



Health insurance growth, development and spread in India: A study

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Abstract

In this paper aimed at studying Health Insurance growth, Health insurance development and spread of health insurance in India. The health insurance growth is measured in the terms of the Insurance Penetration and Density, Health Insurance Premium and market shares of Public and Private health insurance providers and total number of policies. The study is undertaken with help of the secondary data only. It is collected from the IRDA websites. The result showed that Health insurance penetration and density is increasing. The private players is gaining market share in health insurance business. The premium and number of polices are increasing at increasing rate.

Keywords: insurance density and penetration, health insurance, and market share

Introduction

Health insurance in India was first introduced in the year 1912. Insurance act of 1938 has classified insurance business into Life insurance and Non-Life insurance. Health insurance falls under Non-Life insurance category. Indian government after the independence passed a bill on Employees state insurance Scheme (ESIS), 1948 in order to protect workers in the organized sector. The union government of India then started a scheme, the Central Government Health Scheme (CGHS) in the year 1954 to cover central government employees and their dependents.

The government thought of nationalizing insurance sector which initially started with life insurance in the year 1956 and then moved to Non-Life in the year 1973 and formed General Insurance Corporation (GIC). GIC had four subsidiary companies namely, The New India Assurance Company Limited (NIA), The Oriental Insurance Company Limited (OIC), United India Insurance Company Limited (UIIC) and National Insurance Company Limited (NIC).

The central government introduced Medi-claim policy in the year 1986 for the public through public sector insurance companies (GIC). This is a Voluntary Health Insurance Scheme available to the public on payment basis. It allowed for deduction from income tax under section 80D up to Rs 50,000 (FY.2018-19). Malhotra committee was established in the year 1993 to initiate reform in the financial sector and later in the year 1994 for de-tariffication (liberalising) of health insurance products pricing.

With the liberalization of the Indian Insurance Industry IRDAI was formed in 1999. Insurance business opened to the private player, foreign players and joint venture. IRDA was formed in order to regulate insurance sector and protect policyholder's rights. Currently, Health insurance is offered by 50 companies of which life insurance companies are 23 and 27 general insurance companies (including Six Standalone health insurance companies). There is stiff competition for voluntary health insurance business in India.

IRDA has opened to private Life insurers to offer long-term health plans in the form of 'Combi products', a combination of

term plan and health plan (as IRDA guidelines) but not indemnity health insurance product. Currently, 23 private life insurers, 27 private Non-life insurance companies (includes six standalone health insurance companies) offer health insurance schemes. They offer 500 plus innovative products to meet customer needs. Health is a fundamental right of every human being. As per the World Health Organization, "Health is a state of complete physical, mental and social well-being and not merely absence of disease or infirmity.

Health insurance is defined by the Health Insurance Association of America, as "coverage that provides for the payments of benefits as a result of sickness or injury. Includes insurance for losses from accident, medical expense, disability, or accidental death and dismemberment". However, the access to quality health care is becoming unaffordable in the absence of financial support. This financial support can be extended through various arrangements including conventional insurance schemes. Thus, health insurance facilitates financing of healthcare.

Health insurance in India is still at are very nascent stage. However, the government is also trying to promote health insurance through various social schemes to make quality healthcare affordable and accessible. Hence, the government's spending on health has also been significant over the resent years. In the year 2018, the government spending on healthcare sector was 1.2% of GDP. The new health policy set a goal to increase it to 2.5% by 2025, which in turn could reduce out of pocket spending of the general public from 70% to 63%.

The new scheme named as the Ayushman Bharat Programme and The National Health Protection Scheme launched in 2018, is a positive initiative by the government to make healthcare accessible to the common people in the country. This Health insurance Scheme aimed to cover 10 crore families with a coverage of Rs 5 lakh per family. It targets to cover approximately 50 crore members. It had a fund allocation in previous financial year (2017) to the tune of INR. 47353 crores and in the current financial year (2018), the funds allocated were

INR. 52,800 crores: an increase by 11.5%. It is a leading indicator for development of the health care sector and health insurance sector in India. Since inception, under the scheme, about 12.6 crores health cards have been issued, with 1.32 crores hospital admissions and 23 thousands hospitals empanelment^[1]. This is a record achievement in terms of persons covered and assured protection.

Objective

This Study aims at Growth and Development of Health Insurance and comparison with General Insurance.

Statistical Tool

The cumulative growth rate calculated through MS-Excel.

Data

The data used is secondary data. Data is collected from IRDA reports. Period of data after TRAI established 2007-08 to 2018-19. Insurance growth is measured globally in terms of density and penetration. Density is measured as the ratio of premium to the

total population. Non-life insurance density during 2007-08 was 6.2 and 2018-19 was 19, the cumulative growth rate is 10.7 %. On the other hand Health insurance density during 2007-08 was 1.09 and 2016-17 was 3.81, the cumulative growth rate is 12.05%. During the Financial Year (FY) 2018-19, General & Health Insurance Companies collected 44873 crore as Health Insurance Premium registering a growth of 21.2% over the previous FY 2017-18. Health insurance premium continues to grow over 20% year on year during the past four financial years^[2]. The density of non-life insurance further increased to 19 \$ in 2018 with health insurance registering an increase to 3.8. *Clearly Health Insurance business performance is better than the Non-Life business over the years.*

Insurance penetration is measured as the ratio of premium (in USD) to GDP (in USD). Non-life insurance penetration during 2007-08 was 0.6 and 2018-19 was 0.97, the cumulative growth rate is 4.7%. Health insurance penetration during 2007-08 was 0.10 and 2018-19 was 0.236, the cumulative growth rate is 7.59%. Thus, Health insurance business is outperforming the Non-Life business. (Table: 1)

Table 1: Non-life insurance & Health insurance Penetration and Density

Year	Non-Life insurance		Health insurance	
	Density (\$)	Penetration (%)	Density (\$)	Penetration (%)
2007-08	6.2	0.6	1.09058	0.10554
2008-09	6.2	0.6	1.24372	0.12036
2009-10	6.7	0.6	1.41504	0.12672
2010-11	8.7	0.71	2.03145	0.165785
2011-12	10	0.7	3.427	0.15589
2012-13	10.5	0.78	3.22995	0.173082
2013-14	11	0.8	2.7852	0.20256
2014-15	11	0.7	2.9403	0.18711
2015-16	11.5	0.72	3.27635	0.205128
2016-17	13.2	0.77	3.5574	0.207515
2017-18	18.00	0.93	3.6271	0.2166
2018-19	19.00	0.97	3.8152	0.2360

Source: IRDA Annual Reports

Health Insurance Growth

Private Health insurance sector has expanded post-liberalization of the insurance industry. Due to liberalization, private players entered the market, offering innovative products to customers at lower tariff rates, innovative marketing strategies and easy availability of products through multiple distribution channels. Socio-economic factors influencing growth were a shift in demographics, payment made out-of-pocket, increase in lifestyle diseases, tax concessions and increase in demand for health insurance in Tier-II and Tier-III cities. Health insurance holds the second position in the portfolio of general insurance after motor vehicle insurance. Health insurance share in the portfolio of general insurance was 26.98% for the year 2016-2017, and in 2017-18 registering 23.74 and in 2018-19 also a percentage proportion of 23.13% of the total general insurance premium. CAGR of respective segments over the last few years showed impressive growth trends. The Public sector CAGR was 20.11%, the Private Sector was 17.35% and the Standalone health insurance registered a CAGR of 46.85% and the total Industry growth rate is 21.80%. (Table: 2)

Public Non-Life Insurance Sector

It consists of 4 Non-life insurance companies which are - The New India Assurance Company Limited (NIA), The Oriental Insurance Company Limited (OIC), United India Insurance Company Limited (UIIC) and National Insurance Company Limited (NIC). The premium collected by them was INR.3136Crs in 2007-08 and in 2016-17 premium was INR. 23,536 Crs in 2018-19, with a CAGR of 20.11 %. It had contributed on an average of 52 % of market share and showed more consistency of performance.

Private Non-Life Insurance Sector

It consists of 17 Non-life Insurance companies. The premium collected by them was INR.1833Crs in 2007-08 and in 2018-19 premium was INR.10, 655 Crs, with a CAGR of 17.35%. It had contributed 36% market share in 2007-08 and in 2018-19 market share declined to 24 % and showed more decline in performance.

¹ <https://pmjay.gov.in>.

² IRDAI Annual Report 2018-19.

Standalone Health Insurance Sector

It consists of 6 Standalone Health Insurance companies, Aditya Birla Health Insurance Company Limited, Apollo Munich Insurance Company Limited, Cigna TTK Health Insurance Company Limited, Max Bupa Health Insurance Company Limited, Religare Health Insurance Company Limited, and Star

Health and Allied Insurance Company Limited. The premium collected by them was INR.156Cr in 2007-08 and in 2018-19 premium was INR.10, 681 Crs, with CAGR of 46.85%. It had contributed 3% market share in 2007-08 and in 2018-19 market share was 24 % and showed an increase in performance.

Table 2: Health Insurance Premium & Market Share

Company	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR
Public Sector	3136	3824	4883	6689	8015	9580	10841	12882	15591	19227	21509	23536	20.11%
	61%	58%	59%	61%	61%	62%	62%	64%	64%	63%	58%	52%	
Private Sector	1833	2266	2350	2850	3446	4205	4482	4386	4911	5632	7689	10655	17.35%
	36%	34%	28%	26%	27%	27%	26%	22%	20%	19%	21%	24%	
Standalone HI	156	535	1072	1491	1608	1668	2172	2828	3946	5532	7831	10681	46.85%
	3%	8%	13%	13%	12%	11%	12%	14%	16%	18%	21%	24%	
Total	5125	6625	8305	11030	13069	15453	17495	20096	24448	30392	37029	44873	21.80%

Source: IRDA Annual Reports, Figures in the bracket indicate the market-share in total HI Premium.

Table 3: Number of persons covered under health insurance (Ten Million) and number of policies covered (Ten Million)

Company	2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		2018-19		CAGR
	Policy	cover	Policy	cover	Policy	cover	Policy	cover	Policy	cover	Policy	cover	Policy	cover	
Public Sector	5652	129	5620	145	5863	211	6079	276	6104	347	3722	867	8335	1164	6.69%
	63%	62%	56%	67%	54%	73%	52%	77%	46%	79%	25%	60%	40%	36%	
Private Sector	2018	65	2370	55	2569	63	2615	68	3018	75	6108	376	5841	320	19.38%
	22%	31%	24%	26%	23%	22%	22%	19%	23%	17%	41%	26%	28%	40%	
Standalone	1313	14	2034	15	2496	13.6	3121	14.4	4015	15	4898	18.91	6604	35.47	30.90%
	15%	7%	20%	7%	23%	5%	26%	4%	31%	3%	33%	13%	31%	44%	
Total	8983	208	10024	215	10928	287	11815	358	13137	437	14729	14331	20781	7912.2	15.00%
Percentage	100	100	100	100	100	100	100	100	100	100	100	100	100	100	

Source: IRDA Annual Reports, Figures in the bracket indicate the market-share in total HI Premium.

Number of Persons and Policies Covered Under Health Insurance

Public Non-Life Insurance Sector

It consists of 4 Non-life insurance companies which were - The New India Assurance Company Limited (NIA), The Oriental Insurance Company Limited (OIC), United India Insurance Company Limited (UIIC) and National Insurance Company Limited (NIC). The number of persons covered by them were 129 million people in 2012-13 and in 2018-19 were 1164 million people were covered, mounts to 6.69% cumulative growth rate. Total number of policies sold was 5652 Million in 2012-13 and in 2018-19 were 8335 Million.

Private Non-Life Insurance Sector

It consists of 17 Non-life insurance companies. The numbers of persons covered by them were 65 million people in 2012-13 and in 2018-19 were 320 million people were covered. It amounts to 19.38 % cumulative growth rate. Total number of policies sold was 2018 Million in 2012-13 and in 2018-19 were 5841 Million.

Standalone Health Insurance Sector

It consists of 7 Standalone Health Insurance companies, Aditya Birla Health Insurance Company Limited, Apollo Munich Insurance Company Limited, Cigna TTK Health Insurance Company Limited, Max Bupa Health Insurance Company Limited, Religare Health Insurance Company Limited, and Star Health and Allied Insurance Company Limited. Total number of policies sold was 14 million people in 2012-13 and in 2018-19 were 35.47 million people were covered. It amounts to 30.9 % cumulative growth rate.

Developments in Health Insurance Business

Health insurance sector has seen a paradigm shift in terms of growth, variety and choice to customers. The number of companies offering, policies are increasing and the number of people covered has also seen a sea-change in volumes, over the years as the table shows. To cater to the ever demanding sector, innumerable developments have been made to provide good service to the customers of health insurance as follows:

1. Third party Administrator (TPA)

It refers to a professional organization that handles health insurance claims & offers cashless facilities and underwrites the risk of the customer on behalf of the health insurance company. It is licensed by IRDA. It acts as an intermediary between insurance company (insurer), network hospitals and policyholders (insured). Currently, 27 TPA's are operating in India and 76% health claims are settled through TPA's (2016-17, IRDA report).

2. Preferred Provider Network (PPN)

It's a contract between insurance company and hospitals. It is made for settlement of claims at a negotiated rate and specified procedure followed by the hospitals for providing cashless facility. It is initiated by the public sector general insurance companies. The purpose of this agreement was to reduce losses in health insurance portfolio. All public sector general insurance companies had tie-ups with the hospital for cashless treatment for the policyholder in India. They operate in major cities in India.

3. **Tariff advisory committee (TAC)**

It was established for the purpose of maintaining data repository of health insurance. It is the custodian of these data. All insurance companies and TPA have to report their respective data in a standard format specified every half yearly. For this purpose they have created a website titled <https://iib.gov.in>.

4. **Insurance Ombudsmen**

Insurance Ombudsmen were established with a motive to resolve dispute and complaints of individual policyholders against insurance companies. The central government passed rules, "Redressal of Public Grievances Rules, 1998" to resolve policyholder complaints cost-effective, efficient and impartially. Currently, 17 offices are located in India.

5. **Health Insurance Portability**

Policyholder of one health insurance can shift to another of his choice without losing out his benefits. He can also shift from one policy to another policy in the same company. It allowed carrying his waiting period for the coverage of Pre-Existing Diseases (PED). It was applicable to an individual policy, family floater, and group health insurance.

6. **Insurance Repository**

An individual needs to open an e-Insurance Account with one of the repository companies licensed by IRDA. Policyholders can buy and keep all policies in electronic form. There were five repository companies operating in India namely, NSDL Database Management Limited, Central Insurance Repository Limited, SHCIL Projects Limited, Karvy Insurance Repository Limited and CAMS Repository Services Limited.

7. **Foreign investment**

FDI in insurance sector has picked up after investment ceiling was raised from 26% to 49%. Nine Foreign companies have raised their capital investment in insurance sectors such as AXA of France, Bupa of the UK, Nippon Life Insurance of Japan, Mitsui Sumitomo Insurance Company of Japan, BNP Paribas Cardif, Insurance Australia Group, Aviva Plc, Prudential Financial Inc, Sun Life Financials and Fairfax Financial Holdings of Canada.

8. **Public-Private Partnership (PPP)**

Government (state and central), Private insurers and network hospitals (public and private) have a partnership to run health insurance scheme, for instance, RSBY in India works with a model of PPP. The government introduced a scheme, 'pay a premium' which manages financial, monitoring and evaluation of scheme from time to time. Insurance companies include private insurance companies and public insurance companies. They accept premium and tie-up with network hospitals and settlement of claims & offer customer services. The beneficiaries Below Poverty Line (BPL) get access to private healthcare.

9. **Solvency Margin**

It refers to the ratio between Actual Solvency Margin (ASM) and Required Solvency Margin (RSM). Currently, Non-Life

insurance has to maintain a solvency margin of 1.45 mandatorily. Higher Solvency margin shows financial soundness and ability to pay claims.

10. **Investment in Capital Market**

The insurance companies invested in securities like government securities, state government, central government and other approved securities as per IRDA guidelines.

Recent Developments in Health Insurance Industry

This recent developments in health insurance industry helps in enhancing growth and development of health insurance business in India are as follows

1. **Customer friendly Regulations**

IRDA regulations are drafted with a motive to protect policyholders rather than profit intention. In 2013 IRDA drafted customer friendly rules and regulations are as follows

- a. Pre-Insurance medical checkup are born by Insurer.
- b. Life time renewability of insurance policy, no restriction on age
- c. Customer policy document is available in abridged into single page
- d. No Claims Benefits will not go zero even after the claims are made.
- e. Policyholders will not be asked to pay additional loading charges.

2. **Online Health insurance**

In this digital world the insurers are offering their services like online selling, digital certificates and online claims settlement.

- a. Online Selling: insurers are selling their policies over online, these improves transparency in the system and checks miss-selling products & dishonesty agents. Renewal of insurance policy through company portals and automatic digital receipt is generated.
- b. Online Claims settlement: insured can directly submit documents to insurer and TPA for settlement of claims.
- c. Digital Certificate: insured can maintain policy certificate with the depositary companies.

3. **Global strategic alliances**

Insurance business setup with joint venture and collaboration will have leverage over international strategies which enhancing efficiency and effectiveness in operation of the insurance business. They have competitive advantage in underwriting and claim settlement. They can easily handle any problem at ease given their international experience and learning curve effect.

4. **Increased Penetration**

Health insurance penetration is due government investment in health care sector. It could reduce out of pocket spending of the general public from 70% to 63%. The new scheme was named as the Ayushman Bharat Programme and The National Health Protection Scheme was announced by union finance minister in a budget meeting, 2018. Health insurance Scheme will be covering 10 crore families with a coverage of Rs 5 lakh per family. It may cover approximately 50 crore members. It is the third largest industry to creating employment after retail sector. Government offers tax deductions up to Rs.50000, u/s 80(D).

5. Integrated Stakeholders approach

Stakeholders in health insurance industry are Insurer, workforce, regulating authorities, insured, health care network and professional. The service providers are targeting acquisition of the policyholders and retain them. TPA's have been putting efforts to increase network of hospital to serve customers better.

6. Customized Insurance Products and Services

Health insurers are offering niche products targeting specialized health cover. Examples: Cancer cover, AIDS cover, Diabetic cover, etc.

7. Corporate Sponsored Wellness Programs

Corporates are running wellness programs to improve healthy life. The corporates are giving fitness club membership to maintain health. They are penalizing people with unhealthy habits like smoking and alcoholic and rewarding for healthy habits. The objective of sponsored programs is to promote good health that reduces the medical cost.

Findings

1. The Indian government's spending on Healthcare sector in the financial year 2018 was 1.2%, and the new health policy has set a goal to raise it to 2.5% by 2025, thereby positively impacting in the reduction of out of pocket spending from 70% to 63%, thereby enhancing the business of health care sector and health insurance business in India.
2. The central government has been very proactive for making healthcare accessible, and affordable through its various schemes of which the Ayushman Bharat stands exemplary.
3. The government has increased FDI in insurance sector from 26% to 49%, hence nine companies have increased their foreign investment, which is a positive indication of a growing health insurance sector.
4. Health insurance sector holds the second position in general insurance portfolio after motor vehicle insurance. It shares 26.98% of the general insurance business. Standalone businesses are expanding at a faster rate 46.88%, which is a very encouraging indication.
5. While the non-Life insurance companies' health business had seen a decline and public sector general insurance companies are consistent.
6. Insurance density is measured as the ratio of premium to the total population, which is gradually and positively increasing over the years. Health insurance density growth rate was 12.55% over last decade. Insurance penetration is measured as the ratio of premium to GDP.
7. Health insurance penetration growth rate was 6.99% over last decade (2007-2019), which is a good indication of growing awareness of the need for health insurance amongst the common people.
8. Health insurance in India is available in India in a variety of forms, including schemes promoted by Central Governments, State governments, Community based driven by NGOs and commercial health insurance sold by insurance companies.
9. IRDA had a significant role in protecting policyholder by regulating insurance from time to time. It is promoting fair competition in the insurance industry. Government is promoting Public Private Partnership (PPP) in the social

security scheme to promote health insurance business in India.

10. Liberalization of the insurance industry has had a positive impact on the growth of health insurance business in India. The initiatives taken by IRDAI in terms of health insurance reforms has positively propelled the growth and momentum of the health insurance segment over the few years, as is visible and evident from the growth rates achieved by the health insurance business sector which was about CAGR of 30.05 percent by 2030
11. The health insurance business premiums constitute more than 25 percent of the total volume of premium, which in itself bears testimony of the fact of its growing importance, and awareness in the people.
12. In terms of premiums while the private companies have experienced phenomenal growth of during the past years, in terms of CAGR, it has also experienced greater deviations and volatility in its earnings. Therefore, the private companies may require some more time to stabilize in their operations.
13. Standalone companies' will play a catalytic role in the promotion and spread of health insurance as is evident from the growth trends observed in the study. It can also be concluded, from the Standalone Company's growth trends, experience in terms of claims is suggesting that the model of specialized companies is going to be more viable and suitable in country like India.

Conclusion

In this paper concludes the growth, development and spread of health insurance in India. The health insurance growth is measured in the terms of the increase in the insurance penetration and density, Premium and market share and number of policies. The result shows that Health insurance penetration and density has outperformed over general business in India.

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