



Trend in Health Insurance Business

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ABSTRACT

Health is a human right. It's accessibility and affordability has to be ensured. The increasing cost of medical treatment is beyond the reach of common man. The well to do segment of Rural and Urban areas population has accessibility and affordability towards medical care, the same cannot be said about the people who belong to the poor segment of the society. One of the ways to cover this discrepancy in the health sector is to encourage the development of health insurance. In the light of escalating health care costs, increasing demand for health care services and lack of easy access to people from low income group to quality health care, health insurance is emerging as an alternative mechanism for financing health care. The objective of this research paper is to study how the health insurance is growing remarkably as compared to other branches of insurance. The data used for study is mostly secondary data.

KEYWORDS

Health Insurance, Premium, Classification, IRDA

INTRODUCTION

Health insurance can be defined, in simple terms as, a contract where an individual or group purchases in advance health coverage by paying a fee called "premium". Health insurance clubs a wide variety of policies. These range from policies that cover the cost of doctors and hospitals to those that meet a specific need, such as paying for long term care. Even disability insurance, which replaces lost income if the policyholder cannot work because of illness or accident, is considered health insurance, even though it is not specifically for medical expenses.

Historically Health insurance is recognized as one of the important elements of health care. While the prevalence of health infrastructure and the technological advancements in medical field may offer assistance but they do not completely substitute for health insurance. The insurance sector in India which initially covered certain areas like life, motor, marine insurance is gradually making rapid strides to cover the exclusive health risks contingent on human lives.

Increase in the number of non-life insurers in the health insurance segment made a significant improvement in the product innovation which offers ample opportunity to various categories of the population to get covered with much needed and specific health insurance solutions. The demand for specific health insurance solutions also leads to product innovation, which in turn enhances the penetration of health insurance. During the year 2014-15, under various Governments sponsored health insurance schemes including Rashtriya Swastha Bima Yojna (RSBY) 21.25 crore lives (provisional figures) were covered.

Health Insurance as a Class of Business:

Insurance Laws (Amendment) Act, 2015 has recognized Health Insurance as a class of business enabling the incorporation of standalone health insurance companies; keeping in view the need and the potentiality of this sector.

Section (6) (c) of the Act defined health insurance business as 'effecting of contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, whether in-patient or out-patient travel cover and personal accident cover'. It is a milestone for the Indian Insurance Business and to

all the stakeholders to recognize health insurance as a standalone class. Recognition of health insurance as a standalone class of business is sure to usher in an era of improving an access to the health services to the entire range of population, thereby reducing the share of 'out of pocket' expenses in the overall expenses incurred towards health expenses. Recognizing health insurance as a class may result in a number of players entering this field as standalone health insurers.

Classification of Health Insurance Business:

Health insurance business is classified into i) Group health insurance (Other than Government Sponsored) ii) Government Sponsored health insurance iii) Individual health insurance.

Over the past five years, individual health insurance premium has remarkably increased its share in total health insurance premium from 35% in 2010-11 to 44% in 2014-15; on the other hand, the share of Government sponsored health insurance business has come down from 20% to 12% 2014-15. However, the share of group health insurance business (other than Government business) remains static around 45%.

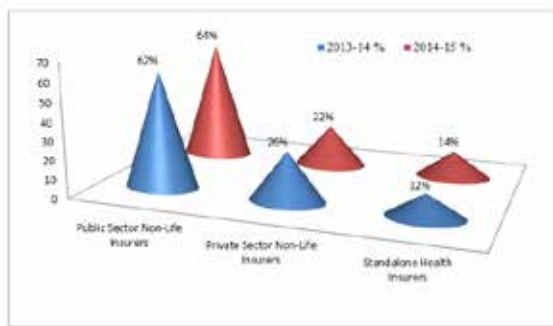
Trend in Health Insurance Premium

Health insurance premiums have been registering a significant CAGR of 24.6% in the preceding ten years. The Gross health insurance premium underwritten was Rs. 2,221 crores in 2005-06 which has increased to Rs. 20,096 crores by 2014-15. As per the Census of India 2011, the population of India was 121.02 crores and the number of lives covered under Health insurance policies during 2014-15 was 28.80 crores. As such, assuming that only one policy has been issued to one person, it may be estimated that approximately only 24% of India's total population has been covered under any of the health insurance policies during 2014-15.

RECENT TREND IN HEALTH INSURANCE PREMIUM (Rs. in crores)(% of market share)

Market Share	2013-14		2014-15	
	Rs.	%	Rs.	%
Public Sector Non-Life Insurers	10,841	62	12,882	64
Private Sector Non-Life Insurers	4,482	26	4,386	22

Standalone Health Insurers	2,172	12	2,828	14
Total Non-life Industry	17,495	100	20,096	100



During 2014-15, the gross health insurance premium collected by non-life insurance companies was Rs. 20,096 crores. The premium has registered 14.87% growth when compared to previous year's gross health insurance premium of Rs. 17,495 crores. The four public sector non-life insurance companies continue to contribute a major share of health insurance premium at 64% of total health segment in 2014-15, registering a marginal increase of 2% of the market share over the preceding year. Stand-alone health insurers contributed 14% of total health insurance premium during 2014-15, which is increased by 2% over the previous year's market share. While there is a marginal increase in the share of Public Sector and Stand-alone health insurers, there is a drop in the share of Private non-life insurers, whose market share has come down from 26% in 2013-14 to 22% in 2014-15.

Health Insurance - Vision 2020

It is projected that the non life industry has the potential to reach Rs. 4,80,000 crores of Gross written premium by 2025. With only 25% market share in the non life industry at present, Health insurance segment has a significant role in covering various sections of Indian population who are not covered with any health insurance scheme. With a projected insurable population of about 1 billion for health insurance by 2025, and about 75% of medical expenses of average households at present being met out of pocket, it is widely considered that health insurance has a rewarding role to play. The committee on India Vision 2020 constituted by the then Planning Commission in its December 2002 report has recognized that health insurance can play an invaluable role in improving health care system in India. With the growth of the private health care industry and medical technologies, it is expected that there will be significant development in the availability of health infrastructure, which will also increase the demand for health insurance.

Role of IRDA as a Regulator

Insurance being the business of large numbers, it is essential that there is a demand from a wide range of the targeted population to enable the insurers to offer the range of products that cater to their health insurance needs. Availability of a number of players who offer health insurance solutions also enhances health insurance awareness leading to a reasonable demand that in turn helps in offering health insurance products at economical prices. Incidentally, the Government has also increased the maximum Foreign Direct Investment cap to 49% in the year 2014-15. This increase in FDI cap, coupled with recognizing Health Insurance as a special class, is likely to attract a number of players offering a range of health insurance solutions to the Indian insuring public.

Health Insurance in India is in its very early phase. To ensure that this sector develops rapidly and benefit of insurance goes to the consumers and they are guarded against the ill effects of privatization, IRDA plays a very crucial role. Good management of privatization and development of health insurance

can improve access to care and health status in the country rapidly. If the entry of private firms into the health insurance sectors is not properly regulated, they show adverse consequences for the cost of care, equity, consumer satisfaction, fraud and ethical standards. Some of the areas of concern which the regulator has to look into are:

Rejection of insurance claims due to small technical reasons which leads to disputes.

Various conditions included in the insurance policy contract are not negotiable and are binding on consumer.

There is no analysis on what is fair practice and unfair practice.

The most important area of dispute and unfair treatment is the knowledge and implications of pre-existing conditions.

The main danger in the health insurance business is that the private companies will cover the risk of middle class who can afford to pay high premiums. Unregulated reimbursement of medical costs by the insurance companies will push up the prices of private care. So large section of India's population who are not insured will be at a relatively disadvantage as they will, in future, have to pay more for the private care.

Health insurance is assuming greater significance, so, it is time for the regulator to etch a frame work for operating the health schemes; just like it has done for both life and non-life insurance companies in many aspects of business. The mechanism should be such that the private insurance companies do not skim the market by focusing on rich and upper class clients and in the process neglect a major section of India's rural and less-developed population.

IRDA should ensure and encourage different organizations and private insurers to develop products for the poorer segment of the community and if possible build an element of cross subsidy for them. The IRDA will have a significant role in regulating the health insurance sector and safe guarding the interests of the policy holders by minimizing the unintended consequences.

Conclusion:

Health insurance is going to develop more rapidly in future. It is like a knife. In the surgeon's hand it can save the patient, while in the hands of the quack, it can kill. The main challenge is to see that it benefits the poor and the weak in terms of better coverage and health services at lower costs without negative aspects of cost increase and overuse of procedures and technology in provision of health care.

Health insurance is very well established in many countries, but in India it still remains an untapped market, mostly rural market. Less than 15% of India's population is covered through health insurance which mostly includes government employees. At any given point of time, 40 to 50 million people are on medication for major sickness and share of public financing in total health care is just about 1% of GDP. Over 80% of health financing is private financing, much of which is out of pocket payments and not by any pre-payment schemes. Given the health financing and demand scenario, health insurance has a wider scope in present day situation in India. However, it requires careful and significant efforts to tap Indian health insurance market with proper understanding and training. (Lokhande M. A. 2015) : The study disclosed that rural investors placed great trust in products and services provided by the Government banks. The first rank given by majority of the investors to bank deposits supports this observations. It was also observed that gold and jewellery were the second preference of the investors. The third preference was given to real estate (land), which signals towards the traditional attitude of the rural investors. Rural people prefer to invest in agricultural land and plots in nearby talukas (blocks). Naturally, rural investors preferred to invest their money in bank

deposits, saving certificates and government bonds. They preferred to invest in life insurance policies issued by LIC. Hence, it is clear from the study that there is a strong bond between rural culture and buying and consumption pattern of the rural consumers.

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