
Role of Indian Public Sector Health Insurers: An Overview

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ABSTRACT:

Health insurance continues to be one of the rapidly growing sectors in the Indian insurance industry. The insurance industry was a government monopoly. It is now experiencing cutthroat competitions because, a number of players have entered into the Indian market in the form of joint ventures with Indian private sector partners. Consequently, the Indian Insurance industry is closely integrated with the world economy, thereby making it imperative for insurance companies to operate outside national boundaries. During the long monopoly regime, the government attempted minor changes in the procedures without going into the root cause. The deregulation requires the comprehensive changes in the character and basic policies of the industry. Increasing market competition, heightened customer service expectations and the need to build competencies that stand out from the competition are some of the key challenges facing the insurance industry today.

Key Words: Health Insurance, Challenges, Competition

INTRODUCTION

Since India's independence in 1947, the government sector has been the backbone of the healthcare ecosystem, including health care delivery and insurance. The term "insurance" is primarily associated with life insurance – the most popular form of insurance in India (around 570 million insurable lives in 2011) There are two reasons for this- first, with low life expectancy (37 years in 1951) and a tight-knit family structure, people primarily sought financial security. Second, life insurance has been traditionally positioned as a tax-planning tool. Health Insurance in India was introduced in 1986 in the form of Mediclaim by the public sector general insurance companies. Post liberalization, several private insurance companies entered the market with attractive packages and as of IRDA report 2012-13, there are 25 insurers, that includes 4 public sector insurers (National Insurance Co, Ltd, New India Assurance Co. Ltd, Oriental insurance Co. Ltd and United India insurance Co. Ltd), 17 private sectors and 4 stand alone health insurance companies, providing health insurance scheme of some form or other to the consumers. In India, insurance is a flourishing industry, with several national and international players competing and growing at rapid rates. Thanks to reforms and the easing of policy regulations, the Indian insurance sector has been allowed to flourish and as Indians become more familiar with different insurance products, this growth can only increase; the period from 2010 – 2015 projected to be the 'Golden Age' for the Indian Insurance industry. In the new economic reality of globalization, insurance companies face a dynamic global business environment. Radical changes are taking place owing to the internationalization of activities, the appearance of new risks, new types of covers to match with new risk situations, and unconventional and innovative ideas on customer service.

NEED OF THE STUDY:

In India, there is a dire need to study the state of health insurance both in term of its performance satisfaction as well as its prospects. The reason is attributable to the facts that firstly; this is one of the recent origins in India and still it is at an embryonic stage, as the people of India are not much aware about it and very few parts of the population is taking the advantages of it. Moreover, very few insurers are actively venturing into it and thereby making it difficult to construct inroads for health insurance. Secondly; this is one of the growing businesses now days as it is expected that by 2015, health insurance premium will touch Rs. 35000 crores and by 2025, it will be Rs. 4,00,000 crores. Thirdly; it is the need of the hour, as according to world bank report, various studies reveal that 85% of the working populations in India do not have Rs. 5,00,000 as instant cash; 14% have Rs. 5,00,000 instantly, but will subsequently face a financial crunch; Only 1% can afford to spend Rs. 5,00,000 instantly and easily; and 99% of Indians will face financial crunch in case of any critical illness. Hence, the need for health insurance in India cannot be overlooked. The growth of the health insurance industry lies mainly in better customer orientation in terms of servicing the customers, standardization of procedures and definition across the industry. It's very tough to convince the buyer in all respects before materializing a contract.

Global Insurance Markets

As per the world insurance report, published by the reinsurance, major “Swiss Re” the global life insurance premium in real term grew by 2.3% in 2012 to USD 2621 billion after a contraction of 3.3% in 2011 mainly driven by the emerging markets. In advanced market premium grew by 1.8% in 2012 as compared to negative growth of 3% in 2011. An advanced Asian market, which includes Japan, Hong Kong, South Korea and Taiwan registered a growth rate of 8.8 %. Premium increased by 2.3% in the USA. Premium in Western Europe continued to contract, but the rate of contraction declined to negative 3.1% in 2012 as compared to negative 9.7% in 2011. Emerging market premium increased by 4.9% in 2012. Global Non-Life premium in real term grew by 2.6% in 2012 as compared to 1.9% in 2011. Premium in advanced markets grew by 1.5% in 2012 as against 0.9% in 2011. Premium in advanced Asian market registered a robust growth of 5.8% in 2012 mainly supported by South Korea (14%) and Hong Kong (8.2%). In emerging markets, Non Life premium registered a growth of 8.6% in 2012 as compared to 8.1% in 2011.

Indian Insurance Sector

The growth in Indian economy remained sluggish even in 2012-13 because of the overall prevailing deteriorating macro economic factors. Against this economic environment, the economy's growth rate slowed down to 5% in 2012-13 as compared to 6.2% in 2011-12. The slowdown has been across the board, with no sector of the economy unaffected. Service sector grew by 7.1% in 2012-13 as compared to 8.2% in 2011-12. Finance, insurance, real estate and business services within the service sector, grew by 8.6% in 2012-13 as against 11.7% in 2011-12. The declining growth rate of the economy, persistent higher inflation and prices and slower rate of household savings impacted the growth of the insurance sector. The total Non life insurance premium increased to Rs.62973 crore in 2012-13 as compared to

Rs. 52876 crore in 2011-12. The growth rate of premium of non life insurance sector declined to 19.10% in 2012-13 as compared to 24.19% in 2011-12. At the end of the September 2013, there are fifty two insurance companies operating in India of which twenty four are in the life insurance business and twenty seven are in non-life insurance business. The public sector insurers exhibited growth in 2012-13 at 14.60%, as against the previous year's growth rate of 21.50%. The private sector insurers registered a growth of 25.26%, as against 28.06% achieved during the previous year.

Table 1.1 Non-Life Insurers: Number Of Policies Issued

(In Lakhs)

Insurer	2011-12	2010-11	2009-10	2008-09
Public Sector	528.14 (4.43)	505.76 (16.52)	434.04 (-3.84)	451.37 (17.09)
Private Sector	329.30 (14.48)	287.65 (19.44)	240.84 (9.86)	219.23 (17.21)
TOTAL	857.44 (8.07)	793.41 (17.56)	674.88 (0.64)	670.60 (17.13)

Source: IRDA Hand Book 2011-12

(Note: Figure in bracket indicates the growth over the previous years in per cent.)

Table 1.2 Gross Direct Premium Income (Within India)

(Rs. In Crores)

Insurer	Health				
	2011-12	2010-11	2009-10	2008-09	2007-08
National	2079.60	1681.40	1078.74	897.22	690.36
New India	2349.17	2003.37	1552.47	1355.67	1209.42
Oriental	1487.47	1516.03	1084.54	709.85	532.63
United	2231.81	1711.76	1265.41	900.72	694.96

Source: IRDA Annual Report 2011-12

Growth of Health Insurers

The following points depicts the clear picture of Indian environment supports for the growth of health insurance,

- India is now the second fastest growing major economy in the world.
- Third largest economy in the world
- Indian health care has emerged as one of the largest service sectors in India.
- Healthcare spending in India is expected to rise by 15% per annum.
- Healthcare spending could contribute 6.1% of GDP in 2012 and employ around 9 million people.
- Maharashtra leads the states with 22% share in total claims records (excluding claims records where Hospital Pin codes are not available). Gujarat (12%), Tamil Nadu (10%) continues to be in top 5 positions for the 5th year in succession.

- Top six States in terms of number of claims paid, 'Maharashtra', 'Gujarat', 'West Bengal', 'Tamil Nadu', 'Delhi' and 'Karnataka' account for 72% in number and 76% in claim paid amount.
- The States, having less than 10,000 claims records each area, 'Orissa', 'Assam', 'Goa', 'Bihar', 'Tripura', 'Uttarakhand', 'Chattisgarh', 'Chandigarh' and 'Pondicherry'.

Table 1.3 Regions -wise Health Insurance Claims Summary

Regions in India	Proportion of No. of Claims Paid	Proportion of Amount of Claims paid
West India	36%	39%
South India	28%	26%
East India	13%	10%
North India	10%	11%
Union Territories	9%	13%
Central India	3%	2%

Source: Insurance Information Bureau of India 2011-12

Table – 1.4 Top 5 States Health Insurance Claims

State	Region Classification	No. Of Claims	Total Claims Amount Paid (Rs. In Crore)	Average Claim Paid (In Rs.)
Maharashtra	West India	254536	682.25	26804
Gujarat	West India	139803	269.18	19254
West Bengal	East India	115615	226.73	19611
Tamil Nadu	South India	112215	227.33	20259
Delhi	Union Territory	104314	329.18	31556

Source: Insurance Information Bureau of India 2011-12

Some of the main reasons, as to why there has been restraint in the growth of Health Insurance, during the last decade are jotted down

- Inadequate healthcare infrastructure
- Limited reach
- Significant underwriting losses for Health Insurance business in India
- Lack of standardization and Accreditation norms in healthcare industry in India
- Insufficient data on Indian consumers & disease patterns resulting in difficulty in product development and pricing.

CONCLUSION:

Insurance penetration in India is very low therefore there is a need to develop more insurance education among the masses that will help the insurance industry to grow. Healthcare transformation must focus on the three key goals of access, cost, and quality. Entities will encounter multiple challenges in catering to the needs of the 1.3 billion populations, stratified

on culture, economy, and means. Targeted product development, proximity to the consumer, and championing efficiency will be the critical success factors. A focused approach encompassing public and private sectors, and leveraging emerging technology will play a disruptive role in the healthcare transformation ahead. The customer expects a lot when purchase the health insurance product as it is a pure service. Both desired and adequate expectation varies under different situation. It may be personal or influenced by the surroundings. Apart from policy bond, claim, relationship building, technology is few core areas which have a major impact on customers' mind and finally expectation. Public insurers must consider various factors relating to customer expectation and design service accordingly.

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