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Status of Health Insurance Sector in India

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ABSTRACT

The insurance sector in India has evolved to a greater degree over the last couple of decades. There are new trends driving the demand for life insurance with customer aspirations and expectations being raised. While regulatory reforms and advances in technology have profoundly influenced the growth and development of the sector, there is still immense potential as the economy continues on its growth trajectory.

The insurance sector has played a key role in the financial inclusion drive through its products. Since the structure of the economy is undergoing change, the insurers also need to respond to these challenges in a positive manner. The insurance sector will have to be at the forefront for providing sustainable security products to address various risks that affect the people and also play an active role by undertaking activities that promote the penetration and density of insurance.

Health care has always been a problem area for India, a nation with a large population and larger percentage of this population living in urban slums, rural areas and also below the poverty line. Health care has become one of the India's largest sectors - both in terms of revenue and employment. It comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services and increasing expenditure by public as well as private players.

Health insurance is now emerging as a tool to manage financial needs of people to seek health services. Today, various health insurance schemes are available in the market and providing benefits from an individual to an entire family. Present paper tries to present the health insurance scenario in India and suggest some initiatives to increase health insurance penetration.

1. Introduction

The term 'Health Insurance' relates to a type of insurance that essentially covers the medical expenses. A health insurance policy like other policies is a contract between an insurer and an individual or a group in which the insurer agrees to provide specified health insurance cover at a particular "premium" subject to terms and conditions specified in the policy.

Health insurance is one of the emerging service sectors in India, which remains highly underdeveloped and less significant segment of the product portfolios is now emerging as a tool to manage financial needs of people to seek health services. Today, various health insurance schemes are available in the market and providing benefits from an individual to an entire family also called family floater policies. The new economic policy and liberalization process followed by Government of India since 1991 paved the way for privatization of insurance sector in the country.

Health insurance is very well established in many countries. But in India it is a new concept except for the organized sector employees. In India only about 2 per cent of total health expenditure is funded by public/social health insurance while 18 per cent is funded by government budget. In many other low and middle income countries contribution of social health insurance is much higher.

According to WHO statistics, hospital admissions about 47% in rural areas and 31% in urban areas respectively were financed by loans and sale of assets. WHO says, 3.2 per cent of Indians will fall below the poverty line because of high medical bills. About 70% of Indians spend their entire income on healthcare and purchasing medicine.

It is really pathetic to know that many Indian people believe that health insurance is not a worthy investment and thus, do not buy these products. These people realize the significance of these products only when their friend or relatives fall sick and face financial hardship. Learning from the experience of other is always good. It is always a good decision to be prepared for such circumstances of life that may bring a great change in an individual's life.

2. Review of Literature

Antony Jacob (2018)[1] stated that, there is a lot more to do in the health insurance sector in India. In many countries it is 95 percent of the population who have private health insurance whereas in India we are still talking of about less than 100 million people which is less than 10 percent of the people who have private health insurance.

Surya Kannoth (2018)[2] stated that, the future of the Indian health insurance industry looks promising favorable demographics and increasing awareness of the need for preventive health care are significant growth drivers for the sector.

The Boston Consulting Group (BCG), FICCI (2017)[3] reported that, the global insurance industry is being challenged by these megatrends to rethink the ways of working, insurers are forced to adapt in an agile manner, become leaner and more efficient. Big data and digital are common megatrends that are causing disruption and driving transformations across all industries and are finding their way to the core of any insurers' strategy.

Jagendra Kumar (2017)[4] stated that, India's healthcare sector has been growing rapidly driven by a number of factors such as increasing the average life expectancy and average income level and rising awareness for health insurance.

Onicra Credit Rating Agency (2013)[5] reported that, there is an increased demand of health insurance by virtue of an increased healthcare awareness level among people about its need which in turn has increased the demand.

Bhagabat Barik (2014)[6] emphasizes that, people have realized the importance of health insurance due to rise in the healthcare cost. With the advent of latest technology in medical science and demand for good service is the main cause for higher medical cost. Private insurance companies have played a pivotal role in enlarging the vision of the people about healthcare.

3. Research Methodology

The present study is descriptive in nature and will be mainly based on secondary data collected from reputed journals, research reports, books, research articles, information from insurance personnel, IRDA reports and web sites.

4. Objectives

The objectives of the present study are -

1. To present the status of health insurance in India
2. To suggest some regulatory initiatives to increase health insurance penetration

5. Need of the study

According to a survey by NSSO (National Sample Survey Organization) 40% of the people hospitalized have either had to borrow money or sell assets to cover their medical expenses. A significant proportion of population may have had to forego treatment all together. Thus, more than the disease it is the cost of treatment that takes its toll. To get rid of health worries health insurance is the answer.

6. An overview of health insurance sector in India

Health insurance sector in India has witnessed a sea-change recently. The high cost of medical treatment induced the public to think about health insurance plans. As health is important without any medical coverage people use their earnings and assets to cover medical costs. Affordable health insurance plan has made people aware of the benefits they can avail by buying various health insurance plans.

The Government has established Insurance Regulatory and Development Authority (IRDA) which is a statutory body for regulation of the whole insurance industry. They would be granting licenses to private companies and will regulate the insurance business. As the health insurance is in its very early phase, the role of IRDA will be very crucial. They have to ensure that, the sector develops rapidly and the benefit of the insurance goes to the consumers.

7. Registered insurers in India

At the end of March 2017, there are 62 insurers operating in India of which 24 are life insurers, 23 are general insurers, 6 are health insurers exclusively doing health insurance business and 9 are re-insurers including foreign reinsurers' branches and Lloyd's India.

TABLE 1 : REGISTERED INSURERS INCLUDING FOREIGN REINSURERS' BRANCHES / LLOYD'S INDIA

S.No	Type of Insurer	Public sector	Private sector	Total
1	Life	1	23	24
2	General	6	17	23
3	Health	0	6	6
4	Re-insurers (including Foreign Reinsurers Branches/ Lloyd's India)	1	8	9
	Total	8	54	62

Source: IRDA Annual Report 2016-17

Of the 62 insurers presently in operation, eight are in the public sector and the remaining fifty four are in the private sector. Two specialized insurers namely ECGC and AIC, one life insurer namely LIC of India (LIC) four in general insurance and one in reinsurance namely GIC are in public sector. 23 life insurers, 17 general insurers, 6 standalone health insurers and 8 reinsurers including foreign reinsurers' branches and Lloyd's India are in private sector.

8. Classification of health insurance business

Health insurance business can be classified into Government Sponsored Health Insurance, Group Health Insurance (Other than Government Sponsored) and Individual Health Insurance. In terms of contribution of these 3 lines, the share of group business was the highest at 48 percent, followed by individual business (42 percent) and Government Business (10 percent).

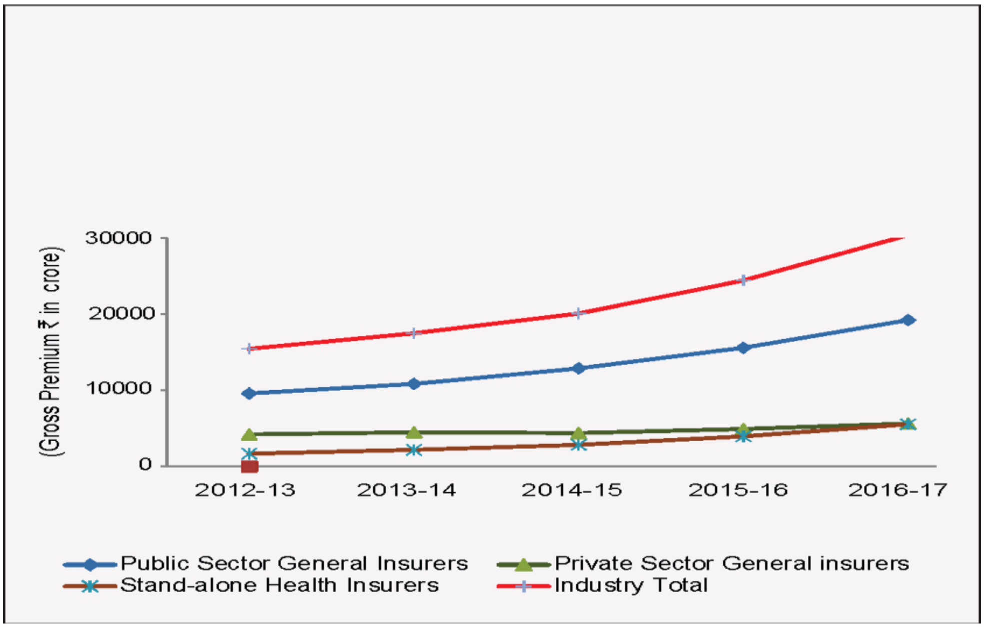
TABLE 2 : TREND IN HEALTH INSURANCE PREMIUM OVER THE PAST FIVE YEARS

(Rs.crore)

S.No	Sector	2012-13	2013-14	2014-15	2015-16	2016-17
1	Public Sector General Insurers	9580 (62%)	10841 (62%)	12882 (64%)	15591 (64%)	19227 (63%)
2	Private Sector General insurers	4205 (27%)	4482 (26%)	4386 (22%)	4911 (20%)	5632 (19%)
3	Stand-alone Health Insurers	1668 (11%)	2172 (12%)	2828 (14%)	3946 (16%)	5532 (18%)
	Industry Total	**15453**	**17495**	**20096**	**24448**	**30392**
	Annual Growth Rate (In %)	**18.2**	**13.2**	**14.9**	**21.7**	**24.3**

Source: IRDA Annual Report 2016-17

FIGURE 1 : TREND IN HEALTH INSURANCE PREMIUM



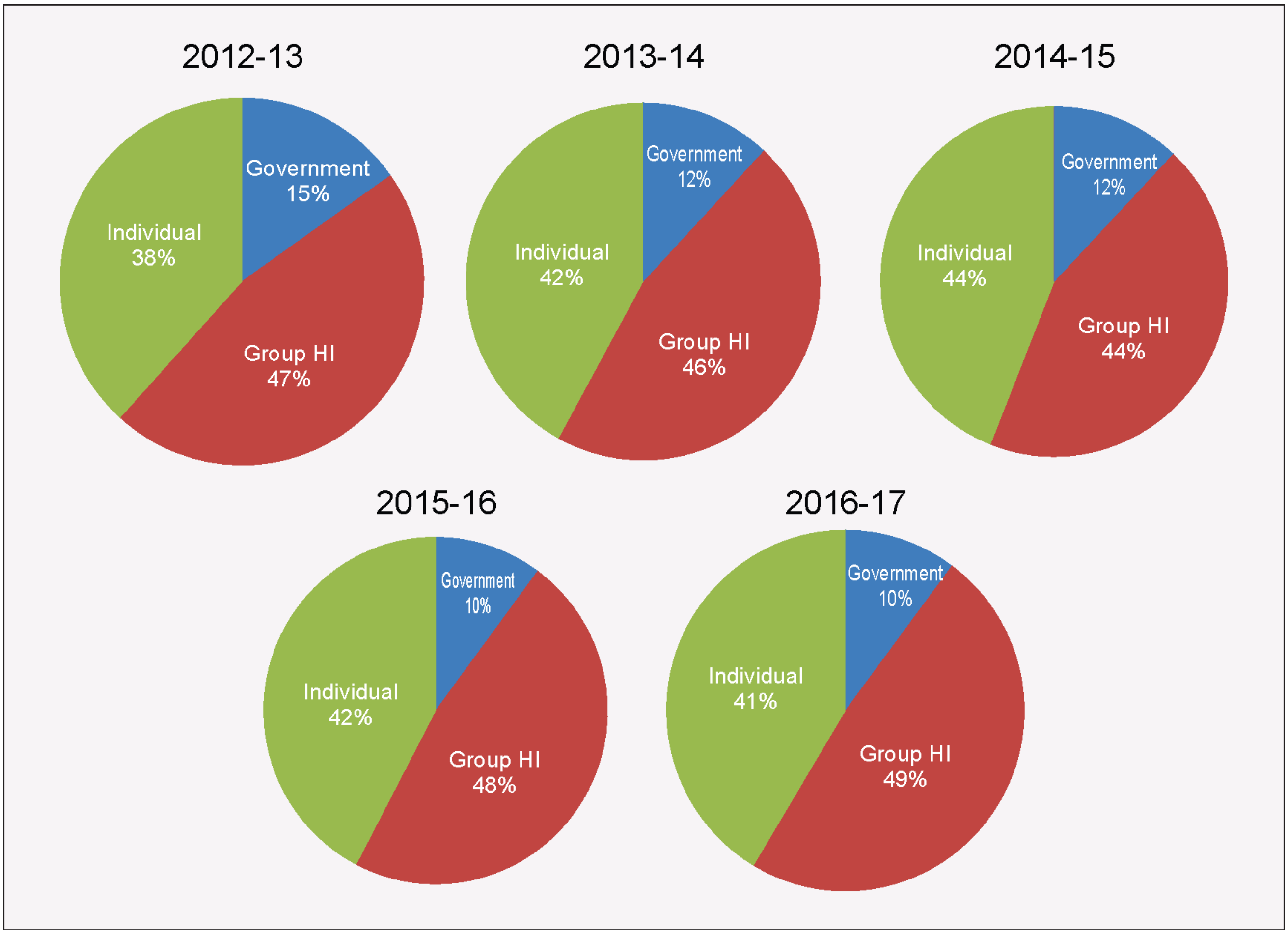
In terms of amount of premium collected, there is no significant increase in premium from the Government sponsored schemes over the past five years. However, the amount of premium collected from both individual and group business (other than government schemes) has more than doubled during the last five year period.

TABLE 3 : CLASSIFICATION OF HEALTH INSURANCE PREMIUM

S.No	Class of Business	2012-13	2013-14	2014-15	2015-16	2016-17
1	Government Sponsored Schemes including RSBY	2348 (15%)	2082 (12%)	2474 (12%)	2425 (10%)	3090 (10%)
2	Group Business (other than Government Business)	7186 (47%)	8058 (46%)	8899 (44%)	11621 (48%)	14718 (48%)
3	Individual Business	5919 (38%)	7355 (42%)	8772 (44%)	10353 (42%)	12584 (42%)
	Grand Total	**15453**	**17495**	**20096**	**24448**	**30392**

Source: IRDA Annual Report 2016-17

FIGURE 2 : CLASSIFICATION OF HEALTH INSURANCE BUSINESS



During 2016-17, General and Health Insurance Companies collected Rs. 30392 crore as health insurance premium and a registering a growth of 24.3 percent over the previous year, which is the highest ever registered in the preceding five years period.

In terms of market share of health insurance premium, the four public sector general insurers continue to hold larger market share at 63% during the financial year 2016-17. The market share of public sector insurers remained stagnant at this level over the past 5 years. On the other hand, the share of private sector general insurers in health insurance premium is declining from 27 percent in the financial year 2012-13 to 19percent during financial year 2016-17 and the share of standalone health insurers in health insurance premium had gone up from 11 percent to 18 percent over the last 5 year period

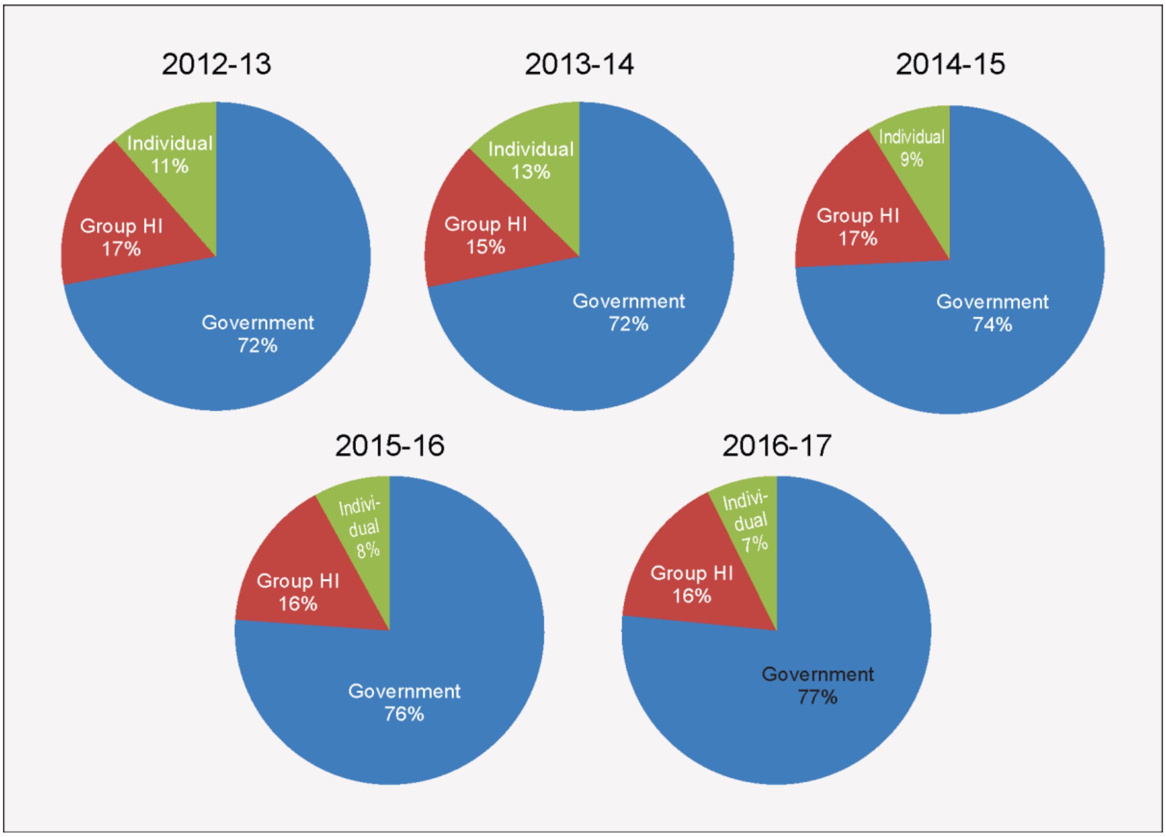
Number of policies issued and number of persons covered under Health Insurance Business. During 2016-17, the general and health insurance companies have issued 1.31 crore health insurance policies (excl. PA & Travel Insurance) covering a total of 43.75 crore persons (2015-16: 35.9 crore) and registered a growth of 21.9 percent in number of persons covered over the previous year.

TABLE 4 : NUMBER OF PERSONS COVERED UNDER HEALTH INSURANCE

S.No	Class of business	2012-13	2013-14	2014-15	2015-16	2016-17
1	Government Sponsored Schemes including RSBY	1494 (72%)	1553 (72%)	2143 (74%)	2733 (76%)	3350 (77%)
2	Group Business (other than Govt. Business)	343 (17%)	337 (15%)	483 (17%)	570 (16%)	705 (16%)
3	Individual Business	**2073**	**2162**	**2880**	**3590**	**4375**

Source: IRDA Annual Report 2016-17

FIGURE 3 : NUMBER OF PERSONS COVERED – SHARE OF DIFFERENT CLASSES OF BUSINESS



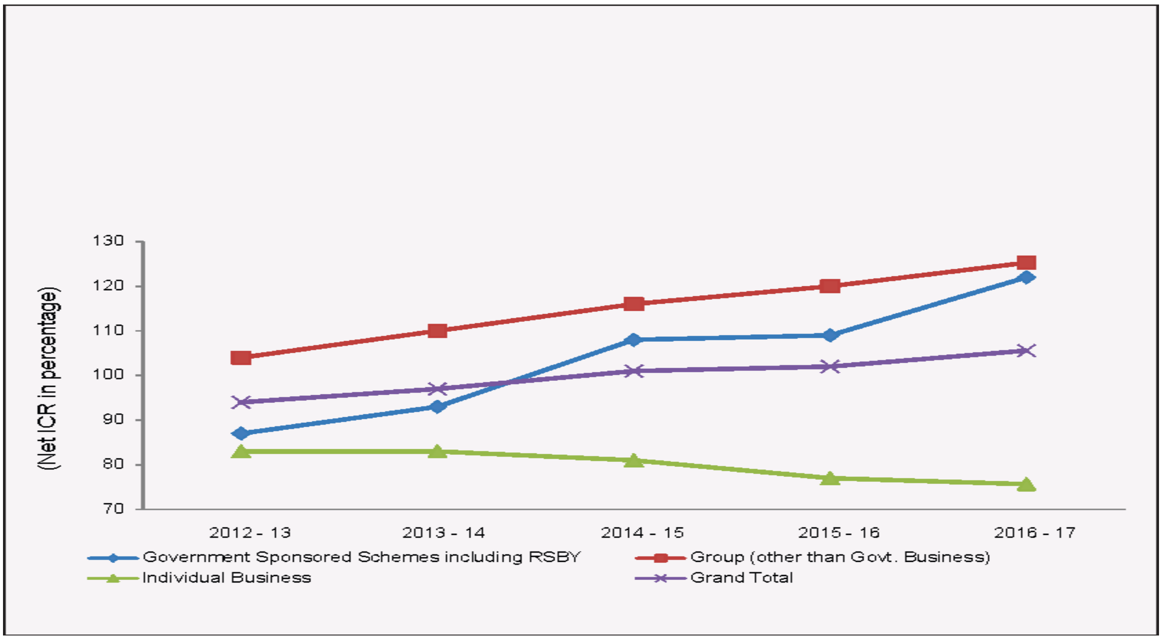
In terms of number of persons covered under health insurance, three-fourth of the persons were covered under government sponsored health insurance schemes and the balance one-fourth were covered by group and individual policies issued by general and health insurers.

TABLE 5 : SECTOR WISE CLASS OF BUSINESS – NET INCURRED CLAIMS RATIO

S.No	Class of Business	2012-13	2013-14	2014-15	2015-16	2016-17
1	Government Sponsored Schemes including RSBY	87%	93%	108%	109%	122%
2	Group Business (other than Govt. Business)	104%	110%	116%	120%	125%
3	Individual Business	83%	83%	81%	77%	76%
	Total Business	**94%**	**97%**	**101%**	**102%**	**106%**

Source: IRDA Annual Report 2016-17

FIGURE 4 : NET INCURRED CLAIMS RATIO OF HEALTH INSURANCE BUSINESS



The trend of increase in Net Incurred Claims Ratio (Net ICR) continued in 2016-17. The Net ICR has consistently gone up from 94% in 2012-13 to 106% in 2016-17. Among the various classes of health insurance business, in particular the Net ICR is high for Group Business (Other than Government Business),which was more than 100 percent for each of the preceding five years and also consistently increasing over the same period.

In respect of Government Sponsored Health Insurance also, the Net ICR increased from 87 percent during 2012-13 to 122 percent in 2016-17.On the other hand, there is an improvement in respect of the Net ICR of individual business, as it is showing gradual decline from 83 percent in 2012-13 to 76 percent in 2016-17.

It may be observed that the Net ICR of public sector general insurers was more than 100 percent for all the preceding five years. On the other hand, during the same period, the Net ICR of private sector general insurers and stand-alone health insurers was gradually improving.

9. Health insurance business carried out in foreign countries

Only 3 public sector general insurers namely New India, National Insurance and Oriental Insurance carry-out health insurance business in foreign countries

TABLE 6 : HEALTH INSURANCE BUSINESS IN FOREIGN COUNTRIES 2016-17

(No of policies in actual) (No. of persons in '000)(Incurred Claims ratio in % age)

(Amount in Rs.lakh**)**

S. No	Line of Business	No. of policies issued	No. of persons covered	Gross premium	Net earned premium	Claims incurred (Net)	Incurred claims Ratio (Net)
1	National	40	19	214	196	271	138
2	New India	15560	2324	15157	14278	11849	83
3	Oriental	452	25	373	363	200	55
	Public Sector Total	**16052**	**2368**	**15743**	**14837**	**12320**	**83**

Source: IRDA Annual Report 2016-17

During the financial year 2016-17 these 3 insurers have procured a total of Rs. 157.43 crore as gross premium from health insurance business (incl.PA and Travel Insurance Businesses) and have covered a total number of 23.68 lakh persons. Amongst these 3 insurers, New India Assurance alone contributed 96% of total health insurance premium from foreign countries covering 98% of total number of persons covered in foreign countries.

10. FDI In Insurance Sector

Earlier, only up to 26 per cent FDI was permitted through the automatic approval route. For FDI up to 49 per cent, the approval of the Foreign Investment Promotion Board was required. There are 52 insurance companies operating in India, of which 24 are life insurance business and 28 in general insurance (Mar 31, 2016)

The government is considering allowing 100 per cent foreign direct investment (FDI) in insurance intermediaries with a view to give a boost to the sector and attracting more funds, sources said. Intermediary services include insurance broking, third party administrators, surveyors and loss assessors (May 9, 2018)

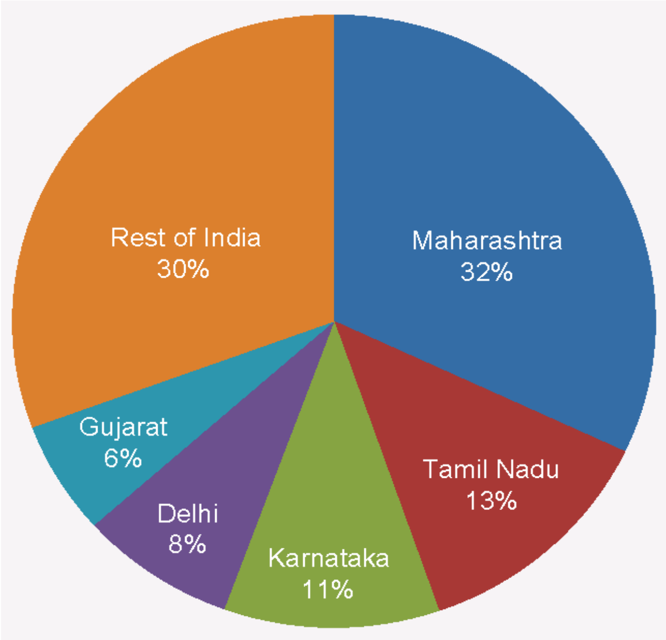
11. State-Wise Distribution Of Health Insurance Business

TABLE 7 : SHARE OF TOP 5 STATES IN HEALTH INSURANCE PREMIUM 2016-17

S.No	State	Total Health Insurance Business (Rs. In lakhs)	Percentage of share in All-India premium
1	Maharashtra	972378	32
2	Tamil Nadu	386165	13
3	Karnataka	329903	11
4	Delhi	238661	8
5	Gujarat	181372	6
6	Rest of India	930692	30
	All India Total	**3039171**	**100**

Source: IRDA Annual Report 2016-17

FIGURE 5 : SHARE OF STATES IN HEALTH INSURANCE PREMIUM 2016-17



State-wise distribution of health insurance business has indicated a skewed distribution of health insurance business across various States and Union Territories of India. While five states namely Maharashtra, Tamil Nadu, Karnataka, Delhi UT and Gujarat contributed 69 percent of the total health insurance premium, the rest 31 States/Uts have contributed 30 percent of the total Health insurance premium. The state of Maharashtra alone contributed Rs. 972378 lakh (32 percent) of total health insurance premium.

LIST OF HEALTH INSURANCE COMPANIES IN INDIA WITH MARKET SHARE

S.No	Name of the Insurance company	Market share (%)
1	Royal Sundaram	2.55
2	TATA-AIG	2.82
3	Reliance	2.95
4	IFFCO Tokio	3.4
5	ICICI Lombard	8.86
6	Bajaj Allianz	5.65
7	HDFC ERGO	3.16
8	Cholamandalam	2.32
9	Future Generali	1.59
10	Universal Sompo	0.7
11	Shriram	2.18
12	Bharti Axa	1.52
13	Raheja QBE	0.03
14	SBI	0.43
15	L&T	0.25
16	Magma HDI	NA
17	Liberty Videocon	NA
18	Star Health & Allied Insurance	1.87
19	Apollo MUNICH	0.82
20	Max BUPA	0.17
21	Religare Health	NA
	Private Insurance companies total	41.25%
22	New India	14.70%
23	National	13.4
24	United India	14.07
25	Oriental	10.41
26	ECGC	1.73
27	AIC of India	4.43
Public insurance companies total		58.75
Grand Total		100%

Out of total 27 health insurance companies in India, 21 in private sector and 6 in public sector. The private sector total market share in health insurance is 41.25 per cent whereas, 58.75 per cent in public sector. ICICI having the highest market share with 8.86 percent followed Baja Allianz with 5.65 per cent in private sector. In public sector New India having the highest market share with 14.70 percent followed United India.

12. Regulatory initiatives to increase health insurance penetration

Based on the experience gained and examining the recommendations of Expert Committee (IRDA) on health insurance and feedback received from stakeholders, the need was felt to revisit the health insurance regulatory framework, inter alia, for the following reasons-

- To enhance the scope for product innovations:
- To make provisions to reward healthy behavior of policyholders
- To ease the process of product approval
- To facilitate the provision of wellness and preventive features as part of Health Insurance
- Policies

1). To launch pilot products:
General insurers or health insurers are permitted to launch pilot products for a period not exceeding five years with a view to giving scope to innovation for covering risks that have not been offered hitherto or stand excluded in the extant products. At the end of the five-year period from the date of launch, the pilot product shall be either continued as a regular product or shall be withdrawn. Enhanced disclosure norms are prescribed so that the policyholders have an informed choice before taking a decision whether or not to buy a pilot health insurance product.

2). Wellness and preventive features:
Norms were prescribed for encouraging the insurers to introduce Wellness and Preventive Features as part of a health insurance policy.

3). Facilitation to offer Group Products under use and file procedure:
To allow the insurers to offer Group Health Insurance Products with ease, the Authority has now put in place Use and File Procedure for offering Group Insurance Products by General and Health Insurers under which prior approval of the authority is dispensed with.

4). Norms to protect the interests of policyholders:
In order to protect the interests of policyholders the specific provisions were incorporated in Health Insurance Regulations 2016 that, the insurers may offer Cumulative Bonus (enhancement of Sum Insured without corresponding increase in premium, if there is no claim) for benefit based policies also.

5) Enhancing the scope of health insurance:
To further enhance the scope of Health Insurance some initiatives must be taken.

6) Claim administration and mitigation of frauds:
Insurers and TPAs should put in place fraud mitigation systems to identify and curb misuse of health insurance, in addition to complying with the extant regulatory framework put in place by the Authority for prevention of frauds. A proper fraud mitigation system not only helps in protecting the interests of genuine policyholders but also prevents financial loss arising due to frauds, whether internal or external.

13. Conclusion

To conclude, there is no doubt that, the health insurance in India is going to develop rapidly in future. The task of the Government, private providers and the civil society is to solve the issues and challenges and to see that the health insurance benefits and health services are available at lower costs to the people of the country with quality.

The experience suggests that, if the health insurance is left only to the private market it will only cover those which have substantial ability to pay leaving out the poor and making them more vulnerable. Hence, the existing central and state health insurance schemes also need substantial reforms to make them more efficient and socially useful. Since most of the people are working in unorganized sector, there is a need to adopt the social health insurance to those people and also to create the awareness on rights, responsibilities, standardization of cost and tax benefits on health insurance.

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