



Health insurance business trends in India: An overview

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Abstract

Medicare or medical costs are rising year on year. As a matter of fact, inflation in Medicare is higher than inflation in food and other articles. One way to provide for health related/medical emergencies is by taking health insurance. With health insurance, you are assured of a more secure future both health-wise and money-wise. In this paper an attempt has been made to gain and insight into the concept of health insurance and its types. Growth trends of health insurance in India during last five years i.e. 2013-14 to 2017-18 have been analysed. For this purpose health insurance premium trends, class-wise classification of health insurance premium, number of persons covered under health insurance, sector-wise and class of business-wise net incurred claim ratio under health insurance has been analysed.

Keywords: health insurance, premium, growth, IRDA, trend, insurers

Introduction

Insurance refers to a contractual arrangement in which one party i.e. insurance company or the insurer agrees to compensate the loss or damage sustained to other party, i.e. the insured, by paying a definite amount, in exchange for an adequate consideration called premium. It is a contract that helps an individual to reduce the potential financial loss or hardship by getting a reimbursement against losses from an insurance company. Insurance is the way for individuals and businesses to reduce the financial impact of risk occurring. It is a social device which has become a driving pillar of a country's risk management system.

Types of Insurance

Insurance may broadly be classified into two categories, namely, Life Insurance and General Insurance:

Life Insurance

Life insurance covers the risk of the life of the insured. In this, the nominee gets the policy amount upon the death of the insured. Life Insurance is also called as 'Life Assurance' as the event i.e. death of the insured is certain.

General Insurance or Non-Life Insurance

Any insurance except life insurance comes under General Insurance or Non-Life Insurance. In this type of insurance, the policyholder gets the compensation only when the loss is caused to him, due to the reasons indicated in the policy. It is classified into three categories:

Fire Insurance

It is a contractual arrangement in which the insurer promises to indemnify the loss caused to the goods and property of the insured due to fire, up to an agreed amount.

Marine Insurance

In marine insurance contract, the insurer undertakes to compensate the ship or cargo owner against the risk associated with the marine adventure. It is further divided into cargo insurance, hull insurance and freight insurance.

Miscellaneous Insurance

Apart from fire and marine insurance, there are other types of general business which covers different types of risks. For example: health insurance, motor vehicle insurance, credit insurance, burglary insurance, fidelity insurance, loss of profit insurance etc.

Health Insurance

Medicare or medical costs are rising year on year. As a matter of fact, inflation in Medicare is higher than inflation in food and other articles. While inflation in food and clothing is in single digits, Medicare cost, usually escalate in double digits. For an individual who hasn't saved that much money, arranging for funds at the eleventh hour can be tedious task. One way to provide for health related/medical emergencies is by taking health insurance. With health insurance, you are assured of a more secure future both health-wise and money-wise. This makes health insurance policies critical for individuals, especially if they are responsible for the financial well being of the family.

Health insurance is an insurance that covers the whole or a part of risk of a person incurring medical expenses, spreading the risk over a large number of persons. Health insurance covers medical and surgical expenses of an insured individual.

Types of Health Insurance Plans in India

Health insurance in India typically pays for only inpatient hospitalisation and for treatment at hospitals in India. Outpatient services were not payable under health services in India. The first health policies in India were Mediclaim Policies. In year 2000, Government on India liberalised insurance and allowed private players into the insurance sector. The advent of private insurers in India saw the introduction of many innovative products like critical illness plan, family floater plans, top-up plans, hospital cash and top-up policies.

Health Insurance Plans in India are of following types:

1. **Hospitalisation Plans:** These plans are indemnity plans and pay cost of hospitalization and medical costs of the

insured subject to the sum insured. These policies normally do not pay any cash benefit. In addition to hospitalization benefits, specific policies may offer a number of additional benefits like maternity and newborn coverage, pre and post hospitalization care, domiciliary benefits where patient cannot be moved to a hospital etc.

2. **Maternity Health Insurance Plans:** These plans ensure coverage for maternity and other additional expenses. These plans take care of both pre and post natal care, baby delivery and ambulance expenses.
3. **Pre-Existing Disease Cover Plans:** These plans covers disease that policyholder had before buying health policy.
4. **Family Floater Health Insurance Plans:** These plans covers entire family in one health insurance plan. It works under assumption that not all member of a family will suffer from illness inn one time. These plans cover hospital expenses which can be pre and post.
5. **Critical Illness Plans:** These are benefit based plans which pay a lump sum amount on diagnosis of covered critical illness and medical procedures. These illness are generally specific and high severity and low frequency in nature i.e. cancer, heart attack, stroke etc.
6. **Senior Citizen Health Insurance Plans:** These health insurance plans are for senior citizens. These provide cover and protection from health issues during old age.
7. **Hospital Daily Cash Benefit Plans:** These plans pay a defined sum of money for every day of hospitalization. The payment for the defined number of days in policy year may be subject to a deductible of few days.
8. **Disease Specific Special Plans:** These are specially designed disease specific plans like dengue care. These plans aim to help customers manage their unexpected health expenses better and at a very minimal cost.
9. **Pro Active Plans:** These plans are designed keeping in mind the Indian market and provide assistance based on medical, behavioural and life style factors associated with chronic conditions. These services aim to help customers understand and manage their better.

Payments options under Health Insurance Plans

Two options are available under different health insurance plans in India:

1. **Direct Payment or Cashless Facility:** Under this facility the insured need not to pay the hospital as the insurer pays directly to the hospital. The policyholder and all those who are mentioned in the policy can undertake treatment from those hospitals approved by the insurers.
2. **Reimbursement of Medical Expenses:** Under this scheme, after staying for the duration of treatment, the patient can take a reimbursement from the insurer for the treatment that is covered under the policy undertaken.

Review of Literature

Ramani and Mavalankar (2006) ^[7] examined the health system in India and showed that health and socio economic development are so closely related that it is impossible to achieve one without other. The study found that no doubt the economic development in India has been gaining momentum over the last decade, but the health system is at cross roads today. The study concluded by identifying the

role and responsibilities of various stakeholders for building efficient and effective health system.

Thomas K.T. and R. Sakthi Vel (2011) ^[10] evaluating emerging business models in private health insurance in India, observed that the biggest drawback of the industry is the lack of standard terminology and protocol in treatment and billing of common illness. In many instances, different hospital across the country use differing terms and follow different treatment protocols and charges for treating the same medical condition.

Aggarwal et al (2013) ^[11] in their paper studied innovations and challenges of health insurance sector. According to study product development and innovation both are very important for new customers and existing customers.

Alika M. (2013) ^[2] in her paper concluded that health insurance sector has great potential in India. Increasing health care cost, growing awareness about health insurance, community based new groups and new policies adopted by the government are some opportunities for health insurance market.

Garg A (2013) ^[4] in his paper reported that respondents are satisfied with private sector insurance companies than public sector. Main factors identified for satisfaction of respondents are claim settlement, sales force, time for policy issuance and complaint handling mechanism.

Gill and Kansra (2014) ^[5] in their paper concluded that the biggest challenge in health insurance is that the claim paid percentage had risen than the premium percentage. They found the prospect of health insurance industry seems bright as there is rise in medical cost. Specialised treatment has become frequent due to rise in income pattern and there is low public expenditure on health and family welfare.

Subramanya (2014) ^[9] in their paper studied the trends in health insurance in India and concluded that increase in population, expanding middle class, increasing awareness and lifestyle diseases, tax benefits are some of the factors that leads to increase in health insurance demand.

Shetty (2014) ^[8] in his article concluded that expansion of health sector will lead to increase in health insurance sector. Governments are not able to provide quality of health care and private health care are not affordable for majority of population. According to future models for health care for better quality services, increase in life expectancy, increased income will lead to increase the demand for health insurance.

Devi S. (2015) ^[3] in his paper highlighted the problems of health insurance sector. According to him problem exists with every stakeholder like TPA make delay in claims, insurance companies have high claim payout ratio, consumer are less aware about health insurance basic terms and hospital charges more expenses from insured patients.

Itumalla et al. (2016) ^[6] in their paper emphasised on present health insurance scenario and issues and challenges facing by health insurance sector in India. The study shows that private sector non-life insurers contribute 26% of gross health insurance premium and 12% contributed by standalone health insurance. Health insurance sector is facing some challenges which are low awareness level, problem with staff, claim settlement and claim processing issues, lack of affordability and distribution channels etc.

Objectives

- To gain an insight into the concept and types of health insurance.

- To analyse to growth trends of health insurance business in India.

Research Methodology

The data for the present study has been collected from the secondary sources. Data so collected has been analysed and presented through suitable Tables and Graphs. The period of study is of 5 years from 2013-14 to 2017-19.

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. There are three types of health insurance companies operating in India namely Public Sector General Insurers, Private Sector General Insurers and Stand-alone Health insurers.

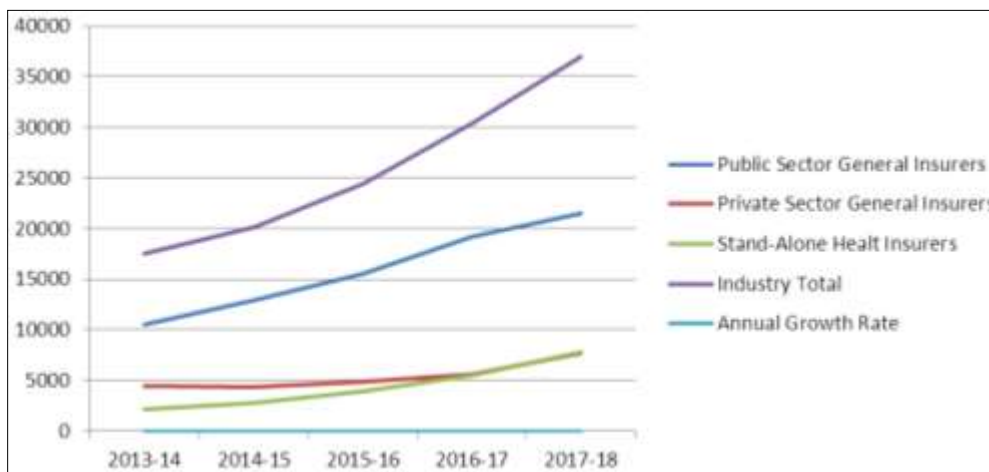
Analysis of Health Insurance Business Growth Trends in India over Past Five Year Periods Health Insurance Premium Trends:

Table 1.1: Health Insurance Premium Trends Over Past Five Years (₹Crore)

Sectors	2013-14	2014-15	2015-16	2016-17	2017-18
Public Sector General Insurers	10841 (62)	12882 (64)	15591 (64)	19227 (63)	21509 (58)
Private Sector General Insurers	4482 (26)	4386 (22)	4911 (20)	5632 (19)	7689 (21)
Stand-Alone Health Insurers	2172 (12)	2828 (14)	3946 (16)	5532 (18)	7831 (21)
Industry Total	17495	20096	24448	30392	37029
Annual Growth Rate	13%	15%	22%	24%	22%

Figure in bracket indicate the market share in total health insurance premium.

Source: Annual Reports of IRDA from 2013-14 to 2017-18.



Source: Annual Reports of IRDA from 2013-14 to 2017-18.

Graph 1.1: Health Insurance Premium Trends

It is evident from Table 1.1 and Graph 1.1 that health insurance premium across all sectors has shown an increasing trend during last five years. The annual growth rate of premium has reached to 24% in 2016-17. However it

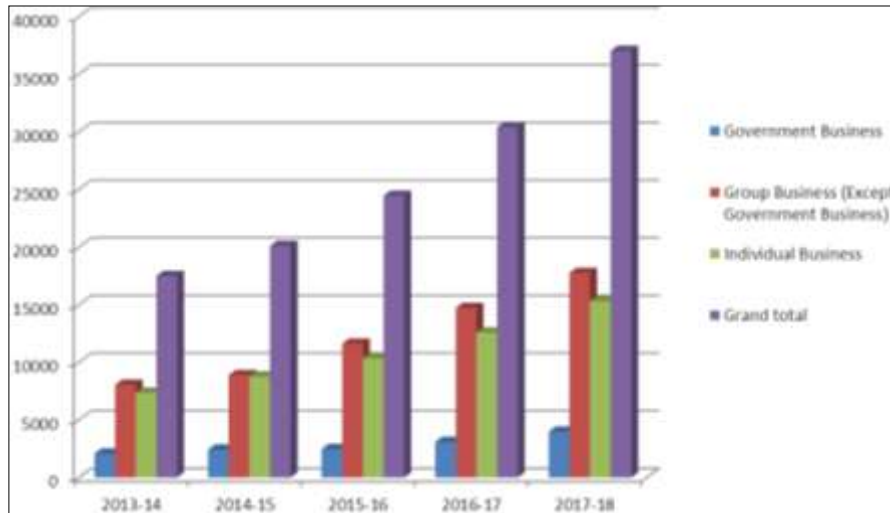
decreased slightly to 22% in 2017-18. The share of public sector general insurers in total business decreased to 58% in 2017-18 but it still has dominance in the total health insurance business.

Table 1.2: Class-Wise Classification of Health Insurance Premium (₹ Crore)

Class of Business	2013-14	2014-15	2015-16	2016-17	2017-18
Government Business	2082 (12)	2425 (12)	2474 (10)	3090 (10)	3981 (11)
Group Business (Except Government Business)	8057 (46)	8898 (44)	11621 (48)	14718 (48)	17757 (48)
Individual Business	7355 (42)	8772 (44)	10353 (42)	12584 (41)	15291 (41)
Grand Total	17495	20096	24448	30392	37029

Figure in bracket indicate the share of each class of business in total health insurance premium.

Source: Annual Reports of IRDA from 2013-14 to 2017-18.



Source: Annual Reports of IRDA from 2013-14 to 2017-18.

Graph 1.2: Class-Wise Classification of Health Insurance Premium

Table 1.2 and Graph 1.2 clearly show that health insurance premium has also shown increasing trend across class during the last five years. Group business was the largest

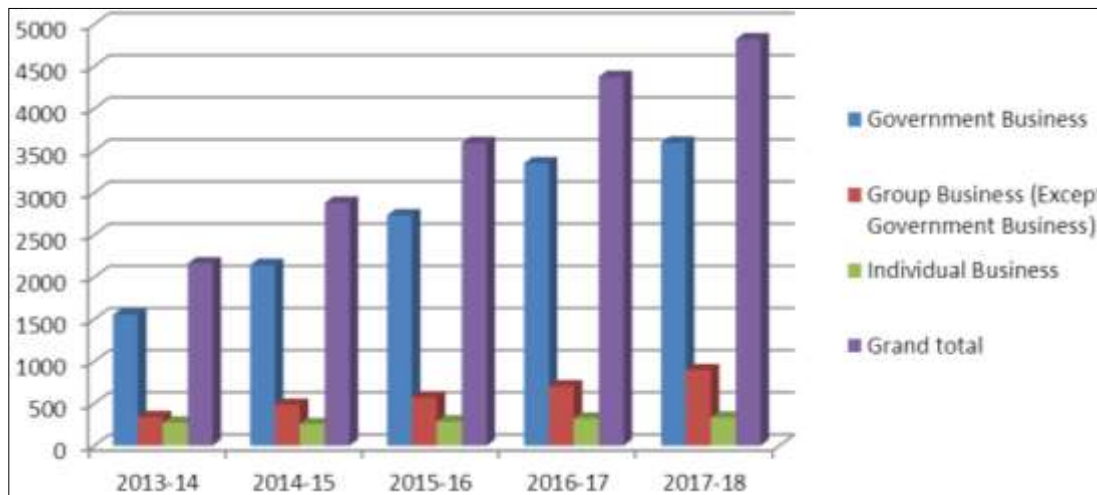
contributor in total industry business with 48% share in 2017-18. Individual business contributes 41% while government business contributes only 11%.

Table 1.3: Number of Persons Covered Under Health Insurance (In Lakh)

Class of Business	2013-14	2014-15	2015-16	2016-17	2017-18
Government Business	1553 (72)	2143 (74)	2733 (76)	3350 (77)	3593 (75)
Group Business (Except Government Business)	337 (16)	483 (17)	570 (16)	705 (16)	894 (19)
Individual Business	272 (13)	254 (9)	287 (8)	320 (7)	333 (6)
Grand Total	2162	2880	3590	4375	4820

Figure in bracket indicate the share of each class of business in total number of life covered.

Source: Annual Reports of IRDA from 2013-14 to 2017-18.



Source: Annual Reports of IRDA from 2013-14 to 2017-18.

Graph 1.3: Number of Persons Covered Under Health Insurance

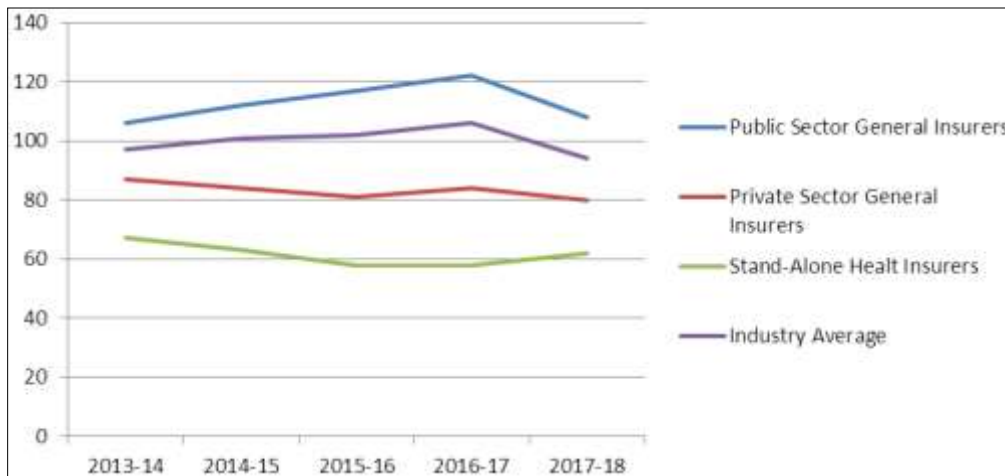
It is clear from the Table 1.3 and Graph 1.3 that number of persons covered under health insurance has shown a continuous growth trend during the last five periods. The numbers of persons covered under health insurance was

highest in government business. The percentage of number of persons covered under health insurance in individual business decreased continuously during last five year and reached to 6% in 2017-18.

Table 1.4: Sector-Wise Net Incurred Claims Ratio Under Health Insurance (in percentage)

Sectors	2013-14	2014-15	2015-16	2016-17	2017-18
Public Sector General Insurers	106	112	117	122	108
Private Sector General Insurers	87	84	81	84	80
Stand-Alone Health Insurers	67	63	58	58	62
Industry Total	97	101	102	106	94

Source: Annual Reports of IRDA from 2013-14 to 2017-18.



Source: Annual Reports of IRDA from 2013-14 to 2017-18.

Graph 1.4: Sector-Wise Net Incurred Claims Ratio Under Health Insurance (in percentage)

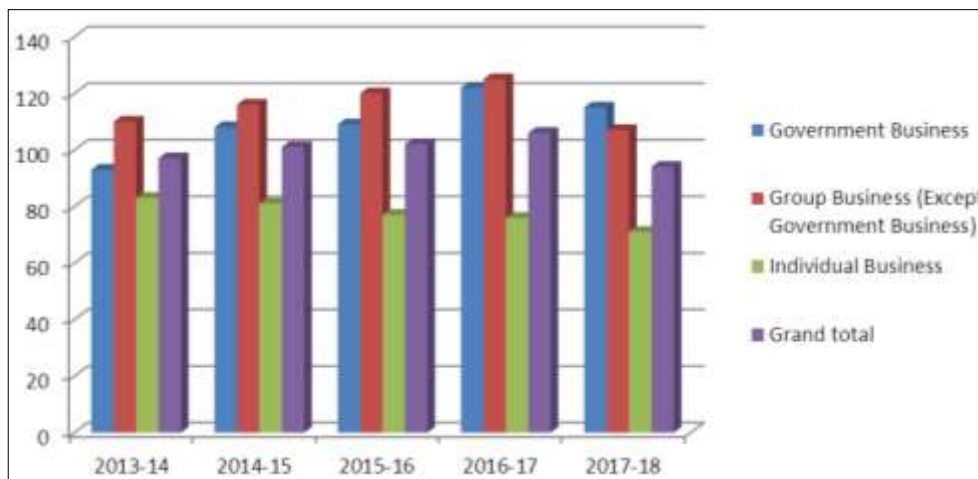
Net incurred claim ratio is calculated by dividing the net claims incurred/net premium earned. It is evident from Table 1.4 and Graph 1.4 that net incurred claim ratio under health insurance was highest in public sector general insurers and exceeded 100% throughout the study period. It

was lowest in case of stand-alone health insurers. Overall for the industry as a whole it has increased continuously during the study period and reached to 106% in 2016-17. However it dropped to 94% in 2017-18.

Table 1.5: Class of Business-Wise Net Incurred Claim Ratio Under Health Insurance (in percentage)

Class of Business	2013-14	2014-15	2015-16	2016-17	2017-18
Government Business	93	108	109	122	115
Group Business (Except Government Business)	110	116	120	125	107
Individual Business	83	81	77	76	71

Source: Annual Reports of IRDA from 2013-14 to 2017-18.



Source: Annual Reports of IRDA from 2013-14 to 2017-18.

Graph 1.5: Class of Business-Wise Net Incurred Claim Ratio Under Health Insurance (in percentage)

It is clear from Table 1.5 and Graph 1.5 that net incurred claim ratio under health insurance was highest in group business throughout the study period except 2017-18 when it was highest in government business. The net incurred claim ratio in individual business has shown a continuous decline during the study period and reached to 71% in 2017-18.

Conclusion

On the basis of above analysis we can conclude that health insurance industry in India has grown at a faster rate during

the last five year periods. Health insurance premium growth rate has increased from 13% in 2013-14 and reached to 24% in 2016-17. It dropped slightly to 22% in 2017-18. The share of public sector general insurers in total business decreased to 58% in 2017-18 but it still has dominance in the total health insurance business. Group business was the largest contributor in total industry business during the study period. The numbers of persons covered under health insurance was highest in government business. The net incurred claim ratio under health insurance was highest in public sector general insurers.

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