend on the performance of stock market.

**5. *Critical illness plan***

The expenses involved in treating a life-threatening diseases like cancer, organ failure, permanent paralysis etc. are covered by a critical illness policy. The insured is paid a lump sum amount on the diagnosis of any of the serious diseases covered in the policy document.

**6. *Super top up plan***

These policies provide additional coverage to an insured over the regular policy and help in increasing the sum insured. Super top up policies can be availed only after the sum assured in the basic policy gets exhausted.

**7. *Senior citizen health insurance plan***

IRDA guidelines require health insurers to provide health insurance plans up to 65 years of age. Various health issues arise in older ages that involve expensive treatments. Keeping this in mind, health insurance companies have designed special health insurance plans for senior citizens above the age of 65 years. The rate of premium in senior citizen health insurance plans is generally higher as compared to other insurance policies.

**8. *Hospital daily cash benefit plan***

As evident from the name itself, this kind of policy pays a definite sum of money for everyday of hospitalization irrespective of the actual cost incurred by the insured.

**9. *Maternity insurance plan***

These plans are specially designed for women planning to have a child or are bearing one. This policy covers all expenses before and after the pregnancy, pre and post natal care, expenses for delivery, nursing and consultation etc. The policy also includes congenital or a critical disease diagnosed in the newborn child.

**10. *Personal accident plan***

A personal accident insurance policy covers the expenses incurred on medical treatment of injuries occurred due to an accident. This policy generally offers benefits against three

events that include total disability, partial disability and death. Besides individuals, these policies are also offered for a group.

## **VI. Data Analysis and Interpretation**

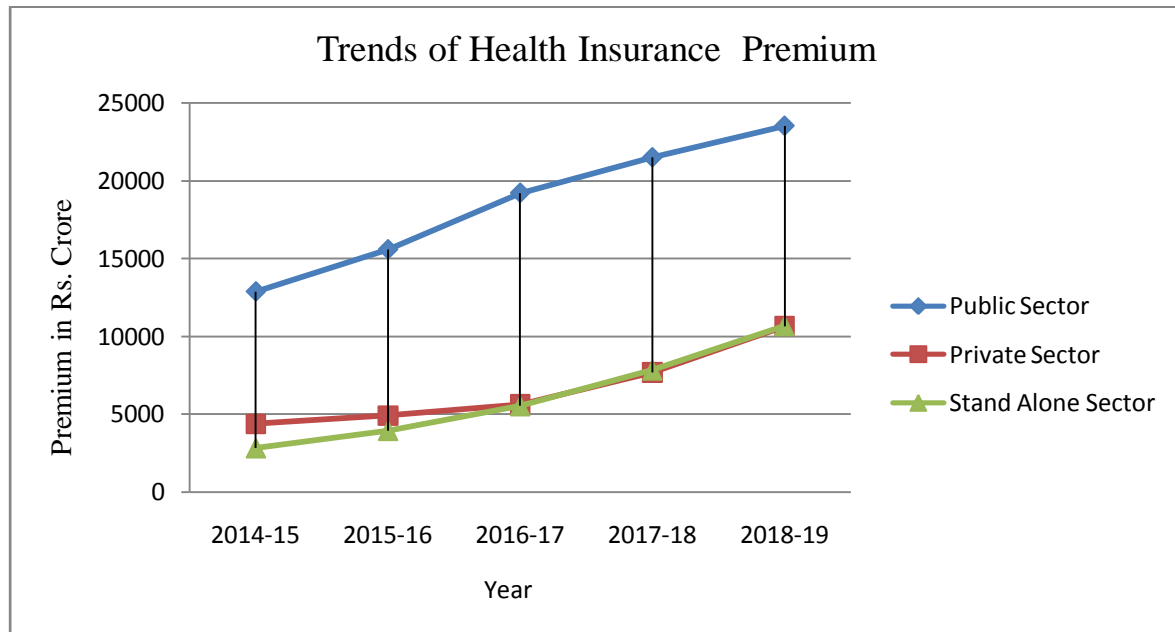
### **(a) Trends of insurance premium collected under health insurance**

Following is the table showing premium amount collected by different types of organizations on account of health insurance. It does not include personal accident and travel insurance business.

Table 1: Health insurance premium collected during FY2014-15 to 2018-19

(₹ Crore)

| Year<br>Sectors    | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|--------------------|---------|---------|---------|---------|---------|
| Public Sector      | 12882   | 15591   | 19227   | 21509   | 23536   |
| (Market Share %)   | 64      | 64      | 63      | 58      | 52      |
| Private Sector     | 4386    | 4911    | 5632    | 7689    | 10655   |
| (Market Share %)   | 22      | 20      | 19      | 21      | 24      |
| Stand-Alone Sector | 2828    | 3946    | 5532    | 7831    | 10681   |
| (Market Share %)   | 14      | 16      | 18      | 21      | 24      |
| Total              | 20096   | 24448   | 30391   | 37029   | 44872   |
| (Growth Rate %)    | -       | 21.7    | 24.3    | 21.8    | 21.2    |



Among other various contracts under general insurance, health insurance is an emerging sector in India. As per the published records of the financial year 2018-19, general and health insurance companies collected ₹ 44,873 crore as health insurance premium which is 21.2% above the premium collected on this head during the financial year 2017-18. These figures exclude personal accident and travel insurance business. During the years 2014-15 to 2018-19, the growth of health insurance premium is over 20% in each year. It is a positive sign for the growth of this sector and this indicates that people in India are getting more sensitive towards their health protection.

The public sector general insurance companies (PSGICs) viz. New India Assurance Company Limited (NIA), National Insurance Company Limited (NICL), Oriental Insurance Company Limited (OICL) and United India Insurance Company Limited (UIL) continued to hold a major share in total market but their share has been consistently decreasing over the period of study. It is evident from the fact that has shown a decline from 64 % to 52% during the period. The share of private sector health insurers has marginally increased from 22% in financial year 2014-15 to 24% in the financial year 2018-19. But a remarkable growth has been recorded in the business of stand-alone health insurers whose share in total



market gone up from 14% in financial year 2014-15 to 24% in financial year 2018-19. It probably happened because of very good marketing practices of stand-alone players and some alluring schemes offered by them.

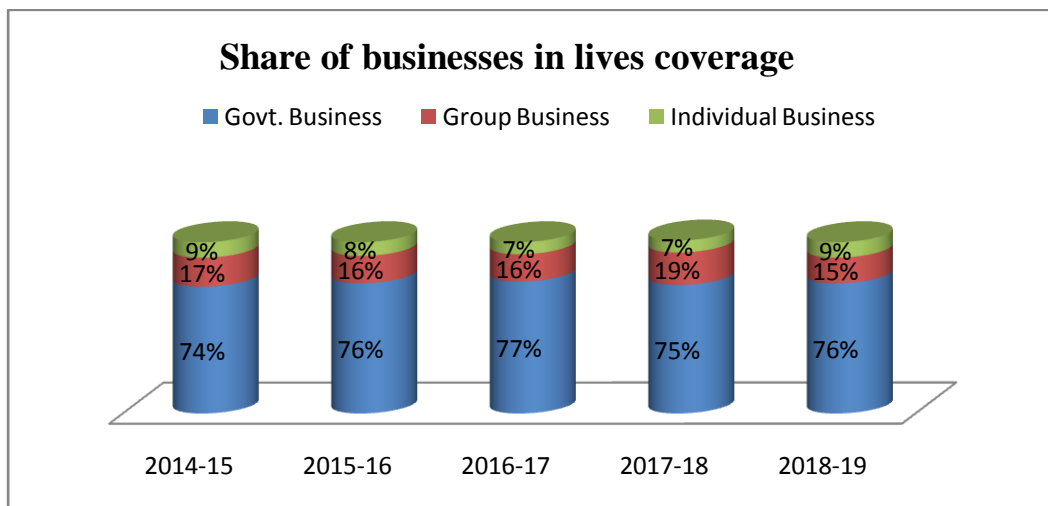
**(b) Number of policies issued and lives covered under health insurance contracts**

The data shown in the following table exhibit the policies issued under different channels and number of people covered under these policies. It excludes Personal accident and travel insurance business.

Table 2: Number of lives covered under different channels (Modes)

(In lakh units)

| Year<br>Type of Business                    | 2014-15     | 2015-16     | 2016-17     | 2017-18     | 2018-19     |
|---|-------------|-------------|-------------|-------------|-------------|
| Government<br>(% of lives covered)          | 2143<br>74  | 2733<br>76  | 3350<br>77  | 3593<br>75  | 3571<br>76  |
| Group Business<br>(% of lives covered)      | 483<br>17   | 570<br>16   | 705<br>16   | 894<br>19   | 729<br>15   |
| Individual Business<br>(% of lives covered) | 254<br>9    | 287<br>8    | 320<br>7    | 333<br>7    | 421<br>9    |
| <b>Total</b>                                | <b>2880</b> | <b>3590</b> | <b>4375</b> | <b>4820</b> | <b>4721</b> |



During the Financial year 2018-19, the health insurance companies issued around 2.07 crore health insurance policies covering a total number of around 47.21 crore lives. Three fourth of the lives were covered under government sponsored schemes and rest one fourth lives were covered under individual and group policies issued by public and private health insurers. It is a gray side of this sector that people are still hesitant in purchasing health insurance policies from their own pocket. A very low percentage of population is concerned about their health issues, that too when in India there are nominal provisions of health facility from the government agencies. It is because of the fact that a substantial part of our population including lower class and lower middle class is not even able to arrange their basic needs. They seldom think of their unforeseen problems that may occur any time.

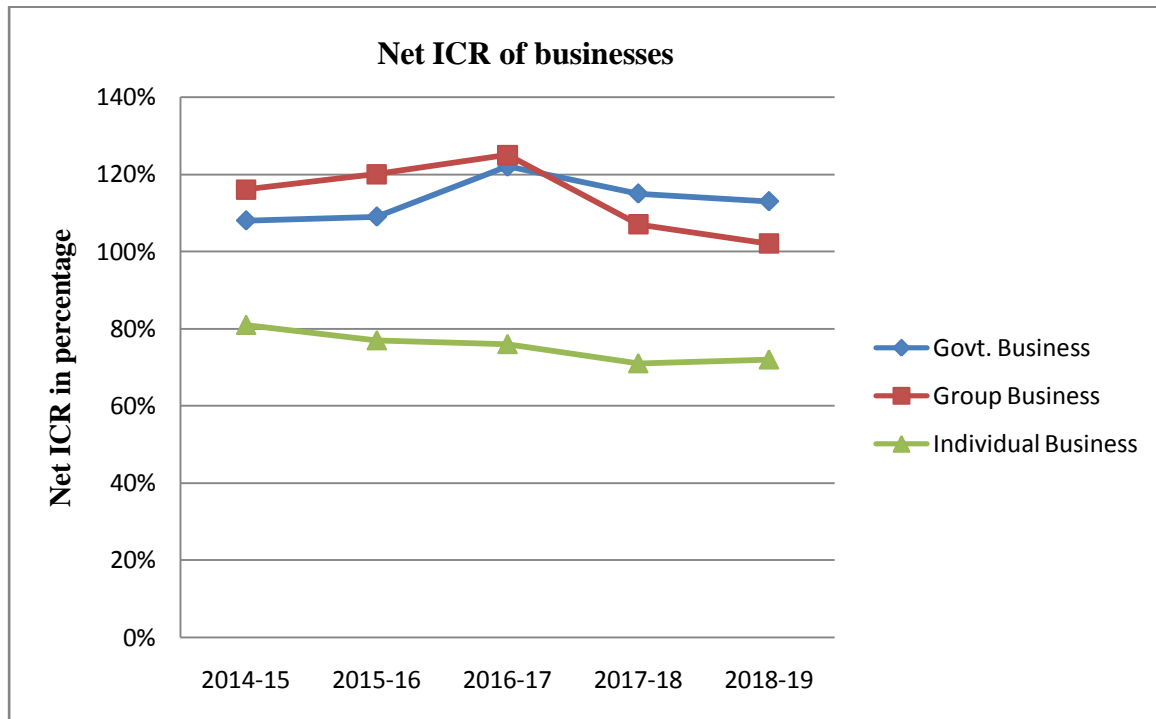
**(c) Net incurred claims ratio under health insurance business**

Under this head the researchers attempted to find out the percentage of the amounts of the net insurance claims settled by companies over total amount of premium received by them on the heads concerned. These claims arise due to the health problems occurred with the insured people. Again these values don't include the receipts or payments on account of personal accident and travel insurance business.

Table 3: Net incurred claims ratio

(In Percentage)

| Year<br>Class of Business | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---------------------------|---------|---------|---------|---------|---------|
| Government                | 108     | 109     | 122     | 115     | 113     |
| Group Business            | 116     | 120     | 125     | 107     | 102     |
| Individual Business       | 81      | 77      | 76      | 71      | 72      |
| Average of industry       | 102     | 102     | 108     | 98      | 96      |



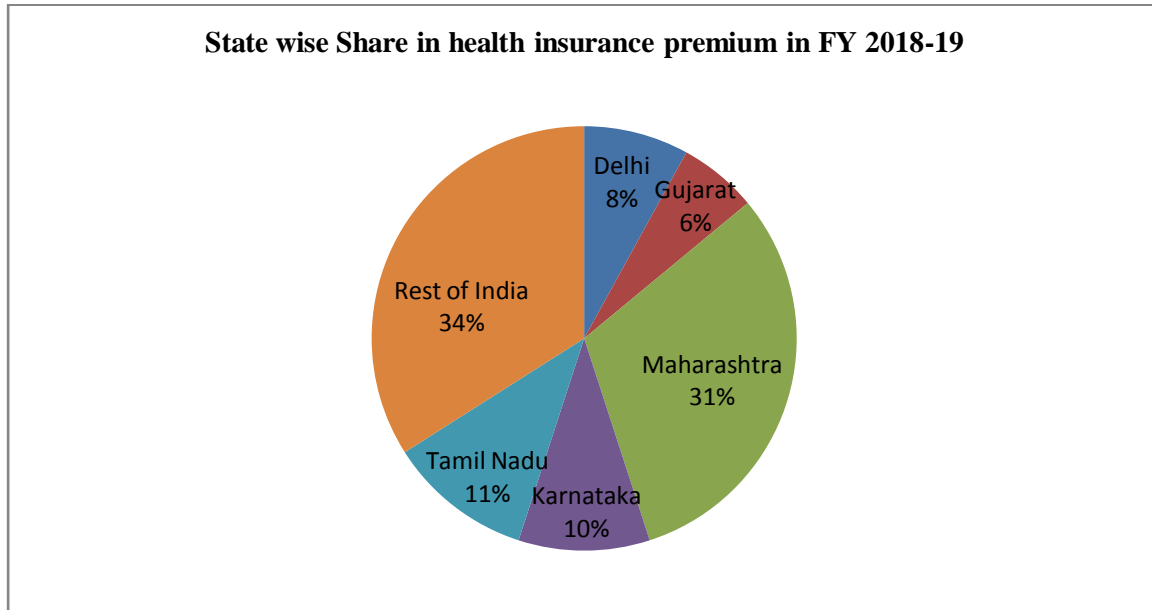
Net incurred claims ratio means the ratio of the net claims settled by the insurance company to the net premiums collected in a financial year. The formula for calculation is:

$$\text{Incurred claim ratio} = \text{Net claims incurred in a year} / \text{Net premiums collected in a year}$$

In comparison to financial year 2017-18, there is an improvement in net incurred claims ratio (ICR) during the year 2018-19. Marginal decrease in ICR of government and group businesses is also observed. The net ICR of group business without government business showed an improvement from 107% in the year 2017-18 to 102% in the year 2018-19.

**(d) State wise distribution of health insurance in India**

It is an attempt to find out distribution of total health insurance business among various states highlighting those major states which are leading ones. It has included only health insurance again excluding personal accident and travel insurance policies. State wise distribution has been shown in the following chart:



NCT of Delhi, Gujarat, Maharashtra, Karnataka and Tamil Nadu are five states that have contributed 66% of total health insurance premium in the financial year 2018-19. The rest of 31 UTs and States have contributed the balance of 34% in premium amount fund. As per data published by IRDA, Maharashtra itself has contributed ₹ 13,708.44 crore which is 31% of total health insurance premium collected during the financial year 2018-19.

## VI. Conclusion

Health insurance in India is an unsaturated market to a large extent. This sector has a bunch of opportunities as is the evident in the data shown above. The present study clearly indicates that there is a large proportion of population still uncovered from the health insurance products. However over a period of last years, this sector has witnessed a rapid expansion. Attracting from the potential growth in this sector, a good number of private health insurers with foreign collaborations have been able to create their market share. Though the relative share of indigenous public sector insurance companies has declined even then in absolute terms their business (in terms of no. of policies and premium amount) has significantly increased. Innovation in the health insurance products can be very significant in further growth and development of this sector in India. Competition, which is predominant in the health insurers, will also add in insuring new people enabling further penetration of health insurance products among Indian population. Taking a health insurance cover and

subsequent payment of health insurance premium on regular basis is an easy way to mitigate any kind of financial losses due to health issues in future which may affect peace of mind and health as collateral. Thus, health insurance could be a breakthrough for common public at large who can avail best in class medical facilities in any part of the country to the extent of sum assured in the policy document without bothering to any loss of savings leading to financial and mental disability.

## **VII. Key Suggestions**

- In a country like India, there is a need of universal health insurance program at low cost to be made compulsory with an intention to insure each and every citizen of the country especially people residing below the poverty line.
- Innovation in products and services catering to the distinguished needs of public will definitely attract those who are still in dilemma. The health insurers are advised to adopt new business models to enhance their customer base, revenue and business.
- Public health insurance companies are advised to be cautious in dealing with the present and potential customers to eliminate any possibility of churn rate or customer turnover.
- Health insurance companies should popularize health insurance portability by highlighting their specialties and advantages to attract new customers.
- IRDA should frame policies to promote competition among health insurance sector just like competition prevalent in telecom sector of the country.
- Both the Central and State governments should include chapters on insurance in the textbooks at appropriate levels of education besides conducting awareness programs at micro levels to inform public about the benefits of health insurance.

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