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HEALTH INSURANCE IN INDIA

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Health Insurance in India¹

Introduction:

Historically Health insurance is recognized as one of the important elements of health care. In our country, Insurance Laws (Amendment) Act 2015 has recognized health insurance as a separate class of business. Section 2 (6c) of the Act defines Health Insurance business as; *"health insurance business" means the effecting of contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, whether in-patient or out-patient travel cover and personal accident cover."*

The Insurance Sector in India has witnessed rapid strides in the growth of health covers as a measure to insure the exclusive health risks contingent on human lives. Health insurance premiums have been registering a significant Compound Annual Growth Rate (CAGR) of 22.02 per cent in the past 10 years or so. From ` 3,342 crore in 2006-07, health insurance premium reached ` 24,448 crore in 2015-16. In fact, the share of health insurance premium in the overall General Insurance Business (Non- Life Insurance) has been increasing to emerge one of those classes of insurance business which has the highest potential and has been registering significant growth in the past few years. *(Refer Table1)*

Business in terms of Premium:

As mentioned above the gross health insurance premium collected by General and Health insurance Companies was ` 24,448 crore during 2015-16. This shows that gross health insurance premium has been growing 21.7 per cent

¹ The Reference Note is primarily based on the material received from the Department of Financial Services, Ministry of Finance, unless otherwise mentioned in the Note. The Tables mentioned in the Note are attached as Annexures.

over previous year. It is the highest growth reported during the preceding five years. (*Refer Table 2*)

Classification of Health Insurance Business:

Health insurance business can be classified into Government Sponsored Health Insurance, Group Health Insurance (Other than Government Sponsored) and Individual Health Insurance.

As per available Data (*Refer Table 3*), it has been observed that although group business contributes significantly to the overall business of health insurance, the contribution from individual business is also equally significant, thereby indicating the spread of health insurance amongst retail segments of the market.

Number of policies issued & Number of persons covered under Health Insurance Business:

During 2015-16, the General and Health insurance companies issued around 1.18 crore health insurance policies, covering 35.90 crore persons (in FY 2014-15: 28.8 crore persons covered), thereby registering a growth of 24.65 per cent in the number of persons covered over the previous year. Out of this, three-fourth of the persons was covered under government sponsored health insurance schemes and the balance one-fourth was covered by group and individual policies issued by the general and health insurers.

As per the Census of India 2011, the population of India is 121.02 crore. Assuming only one policy has been issued to one person, it is evident that approximately 29 per cent of India's total population is covered under any of the health insurance policies. (*Refer Table 4*)

Trends in Net Incurred Claims Ratio:

Net Incurred Claims Ratio (referred as ICR hereafter), is the ratio of net claims incurred to the net premium earned. It indicates the extent of claims settled (and due to be settled) *vis-à-vis* the premiums collected. Amongst various classes of health insurance business, the ICR is high in respect of Group

Business (Other than Government) exceeding 100 per cent in each of the preceding five years. With respect to Government business, there is an increase in ICR as the same went up from 90 per cent during 2011-12 to 109 per cent in 2015-16. (*Refer Table 5*)

State-wise distribution of health insurance business:

State-wise distribution of health insurance business has shown a skewed distribution of health insurance business across various States & Union Territories of India. While five states namely Maharashtra, Tamil Nadu, Karnataka, Delhi and Gujarat contributed 69 per cent of the total health insurance premium, the remaining 31 States/UTs together contributed 31 per cent of the total Health insurance premium. The State of Maharashtra alone contributed ` 7715 crore (32 per cent) of total health insurance premium. **On the other hand, the health insurance premium from the 8 States of North East of India (including the state of Sikkim) was only ` 195 crore (0.80 per cent) for 2015-16.**

Further, all the five stand-alone health insurance companies were compliant with their rural and social sector obligations during the financial year 2015-16.

IRDA (Health Insurance) Regulations, 2016:

Insurance Regulatory and Development Authority of India (IRDAI) had recognized the promising business potential of Health Insurance Business in the early years itself. IRDA (Registration of Companies) Regulations, 2000 specified that the preference shall be given in granting of certificate of registration to those applicants who propose to carry on the business of providing health covers to individuals or groups of individuals. Health Insurance Business for the first time was defined in these Regulations. The Regulator further examined the scope of the health insurance sector, the need for rendering seamless services to policy holders and accordingly created a new

intermediary in the health insurance space, called Third Party Administrator by notifying the TPA Regulations in 2001.

To examine the matters concerning the Health Insurance Business, the Authority constituted a Committee of Experts on 29 December 2014, to visit/re-visit the regulatory framework on Health Insurance. The said Committee submitted its report to the Authority on 24 April 2015. Taking into consideration the recommendations of the Committee of Experts as also the feedback of the stakeholders, the Authority revisited the existing Regulatory framework and notified IRDAI (Health Insurance) Regulations, 2016 on 18 July 2016.

Rashtriya Swasthya Bima Yojana (RSBY)²

Rashtriya Swasthya Bima Yojana (RSBY), the National Health Insurance Scheme was launched by Government of India on 1 April 2008. The objectives of RSBY are primarily to provide financial security to identified categories of unorganised workers and their families from hospitalisation related expenses as also to improve access to quality health care. Health insurance coverage extends to five members of a family which includes the head of the household, spouse and upto three dependents. A beneficiary enrolled under RSBY can visit any hospital which is part of the network of health care providers which has been created across India through empanelment based on pre-defined criteria. In 2015-16, 10,725 hospitals comprised the RSBY delivery network.

RSBY has been able to reach 4.13 crore families consisting of more than 13 crore persons. Beneficiary satisfaction is also one of the highest for any scheme in the country whereby more than 90 per cent beneficiaries are satisfied with the scheme. This is also reflected in the renewal rate. More than 90 per cent of beneficiaries are renewing the scheme. From 1 May 2016, a top-up scheme of Senior Citizens Health Insurance Scheme (SCHIS) has been implemented as a top up to RSBY where an additional cover of Rs. 30,000 per senior citizen is being provided to RSBY enrolled families. (*Refer Table 6*)

² Material received from the Ministry of Health.

Hon'ble Prime Minister in his independence speech of 2016 announced the following:

"Brothers and Sisters, in the midst of the debate on inflation, we are realising one fact that the entire economy of a poor household is affected if somebody falls ill. The wedding of their daughters gets stalled, the education of children gets stalled and sometimes even food is not available in the evening. Healthcare is getting costlier and that is why, I am announcing an important scheme from the ramparts of the Red Fort for the healthcare of BPL families. Under this scheme, in the coming days, if such poor families have to take medical facilities, the government will bear expenditure upto Rs. 1lakh per year, so that my poor brothers are not deprived of healthcare facilities and their dreams are not shattered."

The proposed national health protection scheme will provide a cover of Rs. 1 lakh for each of the targeted poor and vulnerable family and is proposed to be launched from 1 April 2017.

Conclusion:

Health insurance focuses on the concept of risk in health which people face. In India, 28 general insurance companies have been granted registration for carrying on non-life insurance business in the country. Of these, six are in public sector and the rest are in private sector. Of the private sector insurers, 5 have been granted registration to carry on operations exclusively in the health segment³. As may be observed, health insurance premiums have been increasing significantly during the previous ten years. Besides, regulatory provisions have also been stipulated to enable insurance holders to manage claims and mitigate related frauds.

References:

- Material received from the Department of Financial Services, Ministry of Finance, Govt. of India
- Report of the Expert Committee on Health Insurance, IRDAI, 24 April 2015
- http://www.policyholder.gov.in/Why_Buy_Health_Insurance.aspx
- https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_NoYearList.aspx?DF=RL&mid=4

³ Annual Report of IRDAI, Page 18; available at file:///C:/Users/HP/Downloads/Annualper cent20Reportper cent202014-15.pdf

TABLE I

Long-term Trend in Health Insurance Premium (` Crore) (excluding personal accident and travel insurance business)										
Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Private HI Premium	1161	1767	2225	2330	3031	3661	4383	4482	4386	4911
(Growth in %)	134.1	52.2	25.9	4.7	30.1	20.8	19.7	2.3	-2.1	12.0
Public HI Premium	2159	3127	3863	4981	6913	8148	9592	10841	12882	15591
(Growth in %)	25.2	44.8	23.5	28.9	38.8	17.9	17.7	13.0	18.8	21.0
Stand-alone HI Premium	23	171	558	1076	1536	1660	1726	2172	2828	3946
(Growth in %)		643.5	226.3	92.8	42.8	8.1	4.0	25.8	30.2	39.5
Total HI Premium	3342	5066	6646	8388	11480	13469	15701	17495	20096	24448
(Growth in %)	50.5	51.6	31.2	26.2	36.9	17.3	16.6	11.4	14.9	21.7
Total NL Premium	25952	28977	31986	36892	45378	56238	66749	75235	83049	96426
(Growth in %)	21.6	11.7	10.4	15.3	23.0	23.9	18.7	12.7	10.4	16.1
Share of HI in NL premium	13%	17%	21%	23%	25%	24%	24%	23%	24%	25%

HI- Health Insurance, NL-Non Life Insurance

Source: IRDAI

TABLE - 2

Sector Wise trends in Health Insurance premium over past five years
(` crore)

Sectors	2011-12	2012-13	2013-14	2014-15	2015-16
Public Sector General Insurers	8015 (61%)	9580 (62%)	10841 (62%)	12882 (64%)	15591 (64%)
Private Sector General insurers	3445 (27%)	4205 (27%)	4482 (26%)	4386 (22%)	4911 (20%)
Stand-alone Health Insurers	1609 (12%)	1668 (11%)	2172 (12%)	2828 (14%)	3946 (16%)
Industry Total	13,069	15,453	17,495	20,096	24,448
Annual Growth Rate (In %)	18.5%	18.2%	13.2%	14.9%	21.7%

Note: Percentage mentioned in brackets indicates the market share of respective Insurers.

Source: IRDAI

TABLE - 3

Health Insurance Premium (` crore) amongst various Verticals:

Class of Business	2011-12	2012-13	2013-14	2014-15	2015-16
Government Sponsored Schemes including RSBY	2225 (17%)	2348 (15%)	2082 (12%)	2425 (12%)	2474 (10%)
Group Business (other than Government Business)	5948 (46%)	7186 (47%)	8058 (46%)	8899 (44%)	11621 (48%)
Individual Business	4896 (37%)	5919 (38%)	7355 (42%)	8772 (44%)	10353 (42%)
Grand Total	13,069	15,453	17,495	20,096	24,448

Source: IRDAI

TABLE – 4
Number of persons covered under Health insurance:
(in Lakh)

Class of Business	2011-12	2012-13	2013-14	2014-15	2015-16
Government Sponsored Schemes including RSBY	1612 (76%)	1494 (72%)	1553 (72%)	2143 (74%)	2733 (76%)
Group (other than Govt. Business)	300 (14%)	343 (17%)	337 (15%)	483 (17%)	570 (16%)
Individual Business	206 (10%)	236 (11%)	272 (13%)	254 (9%)	287 (8%)
Grand Total	2118	2073	2162	2880	3590

Note: Figures in bracket indicate the share of each class of business in total number of persons covered. Source: IRDAI

TABLE - 5
Net-Incurred Claims Ratio (%) in respect of various verticals of Health Insurance:

Class of Business	2011-12	2012-13	2013-14	2014-15	2015-16
Government Sponsored Schemes including RSBY	90%	87%	93%	108%	109%
Group (other than Govt. Business)	100%	104%	110%	116%	120%
Individual Business	85%	83%	83%	81%	77%
Grand Total	94%	94%	97%	101%	102%

Source: IRDAI

TABLE-6
Implementation status of RSBY (2015-16)

Number of States Covered	19
Number of Districts Covered	398 out of 461 districts
Total Targeted Families	7.28 Crores
Total Enrolled Families	4.13 Crores
Enrolment Conversion Ratio⁵ (against targeted families)	56.73%
Hospitalisation Ratio per family⁶	4.95%
Total number of Hospitals Empanelled across 19 States	10,725
National Average Premium	Rs. 331 per family
Highest Average State Premium (Mizoram)	Rs. 745 per family
Lowest Average State Premium (Karnataka)	Rs. 191 per family
Average claim per hospitalisation visit	Rs. 4,407

⁵ Enrolment Conversion Ratio = (Total Enrolled Families/Total Targeted Families)*100

⁶ Hospitalisation Ratio = (Total Hospitalisation Availed/Total Enrolled Families)*100