Changing face of indian health insurance industry business

Contents

One of the fastest turning industries in the service sector is wellness insurance. With the entry of the private participants and foreign coaction, incursion of wellness insurance has gone up. Introduction of new merchandises and channels of distribution along with the incursion of private insurance companies in hitherto exposed markets are the part factors for growing. This article describes the assorted altering tendencies in wellness insurance sector.

Introduction

In 1818, a British company – Oriental Life Insurance set up the first insurance house in India followed by the Bombay Assurance Company in 1823 and the Madras Equitable Life Insurance Society in 1829. Though all these companies were runing in India, they were meant merely for sing the life of Europeans populating in India. Later, some of these companies started supplying insurance to Indians with about 20 % higher premium than Europeans as Indian lives were treated as ‘ sub-standard ‘ during those yearss. Bombay Mutual Life Assurance Society was the first company established in 1871, which started selling policies to Indians at a ‘ fair value ‘ .

Insurance concern was brought under the Indian Company Act in 1866. There were no specific ordinances, but the Swadeshi Movement in 1905 gave birth to tonss of autochthonal life insurance and provident fund companies. In the twelvemonth 1937 the Government of India set up a advisory commission, which eventually gave birth to the Insurance Act, 1938. In

October 2000, the Insurance Regulatory and Development Authority (IRDA) issued license documents to three companies, HDFC Life Standard, Royal Sundaram Alliance Insurance Company and Reliance General Insurance. At the same clip, ‘ in-principle blessing ‘ was given to Max New York Life, ICICI Prudential Life Insurance Company and IFFCO Tokio General Insurance Company. Today, we have 22 life insurance companies including LIC that are successfully runing in India. The growing of the sector can easy be judged by Figure 1.

Figure 1: Indian Insurance Market ($ bn) : 2001-12

Harmonizing to a survey by McKinsey, entire life insurance market premiums in India are likely to be doubled and make a figure of Rs. 3. 88 – 4. 85 Lakh Crores (US $ 80-100 billion) by 2012. (Beginning: Insurance Chronicle, (pp. 65-70) .

CHANGING COMPETITIVE ENVIRONMENT

At the clip of opening up of the insurance sector in India, the portion of private insurance company was really less. As shown in Figure 2, the entire portion of private insurance companies was merely 2 % in 2001-02.

Figure 2: Market Share of Public and Private Insurance Companies

(Beginning: Insurance Chronicle, (pp. 65-70) .

Private participants gave a tough competition to public sector companies. However, within a short period because of the advanced and customized merchandises, fresh distribution channels and aggressive selling schemes

which they employed, the market portion of private insurance companies went up and by the fiscal twelvemonth stoping 2008, the entire portion of the private insurance companies reached an all-time high of 40 % . Though the market portion of LIC decreased, it continued to turn even after the cut-throat competition from the private participants.

As shown in Table 1, entire gross generated in 2008-09 by LIC was Rs. 1, 59, 783. 99 crores against merely Rs. 66, 561. 42 crores generated by all 21 private participants. It shows that even after opening up of the insurance industry and heavy competition from the private participants, LIC observed a uninterrupted growing in its gross coevals. One more observation is that there has been a lag in the premium for private insurance companies in 2009 (32. 34) when compared to old twelvemonth 2008 (88. 76) .

INVESTMENTS OF THE INSURANCE SECTOR

As on March 31, 2009, the entire investings of insurance sector were Rs. 9, 75, 258 crore, entering an addition of 18. 61 per cent over the old twelvemonth (Rs. 8, 22, 249 crore on March 31, 2008, (Beginning: IRDA Annual Report 2008-09 URL: hypertext transfer protocol: //irdaindia. org/annualreport09/annual_rep_eng_09. pdf) . While life insurance companies reported 19. 63 per cent growing in investings, non-life insurance companies registered merely 4. 64 per cent growing. In both life and non-life insurance concern, private sector insurance companies reported larger addition in investings than the public sector insurance companies. This could be because of lower base of private sector companies in the old twelvemonth.

Table-1: Entire Investings of the Insurance Sector

Insurance companies	Life	Non-Life	Entire	2008	2009	2008	2009	2008	2009
Public	678403	799593	47216	47782	725619	847375	(21. 32)	(17. 86)	

(6. 89)

(1. 20)

(20. 26)

(16. 78)

Private

87567

116772

9064

11111

96630

127883

(94. 68)

(33. 35)

(45. 91)

(22. 59)

(88. 76)

(32. 34)

Entire

765969

916365

56280

58893

822249

975258

(26. 78)

(19. 63)

(11. 70)

(4. 64)

(25. 62)

(18. 61)

Note: Figures in brackets indicates growing in per centum over the old twelvemonth.

Beginning: Annual Report 2008-09, IRDA.

Health INSURANCE IN INDIA

Health insurance was introduced merely in 1912 when the first Insurance Act was passed. The current version of the Insurance Act was introduced in 1938. Since so there was small alteration boulder clay 1972 when the insurance industry was nationalized and 107 private insurance companies were brought under the umbrella of the General Insurance Corporation

(GIC) . Private and Foreign enterprisers were allowed to come in the market with the passage of the IRDA in 1999.

The incursion of wellness insurance in India has been low before the twelvemonth 2003. It was estimated that merely approximately 3 % to 5 % of Indians are covered under any signifier of wellness insurance. The market portion of the commercial insurance was hardly 1 % of the entire wellness disbursement in the state. The Indian wellness insurance scenario is a mix of compulsory Social Health Insurance (SHI) , voluntary private wellness insurance and Community-Based Health Insurance (CBHI) . Health insurance is therefore truly a minor participant in the wellness ecosystem. Health Insurance sector is one of the fastest turning sectors in India and there are assorted wellness attention insurance merchandises being launched in India. Health attention costs are lifting and the turning consciousness about the importance of preventative attention has led to turning demand in wellness insurance merchandises. In the fiscal twelvemonth 2003, the wellness insurance market stood at Rs. 1, 160 Crores, in the twelvemonth 2008, it had crossed Rs. 5, 000 Crores, that is, a growing of more than 4 times in 5 old ages. (Beginning: hypertext transfer protocol: //www. healthinsuranceindia. org/ market_share_of_health_ins_india. asp) .

Despite the growing, there is still a big demand for wellness insurance in India. Equally many as 75 % people in India are without employer supplying coverage and over 85 % people are non insured at all. (Beginning: hypertext transfer protocol: //www. healthinsuranceindia. org/ market_share_of_health_ins_india. asp) .

Willingness TO JOIN THE HEALTH INSURANCE IN INDIA

Based on the different types of services, costs and extra benefits, people make their pick to fall in in the wellness insurance. Some of the services, costs and extra benefits rendered by the Health Insurance in India are listed in table 2.

Table 2: Servicess and Benefits provided by the Health Insurance in India

Types of Servicess

Types of Costss

Types of Additional Benefits

Hospitalization

Non-hospitalized benefits

Chronic unwellness benefits

General OPD

Specialist audience

Generative and pregnancy attention

Catastrophic coverage

Hospital hard currency program

Medical coverage

Drugs & A ; Diagnostic trials

Dental attention

Mental wellness attention

Preventive attention

Medical equipment

Indirect cost

Fees

Medicines

Diagnostic services

Hospital charges

Specialist audience cost

Transportation system cost

Expenses on drugs

Cost of alveolar consonant and mental wellness attention

Wage loss

Life insurance

Personal accident

Permanent disablement benefits

Reimbursement of pay or income loss

GROWTH TRENDS IN HEALTH INSURANCE (Source: IRDA Annual Report 2008-09, page 32, URL: hypertext transfer protocol: //irdaindia. org/annualreport09/annual_rep_eng_09. pdf)

The wellness insurance concern has witnessed increased focal point and attending from all stakeholders ; non merely insurance companies and IRDA, but besides healthcare suppliers and other entities associated with the ecosystem. This increasing attending and consciousness was due to lifting health care costs. Recent detariffing of the general insurance concern forced the insurance companies to concentrate on wellness insurance and other personal lines of concern. Rationalization of premium rates in regard of single mediclaim policies in 2007 which were unrevised for many old ages and upward alteration of rates in all group wellness policies have besides contributed to growing in premiums. Availability of merchandises for senior citizens and kids helped in popularising wellness insurance.

Health insurance has become one of the fastest turning section in the non-life insurance industry. It has grown by 30 per cent during 2008-09. It is besides emerging as a important line of concern for life insurance companies. Many life insurance companies now have merchandises in wellness insurance. During the last seven old ages, wellness insurance premium has grown from Rs. 675 crore in 2001-02 to Rs. 6625 crore in 2008-09.

Number of individuals covered under the wellness insurance has besides seen a steady addition over the old ages ; nevertheless it is little vis-a-vis the possible. In the absence of specific fiscal protection against high medical disbursals, the fiscal impact of hospitalization is more marked.

The Central and province authoritiess have late initiated big graduated table wellness insurance programmes in association with insurance companies to protect the vulnerable groups. Prominent amongst the authorities sponsored insurance strategies are the Rajiv Aarogyasri strategy of Andhra Pradesh, the Kalaignar strategy of Tamilnadu and the centrally-sponsored Rashtriya Swasthya Bima Yojana.

Table 3: Entire Premium in Health Insurance 2004-2009 (Rs. crores)

Insurance companies

2004-05

2005-06

2006-07

2007-08

2008-09

Public

1366

1683

1974

3136

3824

Private

304

539

1224

1832

2266

Standalone Health Insurers

—

—

11

156

633

Entire

1670

2222

3209

5125

6625

Beginning: Annual Report 2008-09, IRDA. Page 32

VOLUNTARY HEALTH INSURANCE SCHEMES OR PRIVATE-FOR-PROFIT SCHEMES

In private insurance, purchasers are willing to pay premium to an insurance company that pools people with similar hazards and insures them for wellness disbursals. The cardinal differentiation is that the premiums are set at a degree, which provides a net income to third party and supplier establishments. Premiums are based on an appraisal of the hazard position of the consumer (or of the group of employees) and the degree of benefits provided, instead than as a proportion of the consumer ' s income. In the populace sector, the General Insurance Corporation (GIC) and its four subordinate companies (National Insurance Corporation, New India Assurance Company, Oriental Insurance Company and United Insurance Company) and the Life Insurance Corporation (LIC) of India provide voluntary insurance strategies. The Life Insurance Corporation offers Ashadeep Plan II and Jeevan Asha Plan II. The General Insurance Corporation offers Personal Accident policy, Jan Arogya policy, Raj Rajeshwari policy, Mediclaim policy, Overseas Mediclaim policy, Cancer Insurance policy, Bhavishya Arogya policy and Dreaded Disease policy (Srivastava 1999 as quoted in Bhat and Malvankar, 2000) .

Of the assorted strategies offered, Mediclaim is the chief merchandise of the GIC. The Medical Insurance Scheme or Mediclaim was introduced in November 1986 and it covers persons and groups with individuals aged 5 to 80 year. Children (3 months to 5 year) are covered with their parents. This strategy provides for reimbursement of medical disbursals (now offers cashless strategy) by an single towards hospitalization and domiciliary hospitalization as per the amount insured. There are exclusions and preexistent disease clauses. Premiums are calculated based on age and the amount insured, which in bend varies from Rs 15, 000 to Rs 5, 00, 000. In 1995/96 about half a million Mediclaim policies were issued with approximately 1. 8 million donees (Krause Patrick 2000) . The coverage for the twelvemonth 2000-01 was around 7. 2 million.

Another strategy, viz. the Jan Arogya Bima policy specifically targets the hapless population groups. It besides covers reimbursement of hospitalization costs up to Rs 5, 000 yearly for an single premium of Rs 100 a twelvemonth. The same exclusion mechanisms apply for this strategy as those under the Mediclaim policy. A household price reduction of 30 % is granted, but there is no group price reduction or agent committee. However, like the Mediclaim, this policy excessively has had merely limited success. The Jan Arogya Bima Scheme had merely covered 400, 000 persons by 1997.

The twelvemonth 1999 marked the beginning of a new epoch for wellness insurance in the Indian context. With the passing of the Insurance Regulatory Development Authority Bill (IRDA) the insurance sector was opened to private and foreign engagement, thereby paving the manner for the entry of private wellness insurance companies. The Bill besides facilitated the

constitution of an authorization to protect the involvements of the insurance holders by modulating, advancing and guaranting orderly growing of the insurance industry. The measure allows foreign boosters to keep paid up capital of up to 26 per centum in an Indian company and requires them to hold a capital of Rs 100 crore along with a concern program to get down its operations.

Presently, a few companies such as Bajaj Alliance, ICICI Lombard, Royal Sundaram, and Cholamandalam are offering wellness insurance strategies. The nature of strategies offered by these companies is described briefly in Table-5.

Insurance offered by NGOs / Community-Based Health Insurance: Community-based financess refer to intrigue where members prepay a set sum each twelvemonth for specified services. The premia are normally level rate (non income-related) and hence non progressive. Making net income is non the intent of these financess, but instead bettering entree to services.

Frequently there is a job with inauspicious choice because of a big figure of bad members, since premiums are non based on appraisal of single hazard position. Exemptions may be adopted as a agency of helping the hapless, but this will besides hold inauspicious consequence on the ability of the insurance fund to run into the cost of benefits.

Such strategies are by and large run by trust infirmaries or Non-Governmental Organizations (NGOs) . The benefits offered are chiefly in footings of preventative attention, though ambulatory and in-patient attention is besides covered. Increasingly in India, CBHI strategies are

negociating with the for-profit insurance companies for the purchase of usage designed group insurance policies. However, the coverage of such strategies is low, covering about 30-50 million (Bhat, 1999) . A reappraisal by Bennett, Cresse et al. , (as quoted in Ranson and Acharya, 2003) indicates that many community-based insurance strategies suffer from hapless design and direction, fail to include the poorest-of-theA hapless, have low rank and necessitate extended fiscal support.

Other issues relate to sustainability and reproduction of such strategies. Following table 4 provides an overview of some non-profit societal insurance strategies. Some of the strategies are described below (Ranson and Jowett, 2003) .

Table-4: Non-Profit Social Insurance Schemes in India

S. No

Name

Location

Members

Type of insurance

1

ACCORD/ ASHWINI Health Insurance Scheme

Tamil Nadu (Gudalur)

7356 (1997)

Health Insurance

(with NIA)

2

Aga Khan Health Servicess

Gujarat (Sidhpur)

40000 (1997)

Health insurance

3

Apollo Hospital Association (AHA)

Tamil Nadu (Madras)

10000 (1995)

Health Insurance

(with GIC)

4

ASSEFA (Association of Sarva Sewa Farms)

Tamil Nadu (Madurai)

N. N.

Cattle Insurance Health Insurance

5

Cooperative Development Federation (CDF)

Andhra Pradesh (Hyderabad)

26000

Death Relief Fund

(Life Insurance)

6

Goalpara Cooperative Health Society

West Bengal (Shantiniketan)

1247 (1997)

Health Insurance

7

Kottar Social Service Society (KSSS)

Tamil Nadu (Kanyakumari)

34000

Health Insurance

8

Mallur Health Cooperative

Karnataka

7000

Health Insurance

9

Mathadi Hospital Trust

Maharashtra (Bombay/Mumbai)

150000

Health Insurance

10

Medinova Health Card Scheme

West Bengal (Calcutta)

35000

Health Insurance

11

Navsarajan Trust

Gujarat

10000

Health Insurance (with NIA) Accidental Insurance (with LIC) Nutrition Legal Aid Drugs Fight Against Corruption

12

New Life

Tamil Nadu

N. N.

Health Insurance

13

Organization for Development of People (ODP)

Tamil Nadu (Mysore)

1137

Health Insurance Accidental Insurance (with NIC)

14

Pragati Thrift and Credit Society

—

410

Death Relief Fund

15

Raigarh Ambikapur Health Association (RAHA) Medical Insurance Scheme

Madhya Pradesh (Raigarh District)

75000

Health Insurance

16

Saheed Shibsankar Saba Samity (SSSS)

West Bengal (Burdwan)

6800

Health Insurance

17

Seba Cooperative Health Society

West Bengal (Calcutta)

3000 households

Health Insurance (with GIC)

18

Self Employed Women ‘ s Association (SEWA)

Gujarat (Ahmedabad)

40000

Integrated Insurance Scheme Health Insurance Life Insurance (with LIC)

Accident (with NIA) Asset Insurance Maternity Benefit

19

Kasturba Hospital Scheme, Sewagram

Maharashtra (Wardha District)

19457 (1997)

Health Insurance

20

Social Work and Research Centre (SWRC)

Rajasthan (Ajmer)

20000

Health Insurance

21

Society for Promotion of Area Resources Centre (SPARC)

Maharashtra (Bombay/Mumbai)

1200 twosomes

Health Insurance Accident Housing (with OIC)

22

Students Health Home

West Bengal (Calcutta)

550000

Health Insurance

23

Tribhuvandas Foundation

Gujarat (Anand)

800000

Health Insurance

24

Trivandrum District Fishermen ‘ s Federation (TDFF)

Kerala (Thiruvananthapuram)

Craft & A ; Gear Fund (loan footing) Contingency Fund (decease, accidents, loss of work)

25

Urmal Rural Health and Research Development Trust

Rajasthan (Bikaner & A ; Jodhpur)

N. N.

Health Insurance

26

Voluntary Health Services Medical Aid Plan

Tamil Nadu

160000

Health Insurance

27

Kalaignar Insurance Scheme

Tamil Nadu

150000 (2009)

Health Insurance

Beginning: Patrick Krause (2000) , ‘ Non-profit Insurance Schemes for the Unorganized Sector in India ‘ , Social Policy Division 42, Working Documents No. 22 vitamin E, GTZ

In the twelvemonth 2009, relatively the growing of wellness insurance in India has improved due to the incursion of the private wellness insurance participants. In order to vie in the wellness insurance market, the private participants have introduced tonss of new strategies with assorted touchable and intangible benefits. Table 5 provides a wider comparing among the different strategies provided by the wellness insurance.

Table 5: Family Health Insurance Schemes – Comparison

Coverage

ICICI- LOMBARD

Bajaj-Allianz

Royal Sundaram

Reliance General Insurance

Star Health

Cholamandalam

Family Floater

Star Package

Health shield

Health Wise policy

Family Health Optima

Chola Family Insurance Plan

A Pre & A ; Post Hospitalization Expenses

30 yearss prior and 60 yearss after hospitalization

A 60 yearss prior and 90

yearss after hospitalization

30 yearss prior and 60 yearss after hospitalization.

Reliance Standard: 30 yearss prior andA 60 yearss after hospitalization,

Reliance Silver: 60 yearss prior & amp ; 90 yearss afterA hospitalization

30 yearss prior and 7 % of the hospitalization disbursals in Post hospitalization, max up to Rs. 5000

A 60 yearss prior and 90

yearss after hospitalization

Room & A ; Boarding Expenses

Covered, No bound

Covered, No Limit

Reimbursement up to 1. 5 %

Covered

It ranges from Rs. 500-Rs. 1500 depending on the metropolis

Rs. 1500-Rs. 3000

Pre-existing diseases

Covered after 4th twelvemonth

Covered after 4th twelvemonth

Covered after 4th twelvemonth

Reliance Silver – Covered after 2nddA twelvemonth

Reliance Standard- Covered after 4th twelvemonth

Covered

—

EligibilityA A

Senior most household member: 19 – 60 old ages (Renewable boulder clay of 70 old ages)

Others members: Less than 19 old ages

18 yrs – 55 year (Renewable boulder clay of 70 old ages)

Children 3 yrs – 5 year if both the parents are insured, 6yrs – 18 year if one parent is insured.

Self, Spouse and dependent parents up to the age ofA 50 old ages and kids (91 days- 18 year)

3 months – 65 old ages.

5 months – 60 old ages

Up to 55 year for suggester

A and 65 for parents

Cashless Facility

Over 3500 web infirmaries in India

Over 2400

infirmaries in India

A Over 2000 infirmaries in India

Over 4, 300 infirmaries in India.

—

Over 1300 infirmaries in India

Bonus

Sum assured additions by 5 % every claim free twelvemonth up to a upper limit of 50 % of original amount assured.

5 %

Limit shall be increased by 5 % every twelvemonth,

max up to 10 old ages

5 % on every claim reclamation max up to 50 %

No

—

Family Discount

—

10-15 % long term price reduction, if policy is taken for 2 or more old ages

10 % for covering 3

or more household members

Reliance Silver: up to Rs 750

Reliance Standard: up to Rs 500

10 % price reduction on

A Premium on the reclamation of the policy in the claim free twelvemonth

5 % for 2 Peoples,

10 % for 3 or more people

Ambulance Charges

Covered No Limit

Covered exigency

charges (up to Rs 1000)

Ambulance referral

installations

Covered from Rs 500 to Rs1000

750, max up to 1500

Coverage for disbursals incurred

on it to nearest infirmary up to Rs 1000/-

Health Check-up

Above 55 old ages

Above 45 old ages

Above 50 year

Above 45 year

Above 60 year

—

Cost of Health Check up

A Free wellness check-up voucher for any one insured household member.

Yes, reimburse max up to Rs 1000/- after 4 claim free old ages

Yes, reimburse max up to Rs 750/- after 5 claim free old ages

Free Check up after 4 claim-free reclamations.

—

Reimburse the disbursals incurred

A for general wellness and

A oculus test

Sum-Assured

(Rs. in Lakhs)

2 – 4

0. 5 – 10

1. 5 – 5

2 – 5

1 – 5

2 – 10

Decision

The predating subdivisions of this paper portrayed the wellness insurance scenario in India. Give the state of affairs, there are few issues of concern or barriers towards implementing a societal wellness insurance strategy in India. These are enumerated below along with the possible manner in front. India is a low-income state with 26 % population life below the poorness line, and 35 % illiterate population with skewed wellness hazards (Beginning: Social Health Insurance – Health Insurance in India: Current Scenario, 2009, page. 79-97) . Insurance is limited to merely a little proportion of people in the organized sector covering less than 10 % of the entire population.

Presently, there is no mechanism or substructure for roll uping compulsory premium among the big informal sector. Even in footings of the bing strategies, there is deficient and unequal information about the assorted strategies. Data spreads besides prevail. Much of the focal point of the bing strategies is on infirmary disbursals. There continues to be deficiency of consciousness among the people about wellness insurance. In malice of bing ordinance in some States, the private sector continues to run in an about unhampered mode. The growing of wellness insurance increases the demand for licensing and modulating private wellness suppliers and developing specific standards to make up one’s mind upon appropriate services and fees.

Health insurance per Se, suffers from jobs like inauspicious choice, moral jeopardy, cream-skimming and high administrative costs. This is coupled with the fact that in the absence of any bing mechanisms, there is trouble in ciphering the premium. There is besides a demand to germinate standards

to be used for make up one’s minding upon mark groups, who would avail of the SHI scheme/s and besides to turn to issues associating to whether indirect costs would be included in wellness insurance. Health insurance can better entree to good quality wellness attention merely when wellness attention establishments are able to supply equal installations and skilled forces at low-cost cost.

Given this scenario, the challenge for Indian policy-makers is to happen ways to better upon the bing state of affairs in the wellness attention sector and to do just, low-cost and quality wellness attention accessible to the population, particularly the hapless and the vulnerable subdivisions of the society. It is in a manner inevitable that the province reforms its public wellness bringing system and explores other societal security options like wellness insurance. Implementing ordinances would be the best mechanism to command supplier behaviour and costs. This could be done by developing mechanisms where authorities and families can together pool their financess. This could be one manner of commanding supplier behaviour.

There is an pressing demand to document planetary and Indian experiences in societal wellness insurance. Different funding options would necessitate to be developed for different mark groups. The broad derived functions in the demographic, epidemiological position and the bringing capacity of wellness systems are a serious restraint to a nationally mandated wellness insurance system. Given the heterogeneousness of different parts in India and the regional specifications, one would necessitate to set about pilot undertakings to garner more information about the population to be targeted under an insurance strategy and develop options for different population groups.

Health policy-makers and wellness systems research establishments, in coaction with economic policy survey institutes, need to garner information about the prevalent disease load at assorted geographical parts to develop standard intervention guidelines. This would assist them to set about costing of wellness services for germinating benefit bundles to find the premium to be levied, subsidies to be given, map the wellness attention installations available and the institutional mechanisms which need to be in topographic point for implementing wellness insurance strategies. Skill-building for the forces involved and capacity-building of all the stakeholders involved would be a critical constituent for guaranting the success of any wellness insurance programme. The success of any societal insurance strategy would depend on its design, execution and monitoring mechanisms which would be set in topographic point and it would besides name for restructuring and reforming the wellness system and developing the necessary requirements to guarantee its success.