



Management

## **A STUDY ON GROWTH AND DEVELOPMENT OF HEALTH INSURANCE IN INDIA IN THE POST PRIVATIZATION ERA**

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### **Abstract**

Health Insurance in India emerges in the year 1999 with the introduction of IRDA bill in the floor of Parliament. In the post-privatization era, health insurance segment developed slowly and steadily. The penetration of insurance sector in Non-Life insurance is kept on increasing since 2001. In order to portray the journey of health insurance sector in India, it is required to show the growth and development of this sector in the country. The present study is intended to evaluate the growth and development of the health insurance sector in India in the post-privatization era. Data are collected mainly from secondary sources. Such data are analyzed and represented suitable through the help of tables, diagrams and charts. From the study, it is concluded that there is a significant upward trend in the growth of health insurance industry in India both at public and private sector after privatization. If this trend continues by keeping other factors constant, then the health insurance business would touch to Rs 20000 crores in the financial year 2016-17 contributed at least 60% by public sector and rest 40% by both private insurers and standalone health insurers.

**Keywords:** Health Care; Health Insurance; Post-Privatization; Penetration; Premium.

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### **1. Introduction**

The journey of Health Insurance in India was started during the pre-independence period in the form of health care planning. Health care planning is currently regarded as one of the most important aspect in the society as because the expenditure related to health care became very expensive and need a proper plan to meet this growing expenditure. Health Insurance comes up as a solution of financing health care expenditure of the people. Health Insurance in India emerges in the year 1999 with the introduction of IRDA bill in the floor of Parliament. This

came in to effect following the recommendations of the Malhotra Committee Report in December 1999. The Insurance Regulatory and Development Authority (IRDA) were constituted as an autonomous body in April, 2000 to regulate and develop the insurance industry. In the year 2001, IRDA introduced different provisions including Third Party Administrators (TPAs) system for extending support towards the administration and management of health insurance services. Today there are 28 general insurance companies including the ECGC and Agriculture Insurance Corporation of India, 24 life insurance companies and Five Standalone Health Insurance Companies operating in the country. During this post-privatization era, health insurance sector shows a significant growth and development.

## 2. Objectives of the Study

- To evaluate the growth and development of the health insurance sector in India during the Post-Privatization era

## 3. Research Methodology

The study is made on the basis of data collected from secondary sources. Data, so collected are analyzed and presented through suitable Table, Diagram and Charts.

## 4. Research Gap

Health Insurance at present is considered as a growing sector in the Non-life Insurance segment in India. There are many researches undertaken on Health Insurance Services such as prospects and performance of Health Insurance Sector, Third Party Administrator in Health Insurance, Health Insurance Schemes, and community based health insurance schemes etc. in Indian context. But a very limited research have made on the inception, growth and development of Health Insurance in India. This study is intended to evaluate the growth and development of Health Insurance in India.

## 5. Health Insurance in India in Post -Privatization Era

After the incorporation of IRDA in 1999, Health Insurance Sector in India showed a significance development. The trend and progress in the field of Health Insurance sector after privatization are presented in a chronological order by considering various developments since 1999. (See Table 1)

Table 1: Major Development of Health Insurance in India

YEAR	IMPORTANT DEVELOPMENTS
1999	The reform in Health insurance in India started with the introduction of IRDA Bill in Parliament in Dec 1999.
2000	With effect from August 2000, IRDA commenced its marketing by inviting application for registrations and adopted a new strategy in the form of Foreign Direct Investment up to 26%.
2001	Third Party Administrator (TPA) system was introduced by IRDA in 2001 for extending support to the administration and management.

2003	Universal Health Insurance Scheme (UHIS) was introduced in the year 2003 to fulfill the requirement of all section of society.
2004	A scheme for providing group health insurance introduced and financed completely by Indore Municipal Corporation (IMC) known as Pandit Deendayal Upadhyaya Senior Citizen Health Insurance Scheme) made available at free of cost.
2005	Swasthya Bima Policy was introduced in the year 2005. The scheme is meant for the poor and has been introduced for members of Self-help Groups (SHGs) and other Credit Linked Groups (CLGs).
2006	The Ministry of Health and Family Welfare (MHWF) incorporated National Rural Health Mission (NRHM) for providing public health facilities from 2006.
2007	Rajasthan Swasthya Bima Yojana was introduced covering Below Poverty Line (BPL) families taking five district of Rajasthan.
2008	Rashtriya Swasthya Bima Yojana (RSBY) was introduced by the government of India providing health insurance benefits to all the Below Poverty Line (BPL) families in the country.
2011	National Programme for the Health Care of the Elderly (NPHCE) introduced in the year 2011 to provide the elderly an easy access to primary health care.
2012	Health Insurance Forum incorporated in the year 2012 with an objective to aid, advice and assist the authority in further improvements in the field of health insurance consisting representatives from all related fields including non-life insurers, life insurers, standalone health insurance companies, National Accredited Board for hospitals, Hospitals, service providers, Third Party Administrators (TPAs), Confederation of Indian Industry, Federation of Indian Chamber of Commerce and Industries etc.
2013	IRDA Health Insurance Regulations 2013 and guidelines for standardization in Health Insurance introduced.

## 6. Insurance penetration in India

Insurance penetration can be calculated in the form of percentage of insurance premiums to GDP whereas insurance density is presented as ratio of premium to population (per capita premium).

Table 2: Insurance Penetration and Density in India

Year	Life		Non-Life	
	Density USD	Penetration (percentage)	Density USD	Penetration (percentage)
2001	9.1	2.15	2.4	0.56
2002	11.7	2.59	3.0	0.67
2003	12.9	2.26	3.5	0.62
2004	15.7	2.53	4.0	0.64
2005	18.3	2.53	4.4	0.61
2006	33.2	4.10	5.2	0.60
2007	40.4	4.00	6.2	0.60
2008	41.2	4.00	6.2	0.60
2009	47.7	4.60	6.7	0.60
2010	55.7	4.40	8.7	0.71

2011	49.0	3.40	10.0	0.70
2012	42.7	3.17	10.5	0.78
2013	41.0	3.10	11.0	0.80

Source: Self Compiled from various IRDA Annual Reports

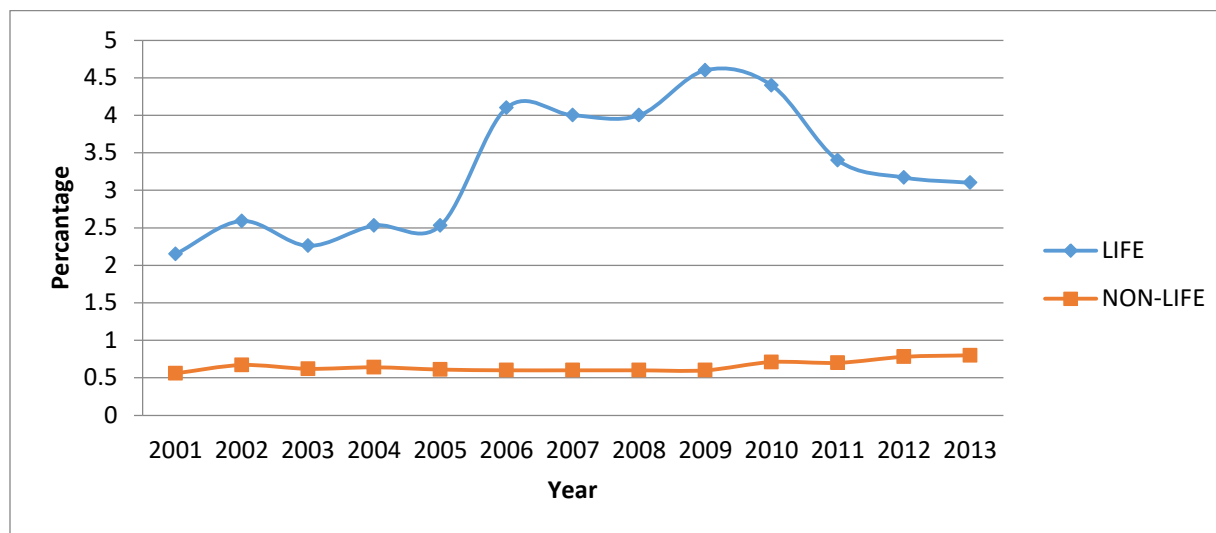


Figure 1: Insurance Penetration in India

(In percentage)

During the post privatization era, insurance sector in India reported consistent development in insurance penetration in the Non-Life Sector from 0.56 per cent in 2001 to 0.60 per cent in 2009. However, after 2009, this trend shows signs of decline in the level of penetration by reaching 0.80 per cent in 2013.

## 7. Health Insurance Premium Collection in India

With the establishment of Stand Alone Health Insurance Companies, the premium collected from Non-life Insurance segment increased every year. The amount of premium collected stood at Rs 17,495 crore during the financial year 2013-14 which was 13.21 percent more than the year 2012-13. The trend of premium collection during the last few years can be observed in Table 3.

Table 3: Trend in Health Insurance Premium over the Past Years

(Rs in Crores) (%age of market share)

Market Share	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Life Public Sector	1974	3136	3824	4883	6689	8015	9580	10841
Private Sector Non-Life Insurers	1224	1833	2266	2350	2850	3446	4205	4482
Stand-alone Health Insurers	11	156	535	1072	1491	1608	1668	2172
Total Non-Life Industry	3209	5125	6625	8305	11030	13069	15453	17495

Source: Self compiled from various IRDA Annual Reports

From the data, it can be concluded that the premium collection by Stand Alone Health Insurers dealing exclusively with health insurance indicated an upward trend from the year 2006. The four public sector nonlife insurance companies continue to contribute a major share of health insurance premium at 62 per cent. While private sector non-life insurers contribute 26 per cent of the gross health insurance premium, the remaining 12 per cent has been contributed by stand-alone health insurance companies. From 2006, the rate of premium collection showed a constant growth. This rate shows the increased level of awareness of health insurance among the people in the country.

## 8. Number of Policies Issued and Persons Covered Under Health Insurance

During 2013-14, the non-life insurance industry has issued around 1 crore health insurance policies which covered a total population of 21.62 crore. While Government sponsored health insurance policies have contributed 72 per cent of the total number of persons covered, the commercial health insurance policies had contributed the balance 28 per cent of all persons covered during 2013-14. Over the last four years, the number of persons covered under Health insurance has seen moderate decline mainly due to decrease in number of persons covered under Government health insurance schemes.

Table 4: Number of Persons Covered Under Health Insurance

No. of Persons Covered	(Rs in Lakh)			
	2010-11	2011-12	2012-13	2013-14
Government	1891	1612	1494	1553
Group (Other than Govt.)	226	300	343	337
Individual	419	206	236	273
Total	2536	2118	2073	2162

Source: Self compiled from various IRDA Annual Reports

During the year 2010-11, the numbers of persons covered under health insurance in various schemes are of Rs 2536 Lakh. In the last few years, slow decline can be noticed in the number of health insurance policies undertaken by people in the country.

## 9. Conclusions

During the post privatization era, insurance sector has reported steady development in insurance penetration from 0.56 per cent in 2001 to 0.80 per cent in 2013. Government health insurance schemes are specifically designed for lower income group people where as private and standalone health insurance Company proves costly. Gross and net direct premium income in the sectors of health insurance in India was enhanced sharply since 2005-06. The trend shows an upward line in terms of earned net premium income for health insurance both by public and private insurers. In this competitive environment both public and private sector play their own part to build business. But public sector and group health insurance providers are accepted by major group of customers because of wide coverage of services, office network, add on covers, consumerism and reliability factor. It is clear from the above that the size and growth of health insurance market depends on the strength of growth in the economy and concomitant in per capita income. The lower level of penetration and density of health insurance in the country in

comparison with other developing countries represents the poor level of awareness, lack of health care inclusion and vast untapped potential population. Due to this low level of penetration and high potential market in India, foreign companies looking at India as a perfect destination for insurance business. Many international companies are looking forward to take the advantages of liberalization and came to India in joint venture tie up to hold insurance business in India. There is a significant upward trend in the growth of health insurance industry in India both at public and private sector after privatization. If this trend continues by keeping other factors constant, then the health insurance business would touch to Rs 20000 crores in the financial year 2016-17 contributed at least 60% by public sector and rest 40% by both private insurers and standalone health insurers.

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