

CHAPTER - 10
FINDINGS, CONCLUSIONS AND SUGGESTIONS

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Insurance is backbone of country's risk management system and health insurance is an important part of this system as it provides protection against risk to that asset which is the asset of utmost importance for a nation that are it's "Human Beings". Can a person with luxury apartment, splendid car and fabulous job but without sound health, be lived? The answer definitely is "NO" and it is true also for the people below poverty line. Health is must and first to do the job better and to enjoy the luxuries of life. Today because of stressful and polluted life style people are more vulnerable to fall ill frequently and to catch by serious disease suddenly in any age. On the other hand high medical inflation is giving extra pressure to a person if he or any members of his family get hospitalized because more then disease it is cost of treatment that forced a people to be a borrower and some time turns him towards poverty. All this results in to a vicious circle of poverty because people with out good health have no work, no work means no earning, since no earning so not able to have proper treatment and no treatment so again health problems. In this way the circle moves continue and that people are not able to contribute anything to their family and for nation also. That is the reason that people are calling for security from such uncertain, sudden and serious health problems which are out of control. One could not control over the situation but he can do management in present for handling the adverse situation in future in the form of health insurance. Health insurance definitely is of great assistance as it gives financial and mental relief to a person at the time of medical emergency.

¹In India premium contribution of health insurance segment to the total premium is ₹13975 Crore, almost 6 times higher then the health insurance premium in the year 2005 (₹2221Crore). The segment is growing continuously in a different way as its compound annual growth rate is far higher then the other line of insurance. The segment has grown with a CAGR of 30.05% in past seven years, while growth of other lines of insurance (Non life less Health insurance) was 17.50% for the same period. On the other side contribution of health insurance segment to the total

¹ Data source : "Box Item 2" IRDA Annual Report 2012-13

premium of non life insurance segment stood at 22.19% for the year 2012-13 which is significantly higher than 10.91% in the year 2005. Definitely the growth of this segment is tremendous, but if we talk about penetration of health insurance then only about 15% of Indian populations (including those who are insured under state or central government insurance scheme) have some kind of health insurance.

This lower penetration is a great opportunity for general insurance companies as they need not to snatch the health insurance market from their counterpart, even they have to focus on developing new and fresh customers base.

In this chapter findings and conclusion of the study are presented and based on these some suggestions are also made.

10.1 Findings:

The major findings of this research work are :

A. Findings regarding Indian Health Insurance Market :

- **Penetration and Density :** The insurance penetration in the country is very low specifically in comparison to developed and developing nation. Even it is lower from those nations which are less developed than India. Similarly government spending on health care is only 4.1%¹ of GDP as per data of World Bank, which is one of a direct reason for lower penetration of health insurance as only 12% to 15% of total Indian population is covered under some health insurance scheme.

In India general insurance density (US \$ 10.5) is quite lower as compared to developed and developing countries. India's contribution in the world's general insurance density (US \$ 283.1) is seems negligible. Though there is improvement in density from the year 2001, when it was only US \$2.4 that reached to US \$ 10.5 in 2012. But still there is a lot to do to make it a respectable figure (Table 1.2).

¹ <http://data.worldbank.org/indicator/SH.XPD.TOTL.ZS>

- **Health Insurance market has become competitive :**

After the entry of private players a layer of competition has been set in among all the players in the market. The customers are enjoying better product, competitive pricing, and quick and qualitative services. Fair competitions enhance the effectiveness of market player as they need to be upgraded and to be up to date on all front of their business. After liberalization the public sector companies have grown in their administrative and technical perspective which was almost nil before.

- **Growth of Indian Health Insurance Market :**

Health insurance segment of Indian insurance industry is rising specifically after liberalization of insurance sector. It continues to be one of the most rapidly growing sectors in the Indian insurance industry. Today its Gross Written Premium (GWP) for the year 2012-13 is ₹15,701 Crore while it was only ₹675 Crore in 2001-2002. The health insurance premium has registered a compounded annual growth rate (CAGR) of 32 per cent for the past eight financial years (Table 2.1).

- **Market share of Public and Private Sector Health Insurer :**

In terms of Gross Direct Premium Income from health insurance segment the public sector health insurer are leading as their market share is 61% (2012-13) while it is 28% for private sector health insurers and for standalone health insurers it is 11% for the year 2012-13. (Table 2.5)

Definitely private insurers are giving open competition to public insurers that result in to lose of market share by 39% on the other side standalone health insurers are also playing strongly as with in 7 years of operation their market share improved from .35% to 11% (Table 2.5).

- **Claim ratio of Public and Private sector Health Insurers :**

Claim ratio of health insurance industry as whole is gradually decreasing in past 5-6 years, but still it is higher that is 96.43% (excluding standalone health insurers). Claim ratios for public sector insurer near to 100% or more then it since last five years. While for most of the private insurers claim ratio is under 90% for the same period. The stand alone health insurers seems

to be more effective as their claim ratio is lower than other private insurer and public sector insurers. This clearly indicates that private players are more efficient in their underwriting decisions (Table 2.6, 2.7)

- **Contribution of Health Insurance Industry in economic growth :**

Definitely like the other industries, the health insurance industry is also a source of employment for peoples of nation. Another important contributing aspect is that it saves the lives of people and their family at the time of medical emergency. This industry is a major source of investment capital to government since it mobilizes a great part of individual saving to government.

B. Findings regarding Medical Inflation and Awareness among common People :

- The awareness level of people in sample is good as they know about the benefit and usefulness of Health Insurance and the main source this awareness is Insurance Agents.
- The study reveals that most of the people in the sample came to know about health insurance from any insurance agent or from personal source like friends, family, their tax consultant etc. (Table 5.5). It clearly indicates that there is lack on part of advertisement of health insurance products and services by health insurers from both the sectors. Practically the private sector companies arrange brochures and other related document regarding their health insurance products while public sector companies do not have such properly managed instrument while dealing with customers.
- More than 85% of People accept that Health Insurance must be taken by all but this good awareness level has not reached to the level of subscription of health insurance as still it is unsubscribed for many of them (Table 5.13).
- The Indian people are money minded and hence want to invest where they can earn something so do not want to invest in Health Insurance. Another important reason for non subscription of health insurance is Product Complication and several limits and co-payments applied by insurers (Table 6.4).

- People are feeling heavy medical inflation. As per opinion of them cost of medical treatment has gone up by almost 50% with in 8 years to 10 years (Table 5.16)
- People felt that where medical inflation is heavily affecting routine of common men on the other side life style disease (which are very common to get affected) are a big economic and mental burden on suffered people and his family (Table 5.14).

C. Findings regarding Health Insurance Product and Selection of a Health Insurer :

- With respect to basic coverage which is always main considerable point for a customer while taking a policy, private insurers are seems to be better than public insurers (Table 6.1).
- Coverage for domiciliary hospitalization and “Ayush Coverage” is not provided by private insurers.
- Private insurers provide wider coverage with fewer limits, for room rent/nursing charges, ICU charges, Ambulance charges etc. to their customer. While in public sector companies similar coverage are being provided but with several limits.
- Private insurers offer the health insurance with more sum insured option then the public insurers. In case of reimbursement for expenses of pre policy check up private insurers are better as they reimburse half or full amount of such expenses if proposal is accepted but rare public insurers reimburse theses expenses partially.
- Option of wider range of sum insured, voluntary deductibles option, option of add on covers in the current policy, value added services etc. facilities are provided in only the plans of private sector insurers. These facilities make the plans/policy more suitable to the needs of customer.
- Exclusion for initial 30 day and waiting period for pre existing disease and 24 months waiting period for specific disease/condition are almost similar in all the Health Insurance products of insurers of both the sectors.
- No coverage provided for AIDS, general run down conditions, vaccination, pregnancy, act of foreign enemy, and cosmetic surgery etc. by any insurer.

- Up to the age of 25 years, among all the four companies somewhere premium is higher or lower with minor difference, at different level of sum insured and age point. But after this age, premium is higher in health insurance products of almost all the private players in comparison to the health insurance products of public players (Table 6.2).
- Satisfaction level regarding premium rates are higher among public sector policy holders rather the private sector policyholders. The main reason behind it is premium rates for health insurance in public sector companies are lower then the private sector companies (Table 6.8).
- Approx 80% of people in the sample felt that having Health Insurance Policy is really useful for insured and his family (Table 6.10).
- Most of the People in the sample who have Health Insurance are under covered.
- Trust, feeling of security, and lower Premium was the main consideration for public sector policyholders while selecting their insurer as the feeling that “my policy should be safe” remain in their mind. The policyholders are not very much concern about service as they feel that always insured has to make efforts to get good services from insurer (Table 6.19)
- Better services, fast claim settlement and good customer relationship was the main consideration for private sector policyholders while selecting their insurer. Customers of private sector seems delightful and more satisfied as they opined that their insurer efforts hard to give services on time, to treat with respect and empathy, and to resolve issues. (Table 6.19).

D. Findings regarding services provided by Public and Private Sector Health Insurers

- Almost all kind of services provided by health insurers belongs to both the sector but one important services named “Value Added Services” is completely absent in the health insurance plans of public sector insurance companies (Table 7.1).
- Regarding counseling the customers of private sector are seems to be more satisfied as approx 75% of customers are “highly satisfied /satisfied”.

While among public sector policyholders 65% policyholders are highly satisfied/ satisfied and 35% customer had average satisfaction (Table 7.2).

- 242 (91%) customers from the public sector insurance companies and 198 (98%) customers from the private sector insurance companies have availed claim from their insurer. The study found that 146 (55%) policyholders from the public sector are satisfied regarding claim settlement as they got claim amount with in 1 month. Among the private sector policyholders, 133 (66%) are found to be satisfied because they got the claim amount with in 1 month. So the data reveal that regarding claim services, satisfaction level of private sector policyholders is more then public sector policyholders. During research it has been found that private insurers are more quick and effective in their claim settlement services. They have less formality and easy and quick process to complete the formalities (Table 7.7).
- In case of quick and efficient internet services also, the private insurer are far better then the government insurers as satisfaction level of public sector policyholders regarding theses services is lower then the private sector policyholders.
- The study found that satisfaction level of customers regarding almost all kind services (like – services rendered by staff, renewal services, pre policy services, counseling etc.) provided by their insurer is higher among the people who have health insurance from private sector companies then those who have health insurance from public sector companies.
- People are ready to pay more for instant services hence trustworthiness of private sector insurers is continuously increasing.
- Even after charging higher premium on the policies private insurer increasing their customer base regularly just because of their superb and quick service and better customer relationship.

10.2 Recommendations :

- Definitely health insurance industry is growing at a fast rate then other line of insurance but its penetration is quite low. For improving penetration of health insurance in India more and more information regarding health insurance is need to be spread because when people will be informed only then they can understand the benefit of having health insurance. The

regulator (IRDA) together with the market player from public and private sector both should work hard to improve awareness level regarding insurance among the people so that the penetration can be improved.

- In the study it has found that the market share of public insurers is continuously dropping after liberalization and come down to 61% in 2012-13. It is a clear indication of fall in efficiency hence there is need to reform the system. Customers started to prefer private sector because these insurers are more vibrant, customer oriented and built up customer friendly environment during dealing with customer. The public sector insurers should left their bureaucratic approach and create customer oriented environment to win customer loyalty.
- The awareness level of common people (in the sample) regarding health insurance is good but still it has not reach up to the level of subscription. As the people opined that they hesitate to have health insurance mainly because of product complication, irresponsible behavior of agents and officials and non disclosure of all the facts regarding coverage of policy etc. The insurers if want to increase their customer base then have to work out to simplify the products. Insurers can give simplification of terms and conditions of the policy in policy wording in detail and at the time of counseling also whether customer demanded for it or not, apart from it the manual stuff should be managed in systematic way so that chances of confusion can be reduced. Responsible, polite and friendly behavior of company's officials may help to make new customers and retain them for long term. So the companies should impart proper training about their products, services and about how to deal with customer at different stage, to its officials agents etc.
- Both the public and private sector companies should focus on the improvement of inclusions and exclusion in their current health insurance products and services, provided under these products rather to focus on launching of new one. Practical applicability of these products should be judged and then improvements should be made.
- The reputation of a health insurance company relies on its fair and quick settlement of claims. The study revealed that the policyholder of public

sector companies have only average satisfaction regarding claim services due to their poor services quality. On the other hand the private insurers take more interest and less time to settle the claim. The public sector insurers should improve underwriting standards, claim management and settlement process, so as to improve claim services which would be helpful to improve satisfaction level of customers.

- Insurers from both the sector should improve their advertisement campaign to make the people aware about their products and related services. Today the advertisements mainly focus on tax benefit and discount offers rather on the core benefits of health insurance. Hence, advertisements need to be focused to promote awareness about the core benefits and the credibility of services. Insurers should be ready with all kind of manual stuff during counseling so that the prospective customer can be convinced through a practical approach.
- Definitely public sector insurer has a great goodwill and people trust these insurers blindly but the study shows that the satisfaction level of customer is only average for these insurers and it is the reason that the customer started to think about the new players coming in the market. The public insurers need to improve their services and practice to touch the expected level of customers so that they prefer them over the other players in the market.
- The study revealed that the agents are the main source of information regarding health insurance for customers. Even for “after selling services” customer completely depends upon agents so insurer from both the sector should concentrate to groom the base of insurance agents, to train them properly and make them responsive and customer friendly.
- Generally customers who have health insurance policy charged at higher rates in hospitals for treatment which results in direct loss or higher claim ratio for insurer. There is an association named GIPSA (General Insurers Public Sector Association) works for public sector insurance companies. This association negotiates and tie up with several hospitals across India for rates of treatment so if a customer having health insurance policy from any public insurer and goes for treatment in tie up hospital of GIPSA, then

he is charged with negotiated rates (which are comparatively lower then the rate charged on other customer and by other hospital). The problem is that GIPSA is an association for only public sector insurance companies and negotiated rates are applicable only on tie up hospitals so the private sector insurers have no benefit of existence of GIPSA. In this situation IRDA needs to take step to saves insurers from such manipulation in claim amount. The IRDA should form an association who decide the standardized rate for common and critical treatments, which would be applicable on more and more hospitals.

- During study it has been felt that services provided by an insurer are better at the time of taking the policy rather at the time of settling a claim. So mainly the strong, quick and fair strategy for claim settlement can be helpful to the insurers to win the loyalty of existing customer and to increase the customer base over the counterparts.

10.3 Conclusion :

Insurers from both the sectors have their own approach and strategies to deal and serve the customers but on products side definitely the products of private sector companies are more suitable and adjustable, giving options to make adjustment as per need of customers, yet they are costlier then the products offer by public insurers. On services side also, private insurers are seems better. Private sector policyholders are happier with their insurer then the public sector policyholders. The main reason founded behind it is, today people have less time and want smooth services so ready to pay extra cost. Private sector insurers are more vibrant, well informed, customer oriented, and quick, that's the reason that people started to move towards private insurers. Increasing market share of private player is a clear indicator of this. Even after loosing a substantial market share, the public sector insurers are still market leader. The main fact behind this is people trust these insurers blindly, because being a government company their risk of default is nil. Another important fact is their lower premium attracts the people.

It is very clear that there is severe competition in the market among all kind of insurers whether they belongs to public or private sector. A new competitor that is "Standalone Health Insurance Companies" also have started to spread their wings and proved to be a strong competitor for others. Among this if a health insurer wants to remain and grow in the market then he need to restructure his strategies above the lines. The growth of a insurer in future will depend upon how effectively he design his products that suits customer's need at maximum, and how effectively he get success to inform the customer about him and his product's feature and all of above change customer perception towards positive direction and make them aware about various risk and related insurance. Apart from it the growth of an insurer will also depend upon how much he is service oriented? On demand side, future of health insurance industry is bright as population and medical inflation is continuously growing at a fast rate then the income level and medical facilities, so definitely demand for health insurance will grow with time. However challenges like, to design trouble shooting products with competitive pricing, product innovation, to spread information to needy people, delivery and distribution, effective services, and to adjust with regulatory reforms will always remain in the market.