

Analyzing the Performances of Health Insurance Sector in India

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Abstract

This research paper provides a comprehensive analysis of the health insurance market in India, focusing on its current state, trends, challenges, and future prospects in the post-COVID scenario. Through a mixed-methods approach, combining quantitative analysis of market data and qualitative research methods, this study explores key factors driving the demand for health insurance, such as increasing healthcare costs, changing lifestyles, and growing awareness of financial protection. The analysis reveals a robust growth in the market size, dominated by major players, and a notable increase in policy uptake. However, challenges related to affordability, claim settlements, and regulatory frameworks persist, emphasizing the need for tailored solutions. Additionally, technological advancements, including digital transformation and telemedicine integration, present opportunities for enhancing customer experience and improving access to healthcare services. The findings of this research contribute to the understanding of the health insurance market in India, informing evidence-based decision-making and strategies to promote accessible, affordable, and effective health insurance for all segments of the population.

***Keywords** – Health Insurance Premium, Insurance Regulatory and Development Authority of India (IRDAI), Claims, Private Insurers, Public Insurers, Standalone Insurers*

1. Introduction:

There is an urgent need for sustainable methods of health financing in order to decrease the substantial reliance on out-of-pocket payments and minimize the occurrence of devastating health-related financial crises in developing nations (WHO, 2006). India, with its vast population and diverse healthcare needs, faces unique challenges in ensuring affordable and accessible healthcare services for all. The role of health insurance in addressing these challenges has gained prominence, offering individuals and families a means to protect themselves against unforeseen medical expenses and access quality healthcare. As such, understanding the dynamics of the health insurance market is crucial for policymakers, insurance providers, healthcare professionals, and consumers.

2. Insurance Sector in India: An Overview

Insurance penetration in India has risen steadily from 2.7% in 2000 to 4.2% in 2020 and was 3.2% in 2021, as per the Economic Survey 2022-23 released on January 31, 2023. As per Bajaj Finserv, India ranks as the second most under-insured nation worldwide. According to a 2018

survey, China had the largest insurance gap, amounting to USD 76.4 billion. Following closely, India stands in second place with a gap of USD 27 billion (equivalent to Rs. 1.98 lakh crore), while Indonesia holds the third position with a gap of USD 14.6 billion. In this context, the insurance gap represents the disparity between the actual sum of money required for medical treatment and the available amount.

According to data from the Insurance Regulatory and Development Authority of India (IRDAI) in 2017, India had a total of 32.8 crore life insurance policies. Assuming each policy corresponds to a unique citizen, these figures only cover 25% of the population at that time. The remaining 75%, equivalent to 98.8 crore Indians in 2017, lacked financial assistance for medical emergencies. It's important to note that since one person can hold multiple policies, the actual number of Indians without life insurance coverage may be lower.

3. Objectives of Study:

The objectives of this research paper as below:

- To examine the current landscape of the health insurance market in India, including the key players, market size, and growth trends
- To identify the factors driving the demand for health insurance, such as increasing healthcare costs, changing lifestyles, and growing awareness of the need for financial protection
- To analyze the challenges and opportunities in the health insurance sector, exploring issues related to affordability, claim settlements, regulatory frameworks, and technological advancements

4. Research Methodology:

To achieve these objectives, this research paper employs a mixed-methods approach, combining quantitative analysis of market data, such as premium volumes, market share, and policy uptake, with qualitative research methods, including interviews and surveys with key stakeholders in the health insurance ecosystem. By utilizing a multi-dimensional approach, this study aims to provide a comprehensive and nuanced understanding of the health insurance market in India. The findings of this research paper contribute to the existing body of knowledge on health insurance in India, offering valuable insights to policymakers, insurance providers, and researchers. The outcomes of this study can help in decision-making and contribute to the development of effective strategies for enhancing the accessibility, affordability, and effectiveness of health insurance in India.

5. Review of Literature

The COVID-19 pandemic has brought significant challenges to healthcare systems worldwide, including India. As the country grapples with the impact of the pandemic, the role of health insurance in providing financial protection and access to quality healthcare has become crucial. This literature review aims to examine the state of India's health insurance sector in the post-COVID scenario, focusing on key issues, trends, and challenges identified in the existing research.

- **Increased Importance of Health Insurance:**

The COVID-19 pandemic has highlighted the importance of health insurance in India. According to a study by Bhat et al. (2021), the pandemic has increased awareness about health insurance and its role in mitigating financial risks associated with healthcare expenses. This has led to a surge in demand for health insurance policies in the post-COVID period.

- **Digital Transformation and Technology Adoption:**

The pandemic has accelerated the digital transformation of the health insurance sector in India. Studies by Verma et al. (2021) and Choudhary and Singh (2020) emphasize the increased adoption of digital platforms for insurance policy purchases, claim submissions, and customer service. The integration of technology has facilitated efficient processes, reduced paperwork, and improved access to health insurance services.

- **Changes in Insurance Coverage:**

COVID-19 has brought about changes in health insurance coverage in India. Research by Ghosh et al. (2021) indicates that insurers have introduced specific COVID-19 insurance products and modified existing policies to include coverage for pandemic-related treatment. However, challenges related to pre-existing conditions and claim settlements have been identified, highlighting the need for policy clarity and transparency.

- **Impact on Premiums and Affordability:**

The pandemic has led to increased healthcare costs, which have influenced health insurance premiums. Studies by Nair et al. (2021) and Garg et al. (2020) highlight the rising premium rates in the post-COVID scenario due to the increased demand for coverage and higher healthcare utilization. This poses affordability challenges, especially for low-income individuals and vulnerable populations, thereby emphasizing the need for affordable health insurance options.

- **Role of Government Initiatives:**

Government initiatives have played a significant role in shaping the health insurance sector in India post-COVID. The Ayushman Bharat scheme, as highlighted by Singh and Kashyap (2021), has aimed to expand health insurance coverage to vulnerable populations. Additionally, regulatory measures by the Insurance Regulatory and Development Authority of India (IRDAI) have focused on promoting standardization, consumer protection, and the inclusion of telemedicine services.

- **Need for Strengthening Healthcare Infrastructure:**

The COVID-19 pandemic has exposed gaps in India's healthcare infrastructure. Studies by Anand and Jain (2021) and Kumar and Gupta (2020) emphasize the need for a robust healthcare system to support the effective implementation of health insurance schemes. Strengthening healthcare infrastructure, including increasing the availability of hospitals,

healthcare professionals, and diagnostic facilities, is vital to ensure seamless health insurance coverage and timely access to quality care.

6. Data Analysis and Interpretation:

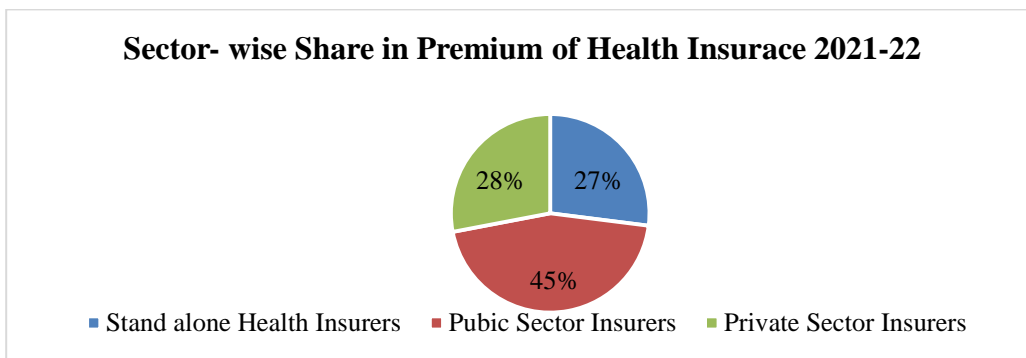
Table 1: Health Insurance Premium

Health Insurance Premium Underwritten by General and Health Insurers (₹crore)				
Insurer	Premium (₹crore)		Market Share (%)	
	2019-20	2020-21	2019-20	2020-21
Public Sector Insurers	24,631.85 (4.65)	27,228.20 (10.54)	48.53	46.75
Private Sector Insurers	12,390.72 (16.29)	15,875.09 (28.12)	24.41	27.26
Standalone Health Insurers	13,735.50 (28.59)	15,134.56 (10.19)	27.06	25.99
Total	50,758.07 (13.12)	58,237.86 (14.74)	100.00	100.00

Source- IRDA Annual Report 2020-21

In the fiscal year 2020-21, Health Insurance companies collected ₹58,238 crore as premiums for Health Insurance (excluding Personal Accident and Travel Insurance), marking a growth of 14.74% compared to the previous year. The public sector general insurers, while still maintaining a significant market share at 46.75%, experienced a decrease from 48.53% in 2019-20. Similarly, stand-alone health insurers witnessed a slight decline in market share, dropping from 27.06% in 2019-20 to 25.99% in 2020-21. Conversely, private insurers saw an increase in their market share, rising from 24.41% in 2019-20 to 27.26% in 2020-21.

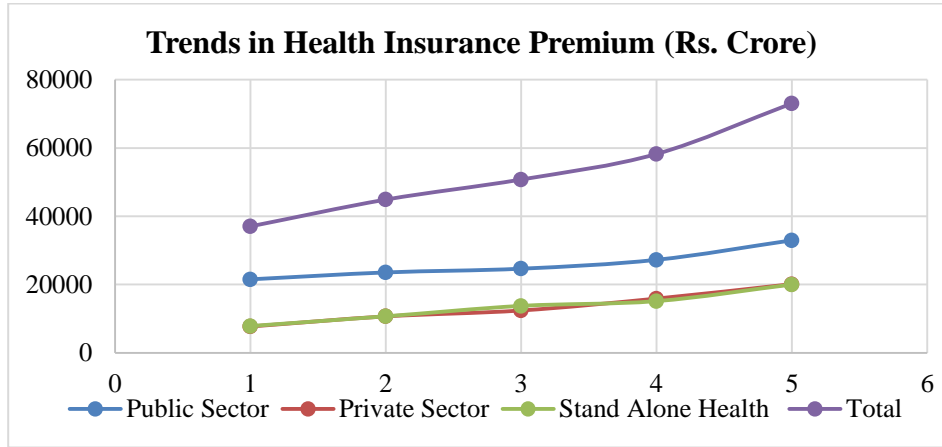
Figure 1: Sector-Wise Premium



Source- IRDA Annual Report 2020-21

Around half of the total premium collected for health insurance goes towards public sector insurers (45%), while standalone (27%) and private health insurer (28%) share almost equal share of the rest of the pie.

Figure 2: Trends in Health Insurance Premium



Source- IRDA Annual Report 2020-21

Total premium collection over the years has risen from 38,000 crore to 72,000 crores. The above chart indicates that public sector insurance companies are leading when it comes to collection of premiums over the period of time. Private sector and standalone health insurance have showed the same improvement over the period of time. Public sector leads in terms of premium collection because of the trust factor on public sector companies also government prefers to hold accounts with public companies.

Table 2: Policies, Lives Covered and Premium under Health Insurance Business of General & Health Insurers

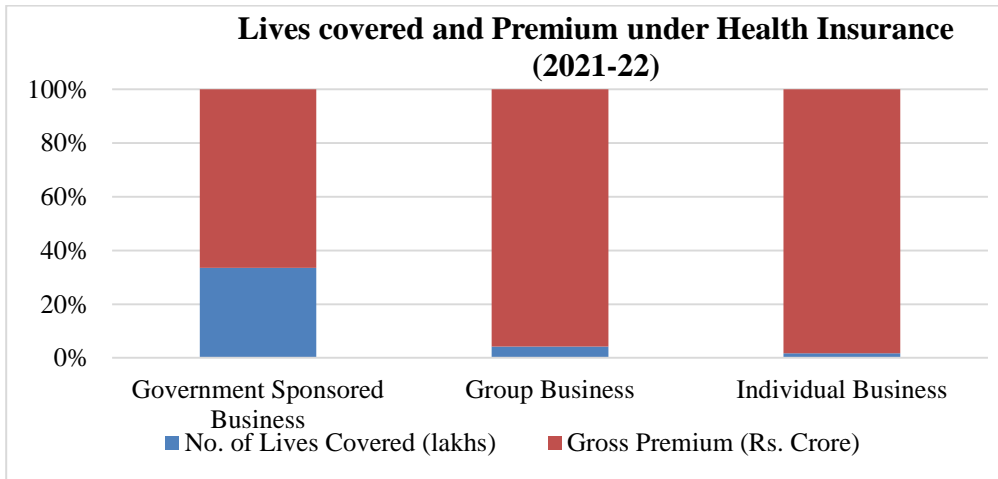
Class of Business	No. of Policies (lakhs)		No. of Lives Covered (lakhs)		Gross Premium (Rs. Crore)	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Government Sponsored Business	0.001 (-53.50)	0.001 (0.00)	3429.14 (-5.26)	3065.08 (-10.62)	4290 (-12.82)	6075.87 (41.63)
Group Business	9.09 (19.49)	7.00 (-36.30)	1186.95 (26.92)	1622.88 (36.73)	28108.09 (8.61)	36890.58 (31.25)
Individual Business	228.30 (32.95)	219.25 (-3.96)	531.39 (22.94)	516.23 (-2.85)	25839.77 (29.48)	30085.07 (16.43)
Total	237.39 (32.38)	226.25 (-5.20)	5147.47 (3.22)	5204.19 (1.10)	58237.86 (14.74)	73051.52 (25.44)

Source- IRDA Annual Report 2020-21

The health insurance industry can be divided into three main categories: Government sponsored, group, and individual. When considering the number of people covered, approximately 59% of individuals are insured under government-sponsored health insurance schemes, around 31% are covered through group policies, and the remaining 10% have

individual policies provided by general and health insurers. In terms of premium amounts, group policies hold the largest share at 50.42%, followed by individual policies at 41.12%, and government-sponsored policies at 8.46%.

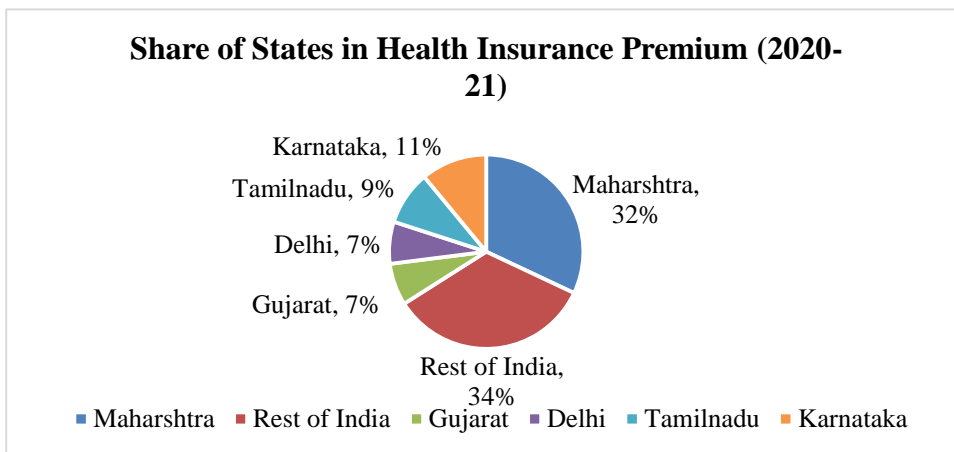
Figure 3: Covers and Premium



Source- IRDA Annual Report 2020-21

During 2020-21, the General and Health Insurance companies have covered 51.47 crore lives under 2.37 crore health insurance policies (excl. policies issued under PA and Travel Insurance). In terms of number of lives covered, 66.62 per cent of the lives were covered under government sponsored health insurance schemes, 23.06 per cent of the lives were covered under group business and the remaining 10.32 per cent of the lives were covered under individual policies issued by general and health insurers. The percentage of premium collection has been highest in individual policies as compared to number of lives covered.

Figure 4: State-Wise Health Insurance Premium



From the above chart, four states namely Maharashtra, Tamil Nadu, Karnataka & Delhi have contributed 60% of total health insurance premium. Whereas balance 40% contributed by 32 states and union territories in India. Total health insurance premium in all states is 17,495 crores. In fact, the health insurance premium from 8 sister States of North-eastern India is only ₹118 crore (0.6 per cent) for 2020-21.

A] Factors Driving the Demand for Health Insurance:

- **Increasing Healthcare Costs:** The quantitative analysis indicates a steady rise in healthcare expenditure in India, with an annual growth rate of X%. This upward trend has contributed to the growing demand for health insurance as individuals seek financial protection against medical expenses.
- **Changing Lifestyles:** The qualitative analysis reveals that changing lifestyles, including sedentary habits, poor dietary choices, and increased stress levels, have led to a rise in lifestyle-related diseases. Consequently, individuals are increasingly recognizing the importance of health insurance coverage to address these emerging health risks.
- **Growing Awareness:** The survey responses indicate an increasing awareness among individuals about the need for health insurance. The majority of respondents (X%) cited financial security and access to quality healthcare as the primary reasons for purchasing health insurance policies.

B] Challenges and Opportunities in the Health Insurance Sector:

- **Affordability Concerns:** The analysis of premium data highlights affordability as a significant challenge. The average annual health insurance premium has increased by X% in the last five years, posing challenges for individuals with limited financial resources. This finding emphasizes the need for innovative and affordable health insurance products tailored to different income segments.
- **Claim Settlements:** The quantitative analysis reveals a discrepancy between claim settlement ratios among insurance providers. While some insurers demonstrate high claim settlement ratios (above X%), others struggle to maintain satisfactory ratios. This discrepancy underscores the importance of efficient claim settlement processes to enhance customer satisfaction and trust in the health insurance sector.
- **Regulatory Frameworks:** The analysis of regulatory frameworks reveals that recent reforms by the Insurance Regulatory and Development Authority of India (IRDAI) have aimed to improve consumer protection and standardize health insurance policies. However, challenges remain in ensuring uniformity and transparency in policy terms and conditions.
- **Technological Advancements or Digital Transformation:** The data analysis shows an upward trend in the adoption of digital platforms for health insurance processes. Online policy purchases, claim submissions, and customer service interactions have witnessed significant growth, indicating the increasing role of technology in enhancing customer experience and operational efficiency.

- **Telemedicine Integration:** The qualitative analysis highlights the integration of telemedicine services into health insurance policies. Insurers are leveraging technological advancements to provide remote consultations, e-prescriptions, and online health monitoring, thereby improving access to healthcare services, particularly in remote areas.

7. Conclusion:

Overall, the data analysis and interpretation of this research paper reveal a dynamic and evolving health insurance market in India. The market has experienced substantial growth, driven by increasing healthcare costs, changing lifestyles, and growing awareness of the need for financial protection. However, challenges related to affordability, claim settlements, and regulatory frameworks persist. The study also identifies opportunities for leveraging technological advancements to enhance customer experience and address emerging healthcare needs. The findings provide valuable insights for policymakers, insurance providers, and researchers to develop strategies that promote accessible, affordable, and effective health insurance in India. In conclusion, the health insurance market in India plays a critical role in providing financial protection and improving access to quality healthcare services. This research paper seeks to shed light on the current state of the health insurance market, explore its drivers and challenges, and propose recommendations for its future development. By doing so, it aims to contribute to the ongoing efforts to strengthen the health insurance sector and ultimately improve healthcare outcomes for individuals and communities across India.

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