CHAPTER II

REVIEW OF LITERATURE

This chapter makes a brief review of the literature relevant to the study. There were only limited research studies, which were directly relevant to the study concerned. The researcher has made an attempt to present a brief review of literature available which consists of articles, publications and PhD thesis in the related area.

L. Manivannan\(^1\) in his study, states that “Buyer behavior in General Insurance Sector is influenced by several Social, Economical and Psychological factors. Economic interests in the values of property, fear of loss of property and fear of cost of medical treatment instigate man to take various General Insurance covers including Health Insurance”. After analyzing the pre and the post purchase behavior of consumers in Periyar District, Tamilnadu, he lists out the problems encountered by the policy holders. The study revealed that, lack of market survey, lack of manpower in marketing, absence of creative marketing and poor advertisement are the problems faced by insurance companies while marketing the general insurance policies. He has concluded stating that, the delay in settlement of claims, poor after sales service, indifferent approach of development officers, lack of technical knowledge relating to underwriting and claim settlement, and the negative attitude of employees and agents are the major problems faced by the policy holders.

Chandra Mohan\(^2\) has found out that the Life Insurance Corporation of India is the market leader in Life Insurance business in Erode District of Tamilnadu. According to him the “development officers” of the company are the main selling force for Life policies. With their experience in sales, social club connections, personal observation of situations and information gathered through friends and relatives they are able to sell the

\(^1\)“A study on Marketing of General Insurance services in Periyar District of Tamil Nadu”. Dr. L. Manivannan guided by Dr. P. Muthuswamy, Bharathiyar University, March 1995.  
\(^2\)“A study on Marketing of Life Insurance services in Erode District of Tamil Nadu.” Submitted by Mr. Chandra Mohan under the supervision of Dr. L. Manivannan submitted to Bharathiyar University in December 2002.
policies effectively. Socio-economic factors like community, education, income, occupation and wealth had a direct influence on the buyer's behavior and the buyer's satisfaction level was found to be good.

B. Kalpana3 has found out certain facts about the Consumer's attitude towards services of LIC. According to her, the customers are aware of LIC products through newspapers and advertisements but are unaware of other new products. According to her wide publicity of such products are needed to gain a considerable market share. She points out that Customers are taking life policies for availing income tax benefits and as an investment tool with expectations of earning more bonuses. But she suggests that they should realize its real benefits and take it as a life cover. She concludes saying, even though LIC is in an advantageous position because of government ownership and funding, competitions from private sector companies will be a major marketing issue in the future. She suggests that, Insurance policies being service products personalized service and consumer satisfaction are essential for its effective marketing.

According to S. Ganesan and S Jayaprakash4, India with a population of 1000 million has a very vast inequality in terms of reach of the healthcare industry with barely 3% of the population covered by some form of health insurance, either private or public. India has a poor health penetration. Even liberalization of the Insurance Industry has failed to attract a single specialized healthy insurer till now. The concept of TPAs and cashless hospitalization coverage was introduced after liberalization with an aim to create a turning point in health insurance. Third Party Administrators (TPAs) are the middlemen in the chain of integrated delivery systems that bring all the components of health delivery — such as physician, hospital, clinics, household healthcare, long-term care facilities and pharmacies — into a single entity. To conclude they suggest that, by creating a proper network between TPAs, insurers, government regulators and other

3 "A study on Marketing of Life Insurance services in Erode District of TamilNadu." Submitted by Kalpana under the guidance of Dr. Chinnadurai, PSG College of Arts and Science.
healthcare units and by improving their operational efficiency, the TPA can create a turning point and become Turning Point Administrators.

Nandha Kumar and Sanjay Kumar KK\(^5\), in their article on “Health Insurance in India — Opportunities and Issues” discuss the current state of health insurance in India, the impact of regulations on the sector, privatization of the industry and the concomitant opportunities and challenges, the issues facing the industry and suggestions for the future.

They highlight the following issues as faced by health insurance sector.

- The populations in the unorganized sector like carpenters, masons, daily wage workers, etc suffer from multiple disadvantages like lack of representation, seasonal occupation, intermittent income and high mobility due to the nature of their jobs and these are very major problems when it comes to creating a suitable health policy for them.

- Low literacy rate, inadequate rural insurance penetration and lack of information also add to this problem. Indian population is increasingly falling prey to multiple chronic illnesses such as obesity, heart disease, diabetes, hypertension, etc. and ill health of that population will have a direct impact on the financial costs of providing healthcare to them.

- Lack of new products and new players in Health Insurance Sector.

- Lower public health expenditure in this sector which results in poor medical infrastructure, non-availability of efficient medical personnel and poor quality of service, etc.

U Jawaharlal\(^6\) in his article on “Health Insurance” analyses the factors that are responsible for making health insurance a poor business proposition in India. According to him, in India health insurance has not had a very profitable existence right from its

\(^6\) “Health Insurance Failure in India” by U Jawaharlal Insurance Chronicle – February 2004 – Page 5
inception. Exaggeration of bills, propensity to get admitted in hospitals when not really
called for etc., are the bane of the health insurance policies. The insurance companies
tried various measures to stem this problem but to little avail. He suggests that, more than
introducing new forms of health schemes, there must be a rapid rise in the awareness
levels of the general public. Once that is ensured, other benefits would follow as a matter
of course. It is for the various forces associated with health insurance to do something
immediately so that Indian Insurance industry can also boast of a successful existence of
the health sector.

Alka Mittal\(^7\) states that only 3.5% of the Indian population is insured and there is
a vast unexplored market in the Insurance sector. With the opening of Insurance sector,
13 Life and 10 General Insurance companies have been granted license apart from LIC
and other PSUs. With tremendous growth and competition, there is a need to market
Insurance products using innovative practices. She points out that, there are a large
number of segments of the Insurance Market like Pension, Health and other Personal
Insurance Products which constitute 12% on Indian General Insurance premium which
require careful market analysis.

She suggests some PR tools like tools of Publicity, lobbying, journals/news
letters, sponsorship of sports and other activities, special drives, entertainment, lunches
and dinners etc are to be used by the agents to promote health insurance. She concludes
that innovative products and services focusing on targeted customer segment should be
introduced and employees are to be trained with excellent customer relation skills.

(Srabanti Chakravarti (Mukherjee)\(^8\) points out that the level of healthcare spending
in India, currently at over 6% of its total GDP is considerably higher than that in many
other South Asian developing countries. More than three quarters of this expenditure
includes “out-of-pocket expenditure” of private individuals.\)

\(^7\) "Strategies for Marketing of Insurance Services" by Ms. Alka Mittal, Lecturer, Department of
Business Administration, Maharaja Surajmal Institute, Janak Puri, New Delhi.

\(^8\) Mrs. Srabanti Chakravarti (Mukherjee), Lecturer in Marketing, EILM University — May 2004.
Page 38 & 39.
She concludes that making improved health services available to the poor is one of the important priorities before the Government. Since government means are limited, private sector involvement in providing health services to rural areas is necessary. However, private healthcare is costly and in majority of the cases it is beyond the means of the average rural household. Under such circumstances, health insurance coverage for rural people will be a most viable and vital means for getting improved healthcare services. She suggests that, in order to implement the health insurance coverage successfully to the rural household, it is necessary to understand basic dynamics of consumer preferences, acceptability, ability to pay, their education level and occupations, etc.

William E Braun Jr. analyses that growing awareness on health and health insurance is resulting in several new products being introduced. MSA (Medical Savings Accounts) is one such innovation that has evolved through the recent years. MSA is an exclusive package for the self-employed or a small firm with few employees that promise low cost health insurance and various tax benefits. He concludes that an MSA allows the self-employed save money for future medical expenses in a custodial account. Financial institutions such as banks, insurance companies, and even some mutual fund companies may offer custodianship for MSA accounts.

Basil Reekie analyses the issues relating to health insurance policies and healthcare management, and suggests that, utilisation of health maintenance organizations, pharmacy benefit managers, setting up and utilizing preferred provider organizations requiring pre-treatment clearance, utilization of diagnostic related groups and linking short-term cover to wellness products are certain forms of healthcare management that can be used for Health Insurance. He concludes by saying that the socio-economic environment has a significant impact on the type of health insurance policy that consumers will look to buy.

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Mr. Aloke Gupta,11 quotes that the expenditure on health has been declining over the plan period. It has dropped from 3.3% in the First Plan to 1.7% in the Eighth Plan. Quoting the Eighth Plan he says that “It is time that the concept of free medical care is reviewed and people are required to pay even if partially, for the services”.

According to him, the government expenditure on health is woefully inadequate, and keeping in view of the country’s size, population, regional diversities and epidemiological complexities, the Private health insurance, can bridge the gap in healthcare funding. Health Providers and Health insurers share a mutually important relationship because both of them address to the healthcare needs of the individuals – one by delivering healthcare, the other by financing it. He concludes by saying that, a vast potential exists in our country for insurance in private healthcare. Large sections of employees in the organized sector remain uncovered. The even larger unorganized sector consisting of self employed professionals, shopkeepers, traders and petty businessmen provides enormous opportunities to new health insurance entrants.

U.Jawaharlal12 points out, how health insurance in the Indian market has made considerable progress in the post-liberation era. However, considering the vast potential that is available in the country, it is still far from where it should be. He says that instead of just managing to ensure the renewal of the existing contracts and expanding a little, insurers should attempt to enlarge the scope of coverage and look for newer avenues.

He concludes that, the customer base in the domain of health insurance has to be largely expanded. It is a matter of primary insurance education that the spread of risks among a very wide base automatically brings down the claim ratios. According to him another possible area where the insurers could focus is a ‘cradle-to-cemetery’ sort of omnibus coverage for an entire family. By insisting that all the members of the family should be insured, the disadvantages pertaining to the older members of the family can be more than compensated by the younger ones.

12 U.Jawaharlal’s article on Indian Health Insurance Market – “A Road Map to Future” presented to Insurance Chronicle, January 2006, Page 25-27
Insurance is not a concept that comes naturally to most people. Psychologists D. Kahneman and A. Tversky (1979; Kanheman 2003) have shown that people tend to accept large uncertain risks in order to avoid small sure losses (such as insurance premiums), and to underestimate low-probability events by behaving as though their probability were zero. According to them some countries have overcome these misconceptions by requiring citizens to be insured against health risks and others.

They point out that mainstreaming health insurance requires opening access to health insurance for most of the population, which in India means including the poor as well.

‘Micro health insurance’ is a risk management mechanism based on insurance principles and operating at local community level. They conclude saying that India is at the forefront of development of the micro health insurance market worldwide.

Samuel B Sekar in his article discusses about innovation in insurance product and points out that insurance is one product which is not demanded by a customer, but supplied to him by massive education and drive marketing. Insurance ought to be bought not sold. Involving customers in the product designing or conceptualization phase is a new practice and increasing with the intensity of competition and pressure building up over the company to deliver value to its stake holders. Demand-driven innovation is not the rule in product companies alone; it also plays an important role in service industries like insurance, banking, etc. The demand side innovation focuses more on customer’s social and economic reality striving to deliver maximum value to the customer at an affordable price.

AK Shukla, chairman, Life Insurance Corporation of India says that the government and the regulations have always recognized that the healthcare needs a greater focus and the health insurance is the significant driver for the improvement of healthcare. According to him at present, the General Insurance Companies both private

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15 AK Shukla, chairman, Life Insurance Corporation of India for Asia Insurance Post, volume 6, Issue 6, January 2006. Page-26
and public sectors are not doing well in this business segment due to high claim ratios, inadequate pricing and high distribution cost. He concludes saying that, the life Insurance Companies are actively exploring the possibility of venturing into health insurance sector in collaboration with reputed international health insurance companies.

Venkatesh Mysore, believes that life and non-life companies should be allowed to enter the health space within the purview of the existing companies, as they did in pensions. He further points out that the companies should sufficiently be capitalized to take on additional risks in the health and pension areas. He concludes by saying that, health insurance i.e., pricing, underwriting and administering health products is very complimentary to life business.

Antony Jacob, managing director, Royal Sundaram Alliance Insurance, points out how health insurance is definitely getting its due attention and policy support from the authorities. According to him, this is the one sector in general insurance which is growing significantly. Life insurance and health insurance are two different facts of insurance. They may complement each other, but their objectives are different. He concludes saying, health insurance premium need to be competitive.

GV.Rao in his article brings out the fact that the government would have already expected that the foreign investors and healthcare insurers would stream in, in large numbers, as the potential for health premium in India, with respect to the Indian population, is huge.

He analyzes that the permission given to life insurer to offer critical illness covers, that come under the medical insurance umbrella is beneficial to customer because the customer prefers dealing with one insurer and not with several unless the price difference is significant. He concludes that insurance is designed as the financial medium for medical costs between the healthcare provider and the customer of these services.

17 Antony Jacob, managing director, Royal Sundaram Alliance Insurance, for Asia Insurance Post, Volume 6, Issue 6, January 2006. Page-30
Kent Ranson in his article on the experience of the Self Employed Women’s Association (SEWA) focuses on catastrophic healthcare expenditure and thereby underlines the importance of ensuring that community financing schemes effectively protect households from impoverishment. “Fairness in financial contribution” is defined by WHO to be one of the three intrinsic goals of a health system. The fairness in financial contribution index measures, whether a country collects contributions from households to finance health in an equitable manner or not.

He points out that a closer examination of the circumstances under which households face catastrophic health expenditure identifies important determinants such as income, age of household members, and employed/unemployed status of the household head. He states that countries should be encouraged to establish prepayment schemes for health financing since there is strong evidence that the larger the proportion of prepayment, the smaller the proportion of households that will face catastrophic health spending. He concludes that pooling is a major way to spread risks by ensuring transfer of funds from higher to lower income groups, and from low-risk to high-risk individuals.

SK. Mahapatra, in his view about the current trend in the general insurance industry states that, Mediclaim is the fastest growing sector in the liberalized general insurance industry. But the health insurance sector has not taken off because of the absence of an independent claim settlement and control mechanism. He concludes that TPA as a licensed entity is yet to prove their usefulness to the policy holder.

Dalip Verma thinks that no one individual player has applied exclusively for health insurance business alone. For health insurance needs, one to be able to attract specialized health player in the market, who are exclusively into health insurance in the global market. He points out that the requirement to have a capital of Rs. 100 crore and

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Kent Ranson in his article on the experience of the Self Employed Women’s Association’s (SEWA) “Medical Insurance Fund in Gujarat”, Page 613-621


the foreign equity of 26% is more favourable to the life companies as underwriting a life policy involves medical tests and health check-up. He suggests that the literature and the brochure for the products have to be improved.

S.V. Mony\textsuperscript{22} states that Health Insurance has been discussed at length in many forums. No specialist health insurer has come forward so far to establish operations in India. Therefore, life and general insurance companies are allowed to transact health insurance business. But, they are cautious in their approach primarily because of weaknesses in the infrastructure of health sector and lack of reliable data. He concludes that government and the regulator should come forward to provide new initiatives and incentives to realize the potential growth in this sector.

Ramesh Bhat and Nishant Jain\textsuperscript{23} points out that despite low premium the penetration of health insurance is very low at community level and they analyze the factors determining the demand for private sector insurance companies. They have concluded stating that income, age, coverage of illness and knowledge about insurance, number of children in the family and future healthcare expenditure were the significant factors affecting health insurance purchase.

According to Walter de Oude and RajaGopalan Krishnamurthy\textsuperscript{24}, Health insurance remains vastly under-developed in India. Regulations permit only the general insurance companies to offer stand-alone health insurance products. State-owned companies have mainly attempted to market health insurance cover on a discounted basis to employer groups. The success of this strategy means that group health insurance constitutes about 35% of the total health insurance business. The health portfolio that had a loss ratio of about 78% in 2003 deteriorated to 98% the following year. According to them these deteriorating loss ratios, as well as competition from new private players, are


\textsuperscript{23} Paper on “Factors Affecting the Demand for Health Insurance in a Micro Insurance Scheme” submitted as working paper no. 2006-07-02 to Indian Institute of Management, Ahmedabad by Ramesh Bhat and Nishant Jain.

putting the public sector companies under pressure to more actively manage their portfolios. They conclude that there is significant opportunity in India for insurers if they can proactively contribute to government initiatives to achieve better and more widespread healthcare provision and funding.

Mavalankar Dileep\textsuperscript{25} points out that India has developed a large infrastructure for primary healthcare (PHC). Unfortunately this infrastructure has not delivered results expected out of it. More and more clients are moving away from public to private healthcare. One of the reasons for this according to him is the under-funding for medicines in PHC in five states based on available information and he compares the per capita medicine allocation to what some of the government and semi-government organizations spend on medicines for their own employees. According to him the comparison is very shocking as it shows that PHC system gets 6-9 rupees per capita per year for medicines including expenditures on medicines at CHC, district hospitals and medical college hospitals while government spends 62-1000 rupees per capita per year on its own employees. The paper also lists other problems in management of medicine supplies in the PHC system. Finally the paper argues for higher level of allocation for medicines in PHCs to make the PHC system more effective.

A working group on health insurance was constituted by the Insurance Regulatory and Development Authority (IRDA) comprising representatives drawn from various stakeholders to look into specific areas related to the promotion and development of health insurance. The members were Mathew Vargheese (chairman), Analjit Singh, Sangeetha Reddy, Ashwin Parekh, AlokeGupta, Dr.A.K.Chakaravarthy.\textsuperscript{26} The objective was to chalk out strategy to increase health insurance penetration in the country

According to them, high claims ratios, lack of under-writing discipline; deficiency of credible health expenditure data, absence of healthcare regulation and structural

\textsuperscript{25} Mavalankar Dileep, A working Paper on : “How Many Rupees Worth of Medicine Does One Need? Comparison of Medicine Budgets in PHCs and Expenditure on Medicines for Government Employees” submitted to IIM Ahmedabad on 1-3-1999

\textsuperscript{26} Mathew Vargheese (Chairman), Analjit Singh, Sangeetha Reddy, Ashwin Parekh, AlokeGupta, Dr.A.K.Chakaravarthy. “A working group on health Insurance” was constituted by the Insurance Regulatory and Development Authority (IRDA)
deficiencies of the provider network have hampered the development of the health insurance sector. They suggest that in rethinking our choices for healthcare, and in particular healthcare financing reform, there is a need for all stakeholders – the providers, the payers and the intermediaries – to come together in charting out a coherent response.

The committee’s major recommendation is that the reform should encourage the formation of **stand-alone health insurance companies**. These companies should be covered under separate statute or law, to be modeled on similar statutes being used in countries where health insurance has come to play a major role in healthcare financing.

Insurance companies\(^{27}\), both public and private, are in the race to bag the contracts for the State Government-sponsored health insurance schemes involving large number of policies worth crores of rupees. Several states including Maharashtra, Gujarat, Goa, Uttarakhand and Jammu and Kashmir are planning to launch free or subsidized insurance schemes for poor people and women in the state. Assam Government has already introduced State-level insurance schemes. The States’ plans are part of the Union Government’s initiative to increase public spending on health for people who are below the poverty line.

Health insurance\(^{28}\) reforms in India are likely to take the route of standalone health companies offering long-term products, with hospitals being made stakeholders. Three committees constituted by Insurance Regulatory Development Authority (IRDA) looked into the health sector and have finalized their recommendations. The committee looking at standalone health insurers has suggested that companies specializing in health insurance should be allowed to start with a lower capital and that service providers such as hospitals should be made stakeholders to reduce conflict of interest.

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\(^{27}\) A Newsletter titled Insurers competing for State health cover schemes from the magazine “Asia Insurance Post” September 2005.

\(^{28}\) A Newsletter titled “Hospitals to have stake in health insurance” from “The Insurance Times” August 2005, Page no. 18&19.
Arvind Sen\textsuperscript{29} believes that everybody wants a society that is reasonably secure. Among other things, people want to be secure from crime, secure in having access to modern healthcare, secure in the wholesomeness of food and environment, secure in sources of income, secure in personal privacy and liberty. He regrets that the percentage of Indian citizens having no healthcare coverage is far beyond our imagination. Individual plans are beyond the reach of common man, while many employers have been reducing coverage for their workers due to rising costs. To improve this condition Arvind Sen suggests that reasonable healthcare must be available to all citizens. He concludes that a single public trust fund should be established to administer universal healthcare practitioners, with open enrolment for both employed and unemployed residents, and their families.

Karen Bender\textsuperscript{30} questions, as more and more employers drop their health insurance coverage, will individual health insurance coverage be able to fill the gap? This is the problem analyzed by Karen Bender, who while talking about the US health insurance market quotes “a study completed by American Health Insurance Plans stating about 88\% of applicants in the individual market were offered coverage. Older individual’s standard premiums are higher than the standard premiums of younger individuals. Each state started deciding the rating rules and introducing some subsidized programmes for low income individuals and small employers. The Health Insurance Portability and Accountability Act of US guarantee portability between individual plans and group plans. If the individual Health Insurance market is to be viewed as a visible alternative to group insurance then there should be national standards for the individual health insurance market.

\textsuperscript{30} Karen Bender, principal with Mercer Oliver Wyman in Milwaukee, in an article on “No Easy Answers” for “Insurance Chronicle”, July 2006. Page 22-27.
\textsuperscript{31} Chris E Stehno and Craig Johns consultant and statistician in Millman’s Denver office in an article titled “You are what you” for “Insurance Chronicle” April 2006. Page 49-53.
massive consumer data sets that were once used for marketing and sales activities are now being used for a variety of new applications including the identification of an individual's health risks. The analysis of lifestyle-based analytics, offers enormous promise to patients, doctors, and health and life insurers.

Rapidly rising pension and healthcare spending will reduce the debt status of the world's richest industrialized countries to junk within 30 years unless their governments act or move more quickly to balance budgets and reduce outgoings, a report warns. Standard and Poor's (S & P) the credit rating agency, says if fiscal trends prevail, the cost of ageing populations will fuel downgrades of France, the US, Germany and the UK from investment grade to speculative, or junk, category France by the early 2020s, the US and Germany before 2030 and the UK before 2035. All big industrialized nations face the problem of large unfunded pension liabilities and rising healthcare cost as population age.

France, has the world's best performing health system according to a radical news analysis by the World Health Organization (WHO). It is followed by Italy, Singapore, Spain, Oman, Australia and Japan among major countries, with the UK ranked 18th out of 191 countries and the US which has by far the world's largest health expenditure - ranked only 37, just above Cuba. Since January 1, 2000, six million French people and Foreigners living in France have been receiving free health under a common law system, a revolutionary advance arising from the law enacted in the year 1998 against exclusion.

Dr. Frenk said, the key arm of the index was that "by providing a comparative guide to what works and what doesn't work, we can help countries to learn form each other and improve the performance of their health system. The WHO finds that health ministries must look at the overall impact of the private as well as public sector."

Pre-payment systems which avoid large out-of-pocket spending at the time of treatment are crucial. Given that poorer and even some middle income countries cannot achieve that through taxation, work-based and community-based social insurance systems should be encouraged. Setting priorities is also important and rationing should limit the procedures covered, rather than the people covered.

According to Dr. Abhijit Kar34 Insurance industry in India is now on the frontline and is poised for a rapid change within a couple of years. Strategies of State-controlled Public Sector Insurance Companies, including a few nationalized Banks venturing in this insurance sector and Private players with joint ventures, in this free competitive era, are going to transform this industry at a steady pace in coming years. The government is determined to provide Food for all, Shelter for all, Health for all, and Education for all. The public sector companies have come to the conclusion to launch a new health product namely HEALTH PLUS MEDICAL EXPENSES POLICY with effect from 1st January 2004. This new policy will be for the Individual as well as for Group Individual policy cover reimbursement of hospitalization expenses only for illnesses/disease contracted or injury sustained by the Insured person in India, during the policy period.

According to Ramesh Bhat35, Insurance is the backbone of a country’s risk management system. Risk is an inherent part of our lives. The insurance providers offer a variety of products to businesses and individuals in order to provide protection from risk and to ensure financial security. They are also an important component in the financial intermediation chain of a country and are a source of long-term projects. Through their participation in financial markets, they also provide support in stabilizing the markets by evening out any fluctuations.

He concludes stating that considering the complexities of health insurance, the government should have a separate insurance regulatory body to regulate health insurance alone.

35 Ramesh Bhat, Professor, Finance and Accounting IIM, Ahmedabad for “Insurance Industry in India”, Page no. Page no.94 & 95
Bank assurance is one of the thrust areas for Bajaj Allianz says Kamesh Goyal. We have a separate channel head to closely monitor and coordinate the activities of this channel. For banks selling of general insurance products is like an additional revenue stream and most of them want to offer their customers a basket of all financial products. So they would definitely help to promote all retail financial products. Bank insurance trained, bank official can sell the product more effectively than others.

S. Krishnamurthy believes that the most cost effective channel to make insurance products available to masses is through widespread bank branches network. When all the branches of State Bank Group are equipped to propose insurance to their customer, it will penetrate the ratio amongst the bank customers. More than the benefit for the bank and the insurance Company, customer is the first beneficiary.

Bank assurance increases cross selling capability of bank staff, not only for insurance products but also for other financial products. Bank customers will also buy all financial/protection/retirement products available from the bank which is perceived as a trust worthy financial partner. For the insurance company, Bank assurance is also a profitable concept because it allows industrializing the selling of simple and easy to understand, Life insurance products to a large bank customer data base.

According to Mukul Gupta, Bank assurance is proving to be very successful in India. Response to bank assurance in India from customers has been very warm and encouraging as customers have far greater trust and faith in Banks when it comes to financial products. He says that the concept of financial planners does not exist in India and traditionally Bank Managers in India have a strong relationship with the customers.

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36 Kamesh Goyal, CEO, Bajaj Allianz General Insurance, in his article on "Some of the Retail Products can be customized exclusively to suit the needs of Banks' Customers" for "Asia Insurance Post", August 2005. Page no.31&32.
and also act as their investment advisor, especially in smaller towns and cities. This trust has also helped our Bank assurance partners to advice their customers on various Insurance plans to help secure their future and provide growth to their savings.

According to MK Garg, Bank assurance is definitely catching on as an excellent growth opportunity for both insurance companies as well as banks. Banks benefit by reaping an alternative non-interest based income, while insurance companies get access to vast customer database and also the advantage of the bank’s widespread network and resources. Customers get the convenience of integrated financial services under one roof.

The reason for healthcare being largely elusive to most Indians is that it is still not organized. But who will bell the cat primarily?! Not less than 80 per cent of healthcare finances in India come out-of-pocket from users. Out of the remaining, 15 per cent comes from public financing; four per cent from social health insurance and just one per cent form private health insurance. Social health security schemes, covers a meager 3.2 per cent of the Indian population. The Central Government Health Services (CGHS) is another such scheme, accounting for roughly 0.5 per cent of the population. Reportedly, in the year 2002-03, the ESIS Corporation spent Rs.12 billion on healthcare for its member beneficiary whereas the CGHS spent Rs two billion, that amounted to Rs.450 per beneficiary.

The Government sporadically initiates health-oriented social schemes for the poorer sections of society, especially the below poverty line groups, in the unorganized sector. Such schemes include the Krishi Shramik Samajik Sanstha Yojana, National Social Assist Programme, National Family Benefit Scheme, National Maternity Benefit Scheme, Handloom Workers Thrift, Health and Group Insurance, Agricultural Workers Central Scheme, Janashree Bima Yojana, State Government Welfare Funds, National Illness Assistance Fund and State Illness Funds etc...

40 A News article entitled, “Health-The Boundaries of Healthcare” from the journal “Insurance First” June 2005 page no. 36,37,38,39.
Speaking about the success of Bank Assurance in India, Rajesh Sud\textsuperscript{41} says that the potential of bank assurance is immense. The reach of banks in India in both width and depth is phenomenal. According to him there are more than 65,000 bank branches in India one branch for every 15,000 persons. Savings with banks constitute 50% of domestic household savings in India. Banks stand to benefit because they get fee-based income at a time when their fund-based income is shrinking. He concludes saying that insurers can draw on the customers that banks have and benefit from the ready infrastructure a bank offers.

The biggest pitfall in the health industry\textsuperscript{42} today is the acrimony between the healthcare providers, insurers and their intermediary, the third party administrators (TPAs). The problem with health insurance has been the aversion to it for the younger generation who feel that health costs are not really a concern for them since it is a factor of old age and so have generally been shying away from buying it. That health risks are really unpredictable and not dependant on age alone. It is a cultural and societal issue, and is to be addressed by social education. The committee has suggested that health products should have long-term savings components and also to be attractive to the younger generation.

V.K Kasturirangan\textsuperscript{43} says that over the past decade though there has been a renaissance in the insurance industry an area that remains largely, untapped by companies is health insurance, a World Bank study says that more than 50% of an ordinary citizen’s total annual expenditure is on healthcare. 40% of those hospitalized either borrow money or sell their assets to manage medical expenses. In India voluntary health insurance covers around 2% of the total population indicating that there is immense scope and potential for the insurance sector to provide for health insurance in the country.

\textsuperscript{41} Rajesh Sud, executive director, agency, Bank assurance, Direct Sales Distribution, Max New York Life, in his article on “Successful Bank Assurance Partnerships”, for “Asia Insurance Post”, August 2005, Page no. 29
\textsuperscript{42} A newsletter titled “Health Reforms on the Anvil” from “Insurance First Volume II, Issue 12, August 2005, Page 21-23 and 44.
\textsuperscript{43} V.K Kasturi Rangan – Insurance India, Chennai, for “The Week”, August 28 2005, Page 18, 19, 20.
V.K. Kasturirangan – Insurance India, Chennai, says there is an increased awareness about health insurance among the middle income class as well as senior executives today. Apart from managing sudden expenses, they also get income tax benefits on premiums paid as per section 80-D of the Income Tax Act.

Sybille Musick\(^{44}\) states that the current situation in the health sector is characterized by greater expectations of entitlement on the part of patients, a constantly increasing number of civil actions with mounting claims for compensation and damages for pain and suffering. The cost pressure generated by law makers, combined with a substantial reduction in the length of stay in hospitals, has led to considerable time pressure being exerted on those working in hospitals. Simultaneously, in this connection there are endeavours to employ lower paid and hence, less qualified staff. Furthermore, the fortification of patients’ rights is also dear to the legislator. In addition, the public is supplied with comprehensive information by generally accessible media such as newspapers, journals, television, and the internet.

According to him, the objective is to establish active risk management as a loss prevention tool in the order to enhance the loss situation at hospitals on an on-going basis. He also suggests an incidental reporting system ‘a web-based incident reporting tool which helps to determine, promptly, and on an ongoing basis, any deviations in the care and treatment of patients and to derive preventive strategies from this data becomes an indispensable tool. The prompt recording of deviations in patient care and treatment has now become a vitally important aspect.

Jagendra Kumar\(^{45}\) says that the healthcare system of India is in a mess. Results of the National Sample Survey 60\(^{th}\) round bring out the picture in black and white. On the one hand, morbidity, which measures what proportion of the population reports an ailment, is going up, on the other hand, treatment is increasingly shifting from government sources to private sources, particularly in urban areas, and associated costs are going up. The health of a nation is best indicated by the health of its people.

According to him on this count, India is certainly on the sick-bed. He proves his statement by pointing out the key indicators like infant and child mortality, maternal morbidity and malnourishment which paint a dismal picture. Major institutional reform is called for, involving expansion of public health engineering and public health facilities, expansion of medical insurance and intelligent institution regulation of healthcare. Corporate hospitals are forging tie-ups with big overseas insurance firms to boost health tourism, even as the government has started the process of accrediting healthcare facilities.

The Insurance Regulatory & Development Authority would like to highlight the various steps to be taken by the Insurers to ensure that the shift from a tariffed market to a market where the insurers are free to fix the rates and determine the terms and conditions of a contract is as smooth as possible. For operating convenience, every insurer will require to have an internal guide tariff for the smaller valued risks and the simple risks. Staff with authority to accept business will be trained to evaluate proposals they underwrite and rate of risks as per the guided tariff.

The Appointed Actuary, in association with experienced senior underwriters of insurer, will be responsible to list out the rating factors to be looked at for every type of risk. The IRDA will look at the changes from the point of view of the simplification of the language of the cover, underwriting prudence and technical soundness of the changes.

India is believed to have one of the largest private health sectors in the world with government’s healthcare expenditure. At the macro level, health insurance as a vehicle of healthcare financing in India has not taken off, despite the fact that around 80 per cent of all health households through their own resources – savings or borrowings fund spending in the country. Due to this reason, healthcare expenditure on catastrophic or major illness is one of the many factors for rural indebtedness.

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46 An article on “Dating with Detariffing”, from “Insurance Policy”, September 2005 Page No.27
47 An article titled “Ready to Roar”, From the “Asia Insurance Post” December 2002, volume 3 Issue5.
In its effect to make healthcare facilities available, the expedition of the healthcare provider 'Pratima' in Karimnagar, Andhra Pradesh is noteworthy. In tune with the 'Corporate Social Responsibility' of the health insurance providers, in Karimnagar, the Pratima Institute of Medical Science (PIMS), have taken upon themselves to make available the benefits of all hi-tech healthcare services and to reach the wider segments of population including the lowest of the low, i.e. the BPL (Below Poverty Line) segment, the micro-insurance clients. This mission and vision of corporate provider ‘Pratima Hospital’, is achieved with the introduction of some novel schemes. This scheme is a unique scheme where the hospitalization expenses and surgical expenses are not charged to the patient at all. The patient is required to buy medicines and all consumables at his own cost. On the diagnostic tests also they are given a discount of up to 25%.

The objective of the proposed scheme is to provide good hospital services to the rural poor population residing in Karimnagar and falling under the category of eligible beneficiaries as defined under the scheme covering the revenue district of Karimnagar. The author talks about a proposed health insurance scheme, which involves the active participation of the

- Zilla Samakhya of Self-Help Groups, Karimnagar District, a society established with the support of the Indhira Kranthi Patham (IKP) program being implemented by the Society for Elimination of Rural Poverty, Government of Andhara Pradesh, having its District Administrative Office at Karimnagar, Andhara Pradesh.
- Prathima Hospital - the healthcare provider.
- District Project Management Unit, IKP, Karimnagar, Government of Andhara Pradesh.

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48 V. Jaya Lakshmi, Faculty Member, International Institute for Insurance and Finance, PGRRCDE, Osmania University, Hyderabad, article titled "An Experiment in Semi-Urban India" for "Insurance Chronicle", April 2006. Page 74,75,76,77.
Arman Oza\textsuperscript{49} states that India stands at the humble 127\textsuperscript{th} position on healthcare spending as per the Human Development Report 2005. He concludes stating that initiatives like actuarial rating, IT-driven service network, and regulation for healthcare providers and above all, conscious efforts by all stakeholders to instill congruence between them will be required to make health insurance more acceptable to the dithering customers and make it a top priority for everyone, after life insurance.

K. Praveen Kumar\textsuperscript{50} states that, India is an under insured market. It is understood that only 3\% of India's population is covered by some form of voluntary health insurance and the overall scenario is that less than 9\% of the population is covered by some form of health insurance, may it be a voluntary, social or employer and community. According to him, the health insurance scenario is fast changing due to the following factors:

- Growing middle income families
- Health conscious society
- Increasing corporate hospitals

According to D. Sattaiah and P.S. Gunarajan\textsuperscript{51} the risks faced by the rural households may be broadly classified as those related to life and livelihoods. The risks that would fall under the livelihoods are the ones which would be under the domain of general insurance companies in the Indian context. The major livelihood risks that are faced by a rural household are:

- Risks to agricultural activities
- Risks to agri-allied activities like risk to livestock
- Risks to assets used in non-farm activities
- Health risks

\textsuperscript{49} Arman Oza, an Associate of the Insurance Institute of India, the article titled "Health Insurance Awaiting Congruence" for "Insurance Chronicle The ICFAI University Press", January 2006. Page 29-33.

\textsuperscript{50} K Praveen Kumar, Assistant Professor of Apollo Institute of Hospital Administration, in the article "Health Insurance in India" for "Insurance Chronicle The ICFAI University Press", January 2006. Page 38,39.

Health insurance product would be more viable to administer for the high impact and low frequency health risk events. He concludes that it would be useful to design a health finance product where the lower cost and higher frequency health risks are addressed by savings and the higher cost and lower frequency health risks can be addressed by insurance.

ICICI Prudential Life Insurance\textsuperscript{52}, is planning to bring in a health insurance product that would also have a "savings element" built into it. If it does bring out the product, the company may well be the first to do so in India. Usually, standalone health insurance products do not give the customer something back. You pay the premium; the insurance company pays for the covered medical expenses. If there is no medical expenditure, you get nothing. This is because typically health insurance products are for short periods, usually one year.

Joe Navarro\textsuperscript{53} says that advertising should speak about the product from the boomers' perspective, talk about quality of life and well-being, and provide answers to the multitude of questions that next life stage holds for them. What more can you do to increase your sales? Baby boomer is the cohort generation of Americans born between 1946 and 1964. Travel insurance, health saving accounts, Medicare, group medical, annuities, dental/vision, reverse mortgages, well-being, homeowners, and long term care are just some of the products that will prove valuable as 10,000 boomers turn 50 everyday. The oldest baby boomers are turning 60 years old, and the youngest are turning 42 in 2006. Yes, baby boomers are represented by a wide range of life stages, experiences and values. But as a group, they are a marketer's paradise. Those born between the boomer years, commonly share a current transition in to middle age and pre-retirement years.

Boomers are called the "Sandwich Generation" because of their increasing role as caretaker for their parents and children. As boomers grow older, they will be making important insurance and financial related decisions for themselves, their parents and children. They are the wealthiest, best educated and most sophisticated health insurance purchasers.

\textsuperscript{53} Joe Navarro, for "Insurance Chronicle", June 2006, Page no. 50-52
According to Rajesh C Jampala\textsuperscript{54} Emerging markets, with their huge potential are set to change the landscape of the insurance sector in the coming years. Life and non-life insurance premiums in emerging markets have grown annually with impressive growth rates of 10.4\% and 7.3\% in real terms respectively, compared to the average of 3.4\% and 2.6\% for advanced countries. Premium growth is also expected to sustain an impressive rate of 7.5\% per annum in the coming decade. This is due to strong economic growth, increased stability, good regulatory mechanisms, and adaptation of international best practices, innovative product offerings and new distribution channels in emerging markets by insurers. However, insurance business varies greatly in size and structure among the emerging markets. Innovation in product development, transparency in dealings and especially in settling claims, reaching untapped markets, building trust, creating awareness about the importance of insurance, are some of the key challenges before insurance providers.

The article discusses the concept of human life value\textsuperscript{55}, and its application with the help of a case study. The human life value concept means that a person should buy insurance on his life, so that in the event of his unfortunate death, the family, after meeting various financial liabilities is in a position to maintain a reasonably good standard of living. With the rise in income level, the younger generation is creating huge liabilities by raising various kinds of loans. They, therefore, must manage these liabilities by buying matching life insurance covers. A transparent and educative approach on the part of the insurers will help people to reveal their health conditions and habits, thus reducing adverse selection.

Brain D Baetz\textsuperscript{56} in his article points out that companies have figured out how people are using LTCI policies. Many companies are moving toward wellness benefits, offering discounts for people who work out and educational and travel opportunities –

\textsuperscript{54} Rajesh C Jampala, Assistant Director, PG Center, PB Siddhartha College and Polavarapu Adi Lakshmi, Reader and Head, Department of Business Administration, in the article “Emerging Markets Changing the Landscape of the Insurance Sector” for “Insurance Chronicle”, March 2006. Page 38,39&43.

\textsuperscript{55} S M Manchanda, Faculty Member, Jaipuria Institute of Management, Noida in the article “Human Life Value Concept” for “Insurance Chronicle”, March 2006. Page 71,73,74.

\textsuperscript{56} Brain D Baetz “Insights on the long-term care insurance industry” for Insurance Chronicle, Jan 2005. Page 27 & 28
things that keep the mind engaged and keep the person socially engaged. Companies are looking at the whole picture and trying to figure out how to distinguish themselves because LTCI plans have become quite similar. There are three kinds of LTCI policies that is Expense Reimbursement, Daily Indemnity and Cash Benefit. Limited pay LTCI plans have become more popular. They are popular in executive carve out insurance because they are totally deductible. The employer pays for it, deducts it, and the executive has a paid-up- policy after 10 years.

According to Anil Chandhok \(^5\) Insurance is all about managing customer relationships. Customer relationship management become a buzzword in all service - oriented industries including insurance. What the brokers have to look at is how much effort they are really putting to satisfy the customer. The relationships with customers, prospects (potential customers), company contacts, staff, at team members matter in the business. There is another category of relationship, which is often forgot by many brokers – centers of influence. This category of people plays a vital role in expanding business. They maintain contacts and connections with important customers or professional associations can have a great impact on business. A give and take policy exists in any relationship and the broker client relationship is no different. But many brokers fear to ask their customers for price increase or a referral. In fact, customers with be willing to accept an increase in premiums or derive referral activity only when they are approached in the right way and their needs are fully met.