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## Expansion of Health Insurance in India

**Mohana Krishna Irrinki**

Associate Professor

Dept of Management Studies

Kakinada Institute of Engineering and Technology

Korangi, Andhra Pradesh

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### Abstract

Health insurance is gaining popularity among the people of the country due to increase in education levels, standard of living, health consciousness of the people etc. Indian insurance sector and health insurance in particular had grown after the implementation of the economic reforms in the insurance sector. There are public sector, private sector and standalone health insurers participating in the country. Liberalisation in the insurance sector helped the participation of the foreign institutions in the insurance sector which resulted in offering various innovative insurance products for the customers. There are various innovative like private health care financing, promotion of awareness campaign on advantages of health insurance, price liberalizations, reduction in bureaucracy etc. Government had also focussed on health care and health insurance which resulted in policies which cover complete medical expenses, free medicines, insurance cover for serious ailments, and introduction of National Health Assurance Mission. The paper presents the significance of Indian Insurance sector, role of IRDA in the country, scope of Health insurance in the country.

**Keywords:** Health Care, Health Insurance, Insurance Sector, IRDA.

### Introduction:

Insurance is used as a tool to protect oneself against any unwarranted financial loss. It is used to hedge against uncertain loss or any contingent risk. Insurance is a type of risk management and also a legal indenture where the insurer transfers the possible potential loss to another for exchange of monetary compensation termed as premium along with the entitlement for claims against their losses. Insurance enables the individuals, groups, businesses, industries etc to guard against financial hardship, potential losses at reasonable rate of premium. There are primarily two types of insurance namely *Life Insurance* and *Non-Life Insurance*. The major insurance policies include the Life Insurance, Motor Insurance, Health Insurance, Fire Insurance, Marine Insurance etc. In Life Insurance policies, the insured pays premium regularly and the insurer guarantees for an agreed sum at specified date or earlier in case of death of the insured before the expiry of the policy. Non-life insurance policies cover the other calamities such as accidents, fire, illness, risks etc. In exchange to premiums paid the insured, the insurer provides the services, arranges the payment of claims, accrued benefits etc. Premiums are paid upfront and later can the claims be made. The premiums paid by the policyholders are invested by the insurance companies to earn income, as there is time gap between the payment of premium and receipt of claims against the policy. The reserves of insurance companies include the receipt of premiums, accrued reserves of life insurance policies, outstanding claims, and reserves of with-profit insurance.

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Health insurance is obtaining priority these days with the increase in the awareness of the advantages bundled with the policy, the possible expenses during hospitalisations etc. The Government of India had taken few initiatives to benefit the common people by providing health insurances such as Rashtriya Swasthya Bima Yojana (RSBY), Employment State Insurance Scheme (ESIS), Aam Aadmi Bima Yojana (AABY), Universal Health Insurance Scheme (UHS) etc.

**Definition and Purpose of Insurance:**

Gosh Agarwal had defined as “Insurance may be defined as a co-operative form of distributing a certain risk over a group of persons who are exposed to it”.

Jon Megi defined it as “Insurance is a plan wherein persons collectively share the losses of risks”.

Mc Gill defined it as “Insurance is a process in which uncertainties are made certain”.

The insured wants to protect them against any kind of financial hardship. The insurance policy is taken in order to obtain

- Protection of the family after one's death through generating income, helping in debt repayment, disbursement of accrued sum, benefits associated with the issued policy.
- Protection by covering contingent liabilities.
- Protection of the business organization against the death of key employee.
- Protection through buying out the partner after their death.
- Protection of the business from interruption, loss of income etc.
- Protection against illness by covering the unforeseeable health expenses.
- Protection of the business, houses against theft, damages through fire, flood, natural calamities and other hazards.
- Protection against possible lawsuits.
- Protection against accidents, death, event of disability etc.
- Protection of vehicles against theft, losses incurred due of accidents, deaths during accidents etc.
- Protection of the goods, articles etc during their transit from one place to another.

**Objectives:**

- Ascertain the significance of Insurance sector in India.
- Ascertain the role of IRDA.
- Ascertain the need and significance of Health Insurance.



### Literature Review:

**Ellis, RP (2000)** through the article "Health insurance in India - Prognosis and Prospects" attempted to review the progress of health insurance in India, role of the general insurance corporation and the limitation of health insurance. It was recommended to improve competitiveness among the insurance companies such that the users are benefitted. Also it suggested improving the financing, functioning and delivering of health care in the country along with the improvement in the functioning of CGH and ESI schemes with suitable alterations in the policy clauses with specific focus on exclusion clause.

**Amsaveni & Gomathi (2013)** discussed about the reasons for taking health insurance policy, opting for mediclaim policy, satisfaction levels of the policyholders on the mediclaim insurance policy. It was observed that majority had opted for personal scheme when compared to the employees. Some of the significant obstacles in effective utilisation of the policy are limited number of hospitals included under the policy, lack of timely communication.

**Akila (2013)** analyzed the status of health insurance sector in India along the opportunities for further growth. Potential growth is possible by encouraging the policyholders, service agents by penetrating deeper with the implementation of marketing activities such the usage of micro finance, enhancing the reimbursing machinery, widespread coverage of the ailments etc. There is need to increase the health care cost covered, promote awareness on Health Insurance through community based groups and innovative policies undertaken by government to promote health insurance market.

**Devi (2015)** in the paper analyzed the hurdles in the health insurance sector which has high growth potential and also very useful for the policyholders at times of medical emergencies. Some of the observed problems in health insurance are the delays in settling the claims, less awareness of the policyholders about the terminology used in the health policy, high claim ratio for the insurance companies, improper implementation of the cashless facility by the hospitals, additional expenses collected from the policyholders by the hospitals etc.

### Insurance Sector in India:

Insurance sector in India is in existence since 1818 with the inception of Oriental Life Insurance Company at Kolkata. Discrimination prevailed in the pre-independence era in the country where the premiums charged for the policy, among the foreigners and the Indians varied. Subsequent to this other insurance companies like Triton Insurance Company Ltd in 1850, Bombay Mutual Life Assurance Society in 1870, and Indian Mercantile Insurance Method Limited in 1907 were established in the country. National Insurance Company was founded in 1906 and is the oldest insurance company in existence till date. New chapter in the Indian Insurance sector happened in 1912 with the enactment of the Life Insurance Act 1912 and Indian Insurance Companies Act 1928 which helped the government to monitor the operations of the Life Insurance and Non-Life Insurance organisations in the financial markets. Another significant step was the constitution of the Malhotra Committee which paved the path for reforms in the insurance sector to improve their functions and transform them to be appropriate for the Indian market. The committee suggested the formation of an independent regulatory body to overview the services rendered by the insurance service providers and also attain operational efficiency. The Insurance Regulatory and Development Authority Act of 1999 initiated various decisive policy changes in Indian insurance sector with subsequent formation of Insurance Regulatory and Development Authority (IRDA) in 2000. With the advent of the economic reforms in the country, the Indian insurance sector had



registered considerable growth due to the firm economic growth and higher personal disposable income levels.

There are 24 Life Insurance companies, 25 Non-Life Insurance companies, 6 exclusive Health Insurance companies, 2 each of Specialised Insurers and Reinsurers which are operating in the Indian financial market catering to meet the insurance needs of the people. There is a continuous and vibrant growth in the sector due to innovative products, energetic distribution channels, attractive advertisement campaigns and targeted promotional campaigns by the insurance companies. Insurance sector is playing its role in the economic development of the country. Accumulation of capital is souring in the form of gross premiums which is growing at a CAGR of 7.2% for the last decade. With the advent of technological advancements like IOT, there are ample opportunities for the insurance corporations to express their strength and reap the desired financial rewards in the process. There is substantial increase in the purchase of insurance policies through digital channels and also acquiring the required information about the various available policies in the market before making the decision of purchasing the desired policy. With the increase in the availability of information, there is intense competition among the insurance players in the country.

Further to the economic reforms, the Insurance Law (Amendment) Bill 2015 was passed to hike the FDI limit from 26% to 49% in the insurance sector to attract further investments in the sector, also the insurance companies with over 10 years of insurance operations were permitted to raise capital from the market with the issue of IPOs in the capital market, and insurance products are permitted to cover under the EEE method of taxation which results in an appropriate 30% effective tax benefits on select investments which will benefit the users. The Government of India had introduced several schemes to have insurance cover for more number of people, such as Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJBY).

There is huge potential for the insurance sector to grow in the country because of enhanced savings, improved employment, increased life expectancy, favourable demography, lower levels of penetration, increased financial literacy levels, increased per capita income levels, promotion of financial inclusion initiatives, demand for pension plans, strong growth rate of automobile industry, etc are expected to fuel the demand.

#### **Insurance Regulatory and Development Authority (IRDA):**

Based on the recommendation of the Malhotra Committee, government had passed the Insurance Regulatory and Development Authority (IRDA) Act in 2000 through which an autonomous body named IRDA was constituted to regulate the operations and develop the insurance industry in the country. IRDA has its head quarters at Hyderabad. IRDA being the statutory body regulates the Indian insurance sector, shield the safety of the policyholders, along with the measures for the growth of the insurance sector which contributes in the growth of the Indian economy. IRDA was established with the objective of regulating, directing and controlling the Indian Insurance sector towards its smooth functioning. There are numerous arrangements made by IRDA for taking corrective steps to ensure that the system is upto date by incorporating emerging requirements of the Indian Insurance sector.

The IRDA was incorporated in April, 2000 and from August 2000 IRDA had opened up the market where the applications were invited from various players for insurance and non-insurance operations along with the foreign companies which were allowed ownership of upto 26% along



with the Indian companies. As per Section 114A of the Insurance Act, 1938, IRDA is equipped with the powers to frame regulations and as part of it; IRDA had framed various regulations ranging from the registration of companies for carrying on insurance business to protection of policyholders' interests. Since 2000, IRDA had notified 27 Regulations on various issues comprising of the Registration of Insurers, Regulation on insurance agents, Protection of policy holders' interest, Solvency Margin, Investment and Accounting Procedure, Reinsurance, Obligation of Insurers to Rural and Social sector etc.

The primary objective of IRDA is to protect the policyholders' interests along with the initiation of various policy measures for the sustained growth of the Indian insurance sector. Some of the significant objectives of IRDA include:

- To safeguard the interests of the policyholders along with fair and transparent treatment.
- To promote systematic growth of insurance sector to benefit the common man along with the formation of long term funds and this accelerates the economic growth.
- To set, monitor and promote high standards towards integrity, transparent dealing, financial security, and competence of the organisation which are being regulated.
- To ensure that clear, accurate, precise information about various services and products are made available for the policyholders and also enlighten them about their rights and responsibilities regarding the insurance policies.
- To ensure quick settlements of orderly claims, prevention of insurance frauds and malpractices, and ensure an effective grievance redressal mechanism for the policyholders.
- To encourage transparency, fairness, and systematic conduct of the dealings in the financial markets leading to the development of a reliable management information system to ensure elevated standards of financial accuracy among the insurance market players.
- To promote self regulation mechanism in their daily operation thereby leading towards prudential regulation.
- To take action on the insurance companies that doesn't adhere to the set standards.

Along with these objectives, some other include the Selection Procedure of Insurance Agent, Consumer Education, Awareness to Insurance, Financial Literacy, Sale/Advertising of the Insurance products, Number of Insurers, Monitoring of Re-insurance etc.

#### **Health Insurance in India:**

It is viewed that lack of health yields nothing for the individuals. With the raise in the literacy levels and changes in the lifestyle are making the people more health conscious. Health care can be protected through health insurance which compensates against illness, medical expenses and in few cases income for disability. Health insurance covers surgical and medical expenses and reimburses medical expenses incurred due to injury, illness, hospitalisation and allied expenses pertaining to the treatment of the disease etc. It is viewed as an arrangement which aid in to reduce, defer, delay or sometimes avoid complete payment towards expenses of health care for the policyholder. Health insurance entitles for cashless medical treatment or reimbursement of expenses in case of medical emergencies. The insurance corporate pays the insurer for the



medical treatment if the diseases are covered under the policy. The premium paid for the health insurance has tax benefit under section 80D of the Income Tax Act 1961.

Health insurance is one of the emerging service sectors with both the public as well as private insurance players providing the insurance services for the people of India. After the deregulation in the insurance sector many private Insurance companies along with the participation of foreign players had entered into insurance market providing wide range of innovative products. With wider scope for health insurance sector, the government had initiated several insurance and social security schemes for the citizens of the country to improve the health care segment. The existence of ample opportunities enable the insurance companies to expand their business leading to competition among the players and also customer centric and improved technology resulting in reduction of costs are helping the sector to grow. Despite these advantages there exists few obstacles in the sector such as the high claim ratio, varying customer needs, lack of complete information about the product force the companies to think different and innovate new products and services. The health schemes include those who are covered under Central Government Health Scheme, Employees State Insurance Scheme, Health schemes offered by the Railways, Health schemes offered by Defence Services, Health schemes offered to employees by Multinational Companies, Health schemes offered by the State Government and allied administrative bodies for their employees, and Health Insurance schemes.

Some of the major players in Indian Health Insurance Sector include the New India Assurance, United India Insurance, National Insurance, and Oriental Insurance etc. from public sector followed by ICICI Lombard, Reliance General Insurance, Bajaj Allianz, HDFC ERGO, TATA-AIG, IFFCO TOKIO, Cholamandalam, Royal Sundram, Bharti-AXA etc from private sector. Apart from these there are Standalone Insurers like Star Health, Max Bupa, Aditya Birla Allied Insurance, Apollo Munich, Religare Health, and Cigna TTK Health Insurance Company Ltd.

#### **Statistics of Health Insurance in India:**

As per the statistics of World Health Organisation, the medical expenses of around 47% rural residents and 31% urban residents are financed through loans and sale of assets. It is also mentioned that due to these high medical expenses, around 4% of the Indian population are dragged below the poverty line. As per the report, around 70% are spending majority of their income on procuring the medicines and on health care. With the rise in the medical expenses, space was created for the insurance players to introduce health insurance policies and this witnessed drastic changes in the Indian insurance sector. High medical expenses made the public to think of health insurance policies without which they have to use their hard earned income and assets to meet the medical expenses. With the growing knowledge and innovative insurance products made the people purchase the available health insurance policies at affordable prices. It is observed that around 20% of the total population are covered under the health insurance. Government is promoting health insurance through Voluntary health insurance schemes, Employer-based schemes; private-for-profit schemes; Insurance offered by NGOs, community based health insurance, Mandatory health insurance schemes, ESIS, CGHS etc with the help of few private participants in some projects. It is observed that around 6% of GDP is spent on the health insurance in the country which is more than some of the developing countries. The Indian health insurance segment is unique and has strong growth potential especially with the ingress of foreign players and presently the health insurance market is growing at compounded annual growth rate of 24 percent between 2012 and 2018. While the penetration of the health insurance market is still quite small, it is one of the fastest growing industries in India.



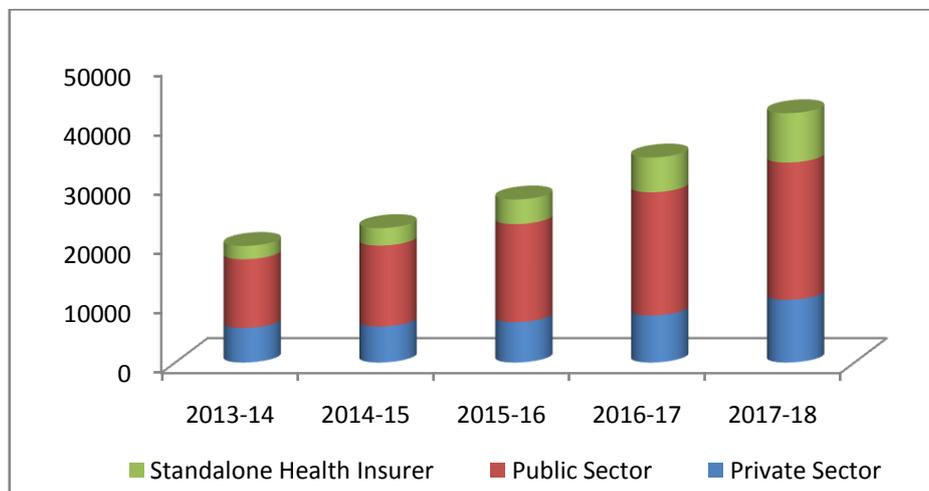
Some of the statistical data pertaining to Indian Health Insurance are explained below:

**Table 1: Gross Health Insurance Premium Collected**

<b>Gross Health Insurance Premium Collected</b>					
	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Private Sector</b>	5820.64	6061.51	6805.47	7929.23	10554.88
<b>Public Sector</b>	11568.61	13632.45	16499.17	20739.54	23111.40
<b>Standalone Health Insurer</b>	2245.05	2942.61	4152.66	5857.83	8314.28
<b>Grand Total</b>	<b>19634.30</b>	<b>22636.57</b>	<b>27457.30</b>	<b>34526.61</b>	<b>41980.56</b>

Source: Compiled from IRDA Annual Reports

**Figure 1: Gross Health Insurance Premium Collected**



Source: Compiled from IRDA Annual Reports

Table 1 depicts the gross health insurance premium collected from 2013-14 to 2017-18. The table describes the status of the premium collected by the public sector, private sector and the standalone insurer. It is observed that there is continuous increase in the premium collected by the three variants of the insurance companies. The total gross premium collected in 2013-14 was Rs 19634.3 crores which increased to Rs 41980.56 crores by 2017-18 registering a growth of 114%. While the premium collected by the private sector was Rs 5820.64 crores in 2013-14 which increased to Rs 10554.88 crores by 2017-18 registering a growth of 81%. Similarly the health insurance premium collected by the public sector was Rs 11568.61 crores in 2013-14 which increased to Rs 23111.4 crores by 2017-14 registering a growth of 100%. In the case of standalone insurers the gross health insurance premium collected was Rs 2245.05 crores which increased to Rs 8314.28 crores registering a growth of 270%. The highest growth is registered by standalone insurers while in terms of money highest is through the public sector companies.

Out of the total gross health insurance premium collected around 60% is collected by the public sector insurance companies while around 25% is collected through the private sector insurance companies and the remaining around 15% is collected by the standalone insurers.



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**Table 2:**

**Net Premium Income Earned, Incurred Claims & Incurred Claims Ratio - Public & Private Sector General Insurers**

Insurer	Net Premium Earned (Rs Crores)					Claims Incurred (Net) (Rs Crores)					Incurred Claims Ratio (Percent)				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Private Sector	3807.03	4615.95	5182.55	5762.14	7101.62	3335.61	3654.12	3871.07	4304.30	5064.67	87.62	79.17	74.69	74.70	71.32
Public Sector	9138.27	12014.06	14448.35	17836.19	18915.13	9704.12	13212.20	16680.42	21430.14	20779.41	106.19	109.97	115.45	120.15	109.86
Standalone Health	1538.11	2149.45	3040.57	4236.30	5677.59	1016.03	1336.62	1769.75	2392.04	3382.67	66.06	62.18	58.20	56.47	59.58
<b>Grand Total</b>	<b>14483.41</b>	<b>18779.46</b>	<b>22671.87</b>	<b>27834.63</b>	<b>31694.34</b>	<b>14055.76</b>	<b>18202.94</b>	<b>22321.24</b>	<b>28126.48</b>	<b>29226.75</b>	<b>97.05</b>	<b>96.93</b>	<b>98.45</b>	<b>101.05</b>	<b>92.21</b>

Source: Compiled from IRDA Annual Reports



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**Table 3: Health Insurance Gross Premium covered and Number of Persons Covered for 2017-18.**

*(No. of Policies in Actuals) (No. of Persons in '000) (Gross Premium in Rs Lakh)*

Insurers	Government Sponsored Schemes including RSBY			Group Insurance Schemes excluding Govt. Sponsored			Individual Family Floater			Individual Other than Family Floater			TOTAL		
	No. of polici	No. of Person	Gross Direct	No. of polici	No. of Perso	Gross Direct	No. of policie	No. of Person	Gross Direct	No. of policie	No. of Perso	Gross Direct	No. of policie	No. of Perso	Gross Direct
Private Sector	24	59689	47337	17916 9	20640	410453	141083 1	3930	127526	213238 1	2502	183619	3722405	86761	768935
Public Sector	236	298528	345918	45413 0	63357	121091 2	252911 5	7542	260403	312517 5	6881	333715	6108656	37630 7	215094 8
Stand Alone Health	3	1046	4865	12500	5451	154255	337596 0	10079	402274	151023 2	2342	221587	4898695	18918	782981
Grand Total	<b>263</b>	<b>359262</b>	<b>398120</b>	<b>64579 9</b>	<b>89448</b>	<b>177562 0</b>	<b>731590 6</b>	<b>21551</b>	<b>790203</b>	<b>676778 8</b>	<b>11725</b>	<b>738921</b>	<b>1472975 6</b>	<b>48198 6</b>	<b>37028 64</b>

Source: Compiled from IRDA Annual Reports



Table 2 describes the net health insurance premium collected along with the net claims incurred and the claims incurred ratio for the period between 2013-14 and 2017-18. Regarding the net premium earned, the amount was Rs 14483.41 crores in 2013-14 moved to Rs 31694.34 crores registering a growth of 119%. Similarly the net claims incurred in 2013-14 were Rs 14055.76 crores which increased to Rs 29226.75 crores with a growth of 108%. The claims incurred ratio was 97.05% in 2013-14 and was 92.21% in 2017-18. During the considered period the incurred claims ratio is hovering above 92%.

Table 3 describes the sector wise distribution of the policies issued for the government sponsored schemes, group insurance schemes, individual family floater and individual other than family floater for the year 2017-18. Regarding the government sponsored schemes including RSBY, the number of policies issued were 263 through which 359262 thousand members were covered and Rs 398120 lakh gross direct premium was collected. Regarding the group insurance schemes excluding government sponsored schemes & RSBY, the number of policies issued were 645799 through which 89448 thousand members were covered and Rs 1775620 lakh gross direct premium was collected. Regarding the individual family floater, the number of policies issued were 7315906 through which 21551 thousand members were covered and Rs 790203 lakh gross direct premium was collected. Regarding the individual other than family floater, the number of policies issued were 6767788 through which 11725 thousand members were covered and Rs 738921 lakh gross direct premium was collected.

Combining all the schemes, the number of policies issued were 14729756 through which 471986 thousand members were covered and Rs 3702864 lakh gross direct premium was collected. Out of the total policies issued, persons covered and premium collected, the majority of the activities are through the public sector insurance companies followed by the private sector and standalone insurers respectively.

#### **Suggestions:**

Despite the growth of the health insurance sector, there are steps required to further boost the operations. Some of them include: conduct of awareness campaigns, developing innovative products, linkage of more hospitals to the policy, prioritise the cashless facility rather than the medical expense reimbursement option, health insurance portability, quality and value added services, enhanced digitization in the process, promotion of medical tourism, and active role by the government to promote health insurance among the people.

#### **Conclusion:**

The Indian health insurance has the potential to develop rapidly in future. By paying meagre premium towards health insurance mitigates the financial losses to meet the medical expenses and provides peace of mind for the policyholders. Government along with the private players and the civil society should strive to solve the hazards in the process of health insurance and ensure that the consumer are benefitted in general and with particular reference to the most impotently sections to have better coverage and quality health services at affordable costs with minimum administrative procedures and time delay in completing the claim process. High priority should be on the introduction of innovative, feasible and affordable health insurance scheme. In order to develop viable health insurance policies, it is vital to ascertain the perception of the people and accordingly develop the policy which is accessible, available, affordable and acceptable to various sections of the society. It is necessary to create awareness of rights and responsibilities for policyholders, standardization of cost, enhanced tax benefits especially for senior citizen.



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