CHAPTER I

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“Our Life Also Counts”

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1.1 GENERAL INTRODUCTION

Life is always at risk due to uncertain happening in the future which could result in financial loss, risk of unknown diseases, injury in accident, loss due to natural calamities. So it is very much necessary to have a device which will help to overcome the uncertain risk and that device is known as Insurance. The word Insurance originated from the word ‘insure’ which means to protect. The concept of insurance was found in Rig Veda with reference of Yogakshema which means to well being and security of people. Hammurabi and Manu’s scripts also have recognized the importance of sharing future losses. Insurance means to secure the payment of a sum of money in the event of loss or damage to either life or property as the case may be for agreed premium or contribution. The idea of insurance was first found in late 14th century Then came life insurance, fire insurance and other insurances. The term insurance can be defined as a cooperative mechanism to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk.

India has made a significant progress in terms of economic growth and overall development in all areas except healthcare sector. The Indian non-life insurance sector has witnessed a growth of 4.1 per cent during 2013. India is ranked 21st in the global non-life insurance market. The basic standards in the healthcare remain at low level. India spends between 1-3% of the Gross Domestic Product (GDP) on healthcare which is among the lowest in the world. Still most of the Indian population are facing problem of inadequate healthcare facilities. For example, in India, number of hospital beds per 1000 remains below WHO standards of 1.5 beds. On an average, Indians spends 60% of their healthcare expenses out of their pockets
which is too high when compared with lower middle income countries. In those places, individual spends less than 37% of healthcare expenses from their pockets. India spends US $20 per person on healthcare where as china spends $100 and the United States $1000. As per the study done by NSSO, it is found that 64% of the poorest population in India gets indebted due to medical expenditure. It is very shocking that very few Indians are insured under health insurance packages.

India’s health insurance sector is growing at a CAGR of 25-30% for the past 8 years. Despite this there is a significant shortfall in terms of health coverage with majority of individuals struggling to meet their healthcare needs. Only 25-26% of the population is covered through some form of pre-paid scheme, including General Insurance Companies, Employees State Insurance Scheme (ESIS), Central Government Health Scheme (CGHS), schemes for railways and defense employees. In India, providing affordable quality healthcare is a challenge with 80% healthcare centers being located in urban areas and which concentrates to only 30% of the population. After the introduction of RSBY social insurance scheme, in a very short period, it has made a tremendous progress and has covered around 300 million people mostly of the poorest of the population. RSBY scheme has achieved tremendous success in terms of coverage and has won international recognition for its design, adoption of technology, paperless and automatic claims settlement process, coverage, attractive packages and also for price discovery through bidding, customer choice.

Recently Prime Minister Mr. Modi on his completion of one year of service launched various insurance schemes for the public such as Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyothi Yojana, Atal Pension Yojana, Pradhan Mantri Jan Dhan Yojana and Health Insurance. Health Insurance covers the hospitalization expenses during illness or surgeries. The premium charged is Rs.700-Rs.800 per year.
Health Insurance – Premium

The gross health insurance premium collected during 2013-2014 by non-life insurance companies was Rs.17,495 crore which is 13.21 per cent more than the previous year’s gross health insurance premium of Rs.15,453 crore. It is to be noted that the four public sector non-life insurance companies continue to contribute the major share of health insurance premium at 62 per cent. They continue to maintain the same level over the past four years. But private sector non-life insurance companies contribute only 26 per cent of the gross health insurance premium and the contribution by stand-alone health insurance companies were only 12 per cent.

The non-life insurance companies had issued around one crore health insurance policies which has covered around 21.62 crore total population. Government sponsored health insurance policies have contributed 72 per cent of the total number of persons covered. Over the last four years, it is seen that number of persons covered under health insurance had declined due to decrease in number of persons covered under government health insurance schemes.

Health Insurance in Japan

When we compare health insurance industry with other developed nations, it is seen that the approach of health insurance to the people is different from India. In India, the cost of treatment varies widely between public and private hospitals due to the lack of a regulating body. For the same treatment of sickness the cost is very high in case of public insurance companies. But in Japan, a patient pays more only if the patient is not insured which stimulates purchase of health insurance policies. In India, in patient department expenses are mostly covered and given importance. But in Japan, they allow virtually all access to preventive, curative and rehabilitative services at an affordable cost. The main unique system in Japan is that hospitals by law are run as non-profit and managed by physicians in the country. Medical expenditure in Japan is strictly regulated to keep the people affordable.
IRDA should review the policies and the coverage provided by the non-life insurance companies and stand-alone health insurance companies. Other developed countries health policies should be analyzed and considered for adoption in our country.

1.2 STATEMENT OF PROBLEM

Health care sector is one of the largest service sectors in an economy and provides major contribution to GDP and employment. With health and wellness being an important aspect in balancing life of an individual, delivery of quality healthcare services becomes a necessity. Demographic and economic factors which can improve healthcare coverage in India are expected to drive the growth of the sector.

Many researches have been carried on health insurance relating to awareness level, willingness to subscribe health insurance, detailed study on mediclaim policy, and study on different types of health policies. In India many children are affected with birth defects, genetic disorders etc. but they are not covered under any health insurance plan. These children require a regular health check up and also continuous follow-ups. In certain cases they need to undergo surgeries to reduce the deformity. The parents have to spend a lot for medical care of these children. For a customer suffering from a persistent health problem or child with birth defect or genetic disorder would like to subscribe health policy, but companies are not prepared to extend same benefits to them because these conditions come under exclusion clause.

My research area is to give importance to find out the extent of financial problem faced by parents for medical care and parent’s willingness to subscribe health insurance for their children. My statement of problem is – New Product Development in Health Insurance (With special reference to children affected with Genetic Disorder).
1.3 OBJECTIVES OF THE STUDY

1. To study the awareness level of customers and their willingness to join health insurance.

2. To determine the perception of customers regarding the service quality in health insurance companies.

3. To compare the private and public sector health insurance company in terms of products/services offered.

4. To study the expectations, willingness and demand of health insurance schemes for children affected with genetic disorder.

5. To develop SEM Model for Development of New Product in Health Insurance.

1.4 HYPOTHESIS

The study was commenced to test the validity of the following Null Hypothesis to various factors in health insurance industry.

(i) There is no significant difference between demographic variables with respect to factors of health insurance.

(ii) There is no association between factors of health insurance and the level of customer satisfaction.

(iii) There is no association between the factors of health insurance and the level of expectation of new product development.

(iv) There is no association between the demographic variables and the number of children affected with genetic disorder.

(v) There is no significant difference between mean ranks towards factors of health insurance.
1.5 SCOPE AND NEED OF THE STUDY

By 2026 the population is expected to touch 1.4 billion. When the population increases, this will reflect on the lifestyles and there are chances for new diseases. An increase in disposable income is expected to increase to 26% by 2015-2016 from 14% in 2009-2010, which will make healthcare more affordable but this will create future dangers for increase in lifestyle related diseases such as cardiovascular, birth defects when compared to communicable and infectious diseases making insurance a necessity.

Customers need to know what the insurance company’s products cover and how many customers are expected to pay out of pocket. Coverage is provided for hospitalization charges, provided these diseases should not be pre-existing. Stressful and fast paced lifestyles resulting in newer forms of viruses and diseases have raised the level of expenditure on health care which has reached Rs.1290 billion annually. This amount may double in the coming years. For certain diseases, coverage is provided only if the policyholder is holding the policy for continuous period of 4-5 years. For a customer suffering from a persistent health problem or child with birth defect or genetic disorder would also like to subscribe for health policy, but companies are not prepared to extend same benefits to them because these conditions come under exclusion clause.

Health is not the just absence of “disease”. It is the process to prevent the disease and to minimize the deterioration for those suffering from diseases. It is seen that healthy population live longer with the support of health insurance policies but equal importance should be given for children born with genetic disorders and birth defects where companies in coordination with government should come out with new products covering these children.

The present study is an attempt to highlight the need for health insurance policies for genetically affected children. The study has also taken efforts to show the willingness for subscribing for health insurance plans and also has aimed to bring out some suggestions for the above plans.
1.6 RESEARCH METHODOLOGY

[A] Pilot Study and Pre-testing

A pilot study was undertaken by surveying 50 policyholders through simple random sampling method to identify the demographic profile of policyholders, their awareness level, level of satisfaction, opinion on claim process, benefits, product design, features of policy etc. The purpose of the pilot study was to test the validity of the variables in the questionnaire and to confirm the reliability and feasibility of the study. The population is the health insurance policyholders. So simple random sampling was used to collect the data. The Cronbach alpha method was applied to measure the reliability and validity of the questionnaire through the coefficient which depends upon the variance in the opinion of policyholders. The Cronbach’s alpha value was found to be 0.984 which is statistically significant at 5 per cent level. It was ascertained that the items in Likert’s five point scale of the questionnaire are highly reliable and the samples satisfy the normal distribution rationally. Hence, the research instrument proved valid for further study.

[B] Main Study

The data was collected with the help of questionnaire. The questionnaire was divided into two Parts. Part I gives the demographic profile of the policyholders and their opinion towards various factors of health insurance. Part II enumerates the expectation of new product development and willingness to subscribe health insurance for children affected with genetic disorder. The questionnaire was designed with option type and Likert’s 5-point scale. The questionnaires were given to policyholders with a covering letter personally to each of the policyholders.

QUESTIONNAIRE STRUCTURE

A Structured questionnaire was used with the help of important factors for health insurance policies from the literature review. The study was conducted in two stages with a preliminary pilot study followed by the main study. The questionnaire was framed under the guidance of research guide and discussions with insurance
experts. The questionnaire was divided into two parts, part I and part II and were classified under the major headings:

PART I

- General or Personal information
- Awareness about Health Insurance
- Benefits, Product design, features of policy
- Claim, coverage issues
- Customer satisfaction towards health insurance
- Comparative study between private and public company

PART II

- Expectations
- Willingness to subscribe health insurance

We have taken the combination methods with yes or no options and likert scales for weighting the variables and questions in general.

[C] Data Collection Procedure

The research is related to health insurance policyholders. Chennai city was chosen for the study. Policyholders having children with genetic disorder was specially referred and thus Chennai city was selected for the study. Chennai city being well known for the medical treatment and challengeable success surgeries and for medical advancement and medical tourism. The data collection was carried on in Chennai to ensure that the random sample has quality sample data to arrive at meaningful conclusions.

The purpose of the study is to highlight the difficulties faced by policyholders whose children are affected with genetic disorder and to focus on new
product or policy for children with genetic disorder. In Chennai at three main centres, the children are being treated for genetic disorder – Children’s Hospital Egmore, Mediscan at Mylapore and Kamakoti Child Trust Hospital Nungambakkam.

[D] Sample Size

A sample size of 520 respondents was taken for the study on purposive and simple random sampling basis. Out of 520 respondents to whom it was distributed, only 415 reverted back the filled in questionnaire. Out of that only 400 of them were found to be suitable for analysis and study. Hence, the exact sample of the study is 400.

Data Analysis

Primary data was collected through a formal questionnaire administered to the respondents to identify the level of awareness, satisfaction, expectations of new product. The primary data collected were analyzed using statistical package Social Science (SPSS) 17.0 version. The structural equation model (SEM) was analyzed using AMOS 18.0 version. Data analysis includes descriptive analysis and inferential analysis. The descriptive analysis includes reliability, percentage analysis, mean and standard deviation. Inferential analysis includes independent sample t test, one way ANOVA, Duncan Multiple Range Test (DMRT), Chi-square test, Friedman test, Correlation Analysis, Multiple Regression Analysis and structural Equation Model.

Period of Study

The entire study was conducted for a period of three years from March 2012 to March 2015.
1.7 LIMITATION OF THE STUDY

1. The study is done only with the policyholders having children affected with genetic disorder.

2. The study has been restricted to in and around Chennai city only.

3. The study is limited to children with genetic disorders and it does not cover other diseases which are not covered under health insurance policies.

4. The questionnaire had questions with limited choice, so the policyholder’s answers could be biased while answering the questions.

1.8 CHAPTER SCHEME

Chapter I  Introduction

This chapter deals with the introduction to the research work, need and significance of the study, objectives of the study, scope of study, hypothesis and methodology of study and chapterisation.

Chapter II Review of Literature

This chapter examines the past research works on health insurance policies and its various features, customer satisfaction, awareness level, new product development. We have referred to various journals, reports, magazines, abstracts from conferences. Review of literature includes both Indian and foreign reviews.

The reviews are classified under – Awareness, Product design & Features of policy, Benefits, Claims, Comparative study and Customer satisfaction, Coverage Issues, New Product Development, and Willingness to Subscribe for Health Insurance.
Chapter III Theoretical Background

This chapter explains in depth the concept which includes Evolution of Insurance, General Insurance, Health Insurance in India, About IRDA Regulations for health insurance, Growth of Health Insurance in India, Public and private health insurance companies, Future of Health Insurance.

Chapter IV Data Analysis and Interpretation

Data analysis for the main study is divided into two descriptive analysis and inferential analysis. The descriptive analysis includes reliability, percentage analysis, mean and standard deviation. Inferential analysis includes independent sample t test, one way ANOVA, Duncan Multiple Range Test (DMRT), Chi-square test, Friedman test, Correlation Analysis, Multiple Regression Analysis and structural Equation Model.

The primary data collected were analyzed using statistical package Social Science (SPSS) 17.0 version. The structural equation model (SEM) was analyzed using AMOS 18.0 version.

Chapter V Findings, Suggestions and Conclusions

The concluding chapter summarizes the findings of the study and gives out the suggestions suitable for the successful implementation of new products in health insurance.