CHAPTER- 1

INTRODUCTION

1.1 Insurance

Insurance is a contract whereby one party i.e.; the insurer agrees to pay a specified amount on the happening of an event and the other party i.e., the insured agrees to pay in consideration thereof, a sum, which is called premium. Insurance acts as a shield against risks and unforeseen circumstances.

According to E.W. Peterson “Insurance is a contract by which one party for a consideration called premium assumes particular risk of other party and promises to pay to him or his nominee a certain or ascertainable sum of money on a specified contingency.”

1.2 Development of Insurance in India

The history of insurance in India could be traced to the country’s deep-rooted history, where insurance was mentioned in the writings of, Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and kautilya (Arthasastra). The writings refer to pooling of resources that could be re-distributed in times of calamities such as, fire, floods, epidemics and famine.

The earliest form of insurance was in the nature of marine trade then come fire insurance and life insurance and later on the miscellaneous insurance. Insurance in its present form actually started in England during 12th & 13th century with marine insurance, and it developed in India with the establishment of life and non-life insurance companies, beginning early in 19th century.
Figure 1.2.1 Classification of Indian Insurance Sector

The Indian life Assurance Companies Act, 1912 was the first statutory measure to regulate life business, before independence. Then in 1928, the India Insurance Companies Act was enacted to enable the government to collect statistical information about both life and non-life business transacted in India by Indian and foreign Insurers.

Then the Insurance Act 1938 incorporated a number of amendments in short period of time, which led to the establishment of a separate department in order to protect the interest of the insured public. The Act was comprehensive in nature and included control mechanisms to protect the insurers. The Government of India then decided to nationalize the insurance business due to the allegations of unfair trade practices and apprehensions over the solvency of the insurers. Initially, the life insurance business was nationalized in 1956 and then general insurance business in 1973. Accordingly, the Life Insurance Corporation (L.I.C.) and General Insurance Corporation (G.I.C.) of India, along with its four subsidiaries, namely, the National
Insurance Company limited, the New India Assurance Company limited, the Oriental Insurance Company limited and the United India Insurance Company limited were formed. The process of re-opening of the insurance sector had begun in the early 1990’s to increase the penetration of Insurance, to improve customer service, to enhance the efficiency of the insurance industry and to bring down costs through competition.

One of the major achievements in the insurance sector was the passage of Insurance Regulatory and Development Authority (IRDA) Act, which was constituted as an autonomous body to regulate and develop the insurance business in India. The Act allowed the private sector to enter the industry. The Insurance Regulatory and Development Authority (IRDA) opened up the market in August 2000 and at present, 17 private general insurance companies, four standalone health insurance companies, the Export Credit Guarantee Corporation of India Limited (ECGC) and Agriculture Insurance Company of India are operating in the country. In recent years, the availability of diversified products has been still higher and the pace of innovations is gaining height with the entry of standalone private health insurance companies in the market since 2006. And now health insurance is emerging as an important sector in the insurance market.7

1.3 Evolution of Health Insurance in India

The evolution of health insurance in India formally began with the introduction of Employee’s State Insurance Scheme (ESIS), by the Employees State Insurance (ESI) Act 1948 which provided for cash and medical benefits to the employees of an organisation. It was introduced as a social security blanket for workers employed in the formal sector. Employee’s State Insurance Scheme (ESIS) provides for comprehensive health services through a network of its own dispensaries
and hospitals, supplemented by authorized medical attendants and private hospitals to serve needs which cannot be met by its own network. The scheme was largely financed through a contribution from employers and employees, which is supplemented by the Central and State governments. The coverage includes outpatient department (OPD) and in-patient department (IPD) services, and cash benefits to compensate for loss of pay and other eventualities.

The Employees State Insurance Scheme (ESIS) was soon followed by a scheme for Central Government Employees, the Central Government Health Scheme (CGHS), introduced in 1954 as a contributory health scheme to provide comprehensive medical care to Central government employees and their families.

In the past, non-life insurers were providing health cover, largely on group basis, as individual health insurance schemes were few with various terms and conditions. After Nationalization, the four subsidiaries of General Insurance Corporation (G.I.C.) continued to issue health insurance policies for corporates with varying terms and conditions.

In order to fulfill the gaps in health insurance sector an attempt was made to standardize the terms and conditions of health insurance by General Insurance Company (G.I.C.) in 1986, by introducing ‘Mediclaim policy’. Mediclaim is a voluntary health insurance scheme and covers for hospitalization. It is an indemnity cover, where reimbursement of expenses is provided to the insured or directly to the hospitals through the mechanism of Third Party Administrators (TPAs).

With the passage of time, the standard mediclaim product underwent various transformations and modifications. In recent years more diversified and innovative products have been introduced by the private insurance companies. The maximum
sum insured available under Mediclaim in 1986, was Rs. 83000 which was increased to 5 lacs.\(^8\)

The insurance industry introduced and launched certain other health insurance products to fulfill certain gaps which were not addressed by the Mediclaim policy. A major innovation in the insurance sector reform period is the availability of ‘Cashless’ facility through the agency of Third Party Administrators (TPAs) or through direct tie-ups of insurers with hospitals, where the insured need not to make payments to the hospitals and the same is settled directly by the insurer or through TPAs with the hospitals.

1.4 **Health Insurance**

Health insurance can be defined in a very narrow sense where individuals or group purchase in advance health coverage by paying a fees called ‘premium’, but it can also be defined broadly by including all financing arrangement where consumer can avoid or reduce their expenditure at times of use of services. The health insurance existing in India covers a very wide spectrum of arrangement and hence the latter broader interpretation of health insurance is more appropriate.

Life is full of uncertainties as risk lurks in every nook and corner of human life. In Short, life is unpredictable. One should be prepared for these unforeseen events. Quality of life, involves a good planning and analysis for personal health. In times of high costs, one needs to get covered for health risks. To overcome such uncertainties in human life and lead a life free from stress, health insurance plays an important role. In India, health insurance is included under the category of general (Non-life) insurance.\(^2\)

Health insurance is an ideal mechanism for protecting an individual’s earnings
by transferring the risk and it also provides a better access to health care. It not only protects the finances of the individual but also ensure wellness by providing access to preventive health care. It protects a policyholder against uncertain illness/sickness by either reimbursing the cost of medical treatment or paying a lump sum amount in the event of diagnosis of a specific ailment covered under the health insurance policy.\(^3\)

Liberalization of the insurance sector as well as the increasing demand for health insurance cover, especially from the middle class, have given a boost to the growth of health insurance in the country. The rise of literacy rate, higher levels of income and increasing awareness towards health programmes have given an impetus to the health insurance sector to emerge as a fast growing segment in the non-life insurance industry.\(^4\)

Health treatment nowadays is very costly. More than the disease it is the cost of treatment that takes its toll. To get rid of health worries health insurance is the remedy. But over 75 per cent of health expenditure are out-of-pocket which leads to lot of hardships. According to a survey by NSSO (National Sample Survey Organization), 40 per cent of the people hospitalized have either had to borrow money or sell assets to cover their medical expenses. Hence, it is imperative that the health insurance coverage is increased and becomes affordable to common masses as well. Increasing incidence of lifestyle diseases and rising medical costs, further emphasize the need for health insurance. Health insurance policy not only covers expenses incurred during hospitalization but also during the pre as well as post hospitalization stages like money spent for conducting medical tests and buying medicines. The cover will be to the extent of the sum insured.

(6)
1.5 **Health Insurance Overview**

Health insurance industry witnessed a sea change in the post reform period due to the emergence of economy and awareness of health and it is truly believed that health insurance is going to be an important portfolio for all the insurers looking to grab the huge potential of Indian market which is largely untapped.

The urgent need for rationalizing health insurance arises out of several factors as health expenditure is a major expense from an individual’s income and out of pocket payments may not be sufficient even in minor hospitalizations. Health insurance sector is giving special emphasis in reaching out for health services to the masses, where health insurance industry can contribute a lot to the society.

India having the second largest population in the world has vast scope for health insurance market due to the emerging economy. Health insurance is now the second biggest segment after motor which contributes nearly 40 per cent of the total premium. In spite of insurance sector reforms, the health insurance sector has not been able to significantly penetrate in the Indian health insurance market. Even today 12-13% of the Indian population is covered by health insurance, where private insurance coverage is approximately 3-4%. The resources that can be attributed to the slow growth are high premium rate, unawareness of health insurance products & services and importance of health insurance among the common masses. In spite of the government’s best efforts, the performance of health insurance business has not been satisfactory.

Health insurance is well established in many countries, but in India it is a new concept except for the organized sector employees. In India only 2% of the total health expenditure is funded by the public sources while 18% is funded by
government budget. It is estimated that the Indian healthcare industry is presently worth over 1,00,000 crore and expected to surge by 10,000 crores annually. Out of over 1 billion population of India, 315 million population are estimated to be insured and have a capacity to spend 1000 as premium per annum.\footnote{11}

The health insurance business is growing at 50% according to a study by the Ph.d chamber of commerce and industry. Health insurance premium is also increasing by over 20 percent every year. Insurance Regulatory and Development Authority (IRDA) opened up the market for private and foreign companies to enter the insurance industry and with the passing of IRDA Act, seventeen private health insurance companies, along with four subsidiaries of general insurance companies, two specialized insurers and four stand-alone health insurance companies entered into the field focusing on health insurance. Some of the life insurance companies along with Life Insurance Corporation (L.I.C.) are also offering health insurance policies.\footnote{12}

The plans and covers offered by the health insurance public and private companies are as follows: -

1. **National Insurance Companies Limited**: - National Insurance Company (NIC) was incorporated on 6th December 1906. Today 106 years after its incorporation, 37 years after its nationalization and 10 years after its delinking from GIC, NIC stands tall as the Oldest insurance company in India and the only Company among 24 life insurance and 27 non-life insurance companies to be headquartered in the Eastern part of the country, expanding to a robust 1340 offices including 373 Business Centers, NIC has been a consistent market leader in Northern India & Eastern India. It has consistently been seen as “BEST IN SERVICE” in the Motor and Health classes of business which constitute 63% of the Indian non-life insurance market. In the financial year 2010-11, NIC recorded gross premium of Rs.6245 crore (Rs.4646
crores in 2009–10), recorded accretion of Rs.1599 crores, which was the highest in
the history of non-life insurance industry in India. In the financial year 2011-12, NIC
recorded gross premium of Rs.7785 crores. The growth was above 25% and accretion
above Rs.1500 crores while successfully reducing Net Incurred Claims from 97.05% to
87.05%. For its excellence in performance, NIC was awarded the prestigious
NDTV Profit Business Leadership Awards 2011 in the non-life insurance category.\(^\text{13}\)

The plans and policies offered by NIC are as follows:

- Mediclaim policy
- Critical illness policy
- Accident policy
- Star policy Swasthya bima policy
- Parivar- Medicalim for family
- VARISHTHA- Mediclaim for senior Citizens
- Overseas Medicalim

2. **The New India Assurance Company Limited**: - It was incorporated on July 23rd, 1919, founded by the House of Tata Founder member - Sir Dorab Tata. It was
nationalized in 1973 with merger of Indian companies. New India is a leading global
insurance group, with offices and branches throughout India and various countries
abroad. The company services the Indian subcontinent with a network of 1068 offices,
comprising 28 Regional offices, 393 Divisional offices and 648 branches. The
Company recorded gross premium of Rs.8542.86 crores in the year 2011-2012, as
against Rs.7097.14 crores in the year 2010-2011. The Assets of the company is Rs.
42162.74 crores as on 31st March 2012. It is ranked No. 1 in the Indian market as the largest non-life insurer in Afro-Asia excluding Japan. The plans and policies offered by the Company are as follows:

- Mediclaim policy
- Personal Accident Policy
- Overseas Mediclaim Policy
- Universal Health Insurance scheme
- Jan Arogya Bima Policy
- Rajeshwari Mahila Welfare Policy
- Bhagyasree child Welfare Policy
- Janta Personal Accident Insurance
- Student Safety Insurance
- Family Floater Mediclaim Policy
- Senior citizen mediclaim policy

3 United India Insurance Company Limited: - United India Insurance Company Limited was incorporated as a Company on 18th February, 1938. It is the one among the 4 public General Insurance Companies of India and a leading General Insurance player including public and private sector, with the net worth of Rs.4,587 crores as on September 30, 2011, The company has more than three decades of experience in non-life insurance business. It was formed by the merger of 22 companies, consequent to
the nationalization of General Insurance companies in India. The plans and policies offered by the Company are as follows:

- Family Medicare Policy
- Gold Plan
- Platinum Plan
- Health Insurance Platinum
- Senior Citizen Plan
- Super Top-up Policy
- Top-up Medicare Policy
- Uni Criti Care policy

The Oriental Insurance Company Limited: - The Oriental Insurance Company Limited was incorporated at Bombay on 12th September, 1947. The Company was a wholly owned subsidiary of the Oriental Government Security Life Assurance Company Limited and was formed to carry out General Insurance business. The Company was a subsidiary of Life Insurance Corporation of India from 1956 to 1973 (till the General Insurance Business was nationalized in the country). The Company with its head Office at New Delhi has 30 Regional Offices and nearly 900+ operating Offices in various cities of the country. The Company has overseas operations in Nepal, Kuwait and Dubai. The Gross Premium was Rs.58 crores in 1973 and during 2010-11 the figure stood at a mammoth Rs. 5569.88 crores. The plans and policies offered by the Company are as follows:

- Group Mediclaim Policy
- Individual Mediclaim Policy
- Overseas Mediclaim Business and Holiday
- Overseas Mediclaim Employment and study
- Personal Accidents – Individual
- Comprehensive health Insurance scheme
- Health Insurance Policy for poor families
- Swasthya Bima Policy
- Universal health Insurance scheme

5. ICICI Lombard General Insurance Company: ICICI Lombard GIC Limited is a joint venture between ICICI Bank Limited, India's second largest bank with consolidated total assets of over USD 91 billion at March 31, 2012 and Fairfax Financial Holdings Limited, a Canada based USD 30 billion diversified financial services company engaged in general insurance, reinsurance, insurance claims management and investment management. ICICI Lombard GIC Limited is the largest private sector general insurance company in India with a Gross Written Premium (GWP) of Rs. 5,358 crore for the year ended March 31, 2012. The company issued over 76 lakh policies and settled over 44 lakh claims and has a claim disposal ratio of 99% (percentage of claims settled against claims reported) as on March 31, 2012. The company has been conferred the "Golden Peacock Award 2012" for Corporate Social Responsibility, "Golden Peacock Innovation Award-2010" for Rashtriya Swasthya Bima Yojana. The company has been conferred with 'NASSCOM - CNBC TV18 IT User Award 2010' for Best Technology Implementation in the Insurance Sector. It has
been awarded CNBC Awaaz Consumer Award 2010 for being the 'most preferred brand' in the General Insurance category.\textsuperscript{17} The plans and policies offered by the Company are as follows:

- Complete health insurance policy
- Complete Group Health Insurance
- Health Advantage Plus
- Critical Care policy
- Personal Protect policy
- International Health policy
- Tax gain health Insurance
- Overseas Group Travel Insurance
- Student Mediclaim Insurance

6. **Universal Sompo General Insurance Company Limited**: The Universal Sompo General Insurance Company Limited is a joint venture and has been capitalized with shareholders funds of over Rs.230 crores including share premium. The Company received the licence and certificate of registration from Insurance Regulatory and Development Authority in November 2007. Three of the Indian partners are leading banks with a combined asset base of Rs. 3,14,071 crores and over 4000 branches and distribution centers.\textsuperscript{18} The plans and policies offered by the Company are as follows:
• Individual Health Insurance Policy
• Group Health Insurance Policy
• Individual Personal Accident Policy
• Group Personal Accident Policy
• Aapat Suraksha Bima Policy
• IOB Health Care plus Policy
• Universal Saral Suraksha Bima (Micro)
• Universal Sampoorna Suraksha Bima (Micro)
• K Family Care Health Policy

7 Shriram General Insurance Company Limited: - The Shriram General Insurance Company Limited is the joint venture between Shriram Capital Limited and Sanlam Limited (South Africa). SANLAM is a leading Financial Services Group of South Africa with a market capitalization of more than $6 billion, established in 1918 and the Group demutualised in 1998. SANTAM is a part of Sanlam Limited, which is engaged in short-term insurance cluster and is the leading short-term insurance company in South Africa. Since September 2012, the stake of Sanlam Limited (South Africa) has been transferred to Shriram Capital Limited. SGI completed a premium of Rs. 113.75 crores in its first year of operations i.e. within 8 months, Rs. 416.92 crores in the financial-year 2009–10 and Rs. 780.89 crores in the financial-year 2010–11. Now SGI has become the fastest growing and most profitable Non-life Insurer of the Country. SGI has been awarded "Excellence in Growth Award" second consecutive year (2011 & 2012). The plans and policies offered by the Company are as follows:
• Personal Accident Insurance

• Overseas Travel Insurance

8. HDFC-ERGO General Insurance Company Limited: HDFC ERGO General Insurance Company Limited is a 74:26 joint venture between HDFC Limited, India’s Premier Housing Finance Institution & ERGO International AG, the primary insurance entity of Munich Re Group. HDFC ERGO has been expanding its presence across the country and is today present across 71 cities with 80 branch offices. The Company has been rated iAAA by ICRA (an associate of Moody’s Investors Service) indicating highest claim paying ability. The Company has received ISO 9001:2008 certification for its claim services. The plans and policies offered by the Company are as follows:

• Health Suraksha

• Critical illness

• Health Suraksha Top-up

• Travel Insurance

• Accident Protection Plan-Hospital Cash

• Revive

• Group Medical Insurance
9. Cholamandalam MS General Insurance: - The Cholamandalam MS General Insurance Company is headquartered in Chennai. In 2011-2012, they recorded a gross written premium of Rs. 1,346.5 crores. Having a remarkable growth of 39%, the company has been one of the fastest growing general insurance companies in the insurance industry with a network of over 90 branches across the country and 7,000 agents. The Agency distribution channel is complemented by various strategic and long-term partnerships with Banks, Auto OEM's and Auto Finance Companies among others. The plans and policies offered by the Company are as follows:

- Chola Individual Healthline Insurance
- Chola Critical Healthline Insurance
- Chola MS Family Healthline Insurance Policy
- Chola MS Hospital Cash Benefit Insurance
- Chola Top Up Insurance Policy
- Chola MS Tax Plus Insurance Policy
- Chola Arogya Bima Health Insurance Policy

10. Bharti AXA General Insurance Company Limited: - Bharti Enterprises is one of India’s leading business groups with interests in telecom, agriculture business, financial services, retail and manufacturing. Bharti has joint ventures with AXA, world leader in financial protection and wealth management, for Life Insurance and General Insurance. The AXA Group is a worldwide leader in insurance and asset management, with 163,000 employees serving 101 million clients. In 2011, IFRS
revenues amounted to Euro 86.1 billion and IFRS underlying earnings to Euro 3.9 billion. AXA had Euro 1,065 billion in assets under management as of December 31, 2011.\textsuperscript{22} The plans and policies offered by the Company are as follows:

- Bharti AXA Life Triple Health Insurance plan
- Bharti AXA Life Easy Health
- Bharti AXA Life Hospi Cash benefit Rider
- Smart Personal Accident Individual Insurance
- Smart Health Critical illness Insurance policy
- Smart Health Insurance policy
- Smart Health Essential Insurance policy
- Smart Health High Deductibles policy

11. \textbf{Future Generali India Insurance Company Limited:} - Future Generali is a joint venture between the India-based Future Group and the Italy-based Generali Group. Future Generali is present in India in both the Life and Non-Life businesses as Future Generali India Life Insurance Company Limited and Future Generali India Insurance Company Limited. Future Group, led by its founder and Group CEO, is one of the India’s leading business houses with multiple businesses spanning across the consumption space. The Generali Group is a leading player in the global insurance and financial markets, established in Trieste in 1831. Today the Group is one of Europe’s largest insurance providers and the European biggest Life insurer. Generali Group is one of the leading insurance groups in Europe, with a total premium income
of more than 70 billion Euro in 2009. The plans and policies offered by the Company are as follows:

- Future Health Surplus
- Future Travel Suraksha– Schengen Travel
- Student Travel/Student Suraksha
- Future Generali Accident Suraksha
- Future Generali Health Suraksha
- Health Suraksha Family Plan-Family Floater Plan
- Group Health Policy
- Group Personal Accident Policy

12. **Raheja QBE General Insurance Company Limited**: The Rajan Raheja Group, one of India’s most dynamic and diversified business group brings QBE (one of the world’s most respected Insurance companies) back to India, as Raheja QBE. Raheja QBE marries the Rajan Raheja Group’s success and experience across various business sectors in India with QBE’s global expertise in insurance to clients. Raheja QBE General Insurance Company Limited, a joint venture general insurance company promoted by Prism Cement Limited, India and QBE Holdings (AAP) Pty Limited, a wholly owned subsidiary of QBE Insurance Group Limited, Australia has been registered as a General Insurer under Section 3 of the Insurance Act, 1938 with the Insurance Regulatory and Development Authority (IRDA). The plans and policies offered by the Company are as follows:
- Personal Accident Cover
- Cancer Insurance policy

13. **Reliance General Insurance Company Limited**: Reliance General Insurance is one of the leading private general insurance companies of India. Founded in 2001, Reliance General Insurance is a non-life insurance company headquartered in Mumbai. Reliance General is a subsidiary of Reliance Capital – one of India’s largest financial services companies. It is also India’s first insurance company to be awarded the ISO 9001:2000 certification across all functions, processes, products, and locations pan-India. The total premium earned for the half year ended September 30, 2010 was Rs 5,641 million. The profit before tax for the same period is Rs 668 million. A total of 169,710 claims were made during the period out of which 83,043 claims were settled and 5,379 were rejected. Reliance General Insurance has good reach with over 200 offices across 173 cities in 22 states. The plans and policies offered by the Company are as follows:

- Reliance Individual Mediclaim Insurance Policy
- Reliance Health wise Policy – Floater plan
- Reliance Critical illness Policy
- Reliance Individual Personal Accident Policy
- Reliance Travel Care Insurance Policy for Individual and Families
- Reliance Travel Care Insurance Policy for Student
- Reliance Travel Care Insurance Policy - Asia
- Reliance Travel Care Insurance Policy - Schengen
- Reliance Pravasi Bhartiya Bima Yojana Insurance Policy
- Reliance Group Mediclaim Insurance Policy

14. **Royal Sundaram Alliance Insurance Company Limited:** Royal Sundaram Alliance Insurance Company Limited takes pride to be the first private sector general insurance company in India to be licensed since 2001. Sundaram Finance, one of the most respected non-banking financial Institution in India, and Royal Sundaram Alliance, one of the oldest and the second largest general insurer in the UK, are the promoters of the company. Royal Sundaram has over 5 million customers, over 1700 employees and its products are distributed in over 180 cities across India. The plans and policies offered by the Company are as follows:

- Master Product - Total health plus
- Accident Protection Plus
- Health Shield Online
- Family Good Health Insurance Online
- Hospital Cash Insurance Online
- Travel Shield Online
- Personal Accident Insurance Online
- Group Health Insurance
- Group Personal Accident
TATA AIG General Insurance Company Limited: Tata AIG General Insurance Company Limited (Tata AIG General) is a joint venture company, formed by the Tata Group and American International Group, Inc. (AIG). Tata AIG General combines the Tata Group's pre-eminent leadership position in India and AIG's global presence as the world's leading international insurance and financial services organization. The Tata Group holds 74 per cent stake in the insurance venture with AIG holding the balance 26 percent. Tata AIG General Insurance Company, which started its operations in India on January 22, 2001, provides insurance solutions to individuals and corporate. The plans and policies offered by the Company are as follows:

- Accident Guard
- Wellsurance Executive
- Wellsurance Family
- Wellsurance Woman
- Income Guard
- Secured Income plan
- Medi prime
- Secured Future Plan
- Individual Accident plan
- Sickness Hospital Cash
- Maha Raksha Personal injury plan
- Healthcare Plus
• Criticare-Critical illness cover
• Travel Guard
• Student Guard
• Asia Travel Guard
• Domestic Travel Guard
• Group Multi Guard
• Group Personal Accident

16. **IFFCO – Tokio General Insurance Company Limited:** IFFCO-Tokio General Insurance (ITGI) was incorporated on 4th December 2000 with a vision of being industry leader by building customer satisfaction through fairness, transparency, and quick response. It is a joint venture between the Indian Farmers Fertilizer Cooperative (IFFCO) and its associates and Tokio Marine and Nichido Fire Group, the largest listed insurance group in Japan. IFFCO Tokio General Insurance has Pan India presence with 65 'Strategic Business Units' and a wide network of over 120 Lateral Spread Centres and 255 Bima Kendras. It offers a wide range of uniquely customized policies covering a wide range of customers, from farmers to some of India's largest automobile manufacturers. From a modest Rs.213 crores of GWP (Gross Written Premium) in 2001-02, it has achieved an impressive Rs. 2248.16 crores of gross written premium in 2011-12, thereby becoming one of India's leading private players. As a customer focused company, it conducts bi-annual customer satisfaction surveys through independent agencies to gauge its operational efficiencies. This is backed by
a robust IT infrastructure, which has enabled speedy settlement of claims. The plans and policies offered by the Company are as follows:

- Individual Medishield
- Swasthya Kavach Family Health policy
- Group Personal Accident
- Critical illness Policy

17. Bajaj Allianz General Insurance Company Limited: - Bajaj Allianz General Insurance Company Limited was incorporated in 2001. Bajaj Allianz is general insurer with headquarters in Pune, India. Bajaj Allianz General Insurance is a 74:26 joint venture between Bajaj Finserv (demerged from Bajaj Auto) -financial service provider and Allianz Group- Germany’s integrated financial services provider. Bajaj Allianz has 74% stake while Allianz has the rest 26% stake in the equity venture. Bajaj Allianz has also received iAAA rating from ICRA (rating and grading company) in 2006 and 2008. This rating indicates financial ability of a company to meet policyholder’s obligations. The total premium earned for the half year ended September 30, 2010 was Rs 9,292 million. The profit before tax for the same period is Rs 992 million. A total of 220,653 claims were made during the period out of which 146,520 claims were settled. Bajaj Allianz General Insurance has received the prestigious "Business Leader in General Insurance", award by NDTV Profit Business Leadership Awards 2008. The company was one of the top three finalists for the year 2007 and 2008 in the General Insurance Company of the Year award by Asia Insurance Review. The plans and policies offered by the Company are as follows:
• Individual Health Guard
• Critical Illness
• Critical Illness for women
• Silver Health Policy
• Star Package
• Instant Insurance
• Extra Care
• Family Floater Health Guard.
• Personal Guard
• Hospital Cash
• Personal Care Insurance policy
• Health Ensure
• Tax gain
• Sankat Mochan
• Group Health Guard
• Group Critical Illness
• Group Personal Accident

18. SBI General Insurance Company Limited: - SBI General Insurance Company Limited is a joint venture between the State Bank of India and Insurance Australia
Group (IAG). SBI owns 74% of the total capital and IAG the remaining 26%. SBI General closed the financial year 2011-12 with a Gross Written Premium of Rs.250.19 Crores. SBI General follows a robust multi-distribution model encompassing Bancassurance, Agency, Broking & Retail Direct Channels. Bancassurance is the major channel and will continue to be so during the next few years. SBI General's current geographical coverage extends to 25 cities pan India and plans are on to extend this reach to another 25 cities before the end of the current financial year. The plans and policies offered by the Company are as follows: -

- Individual Health Insurance Policy
- Group personal Accidental policy
- Group Health insurance policy
- Critical Illness Insurance Policy
- Hospital Daily Cash
- Health Insurance Policy – Retail
- Micro Insurance Policy

19. **L&T General Insurance Company Limited**: L&T General Insurance Company Limited (L&T Insurance) is a wholly owned subsidiary of Larsen & Toubro Limited - one of the world's top 50 most reputed companies in the June 2009 issue of Forbes-Reputation Institute’s “World’s Most Reputable Companies” survey. Larsen & Toubro Ltd. is a USD 12.8 billion technology, engineering and construction group, with global operations. It is one of the largest and most respected companies in India’s private sector. More than seven decades of a strong, customer-focused approach and the continuous quest for world-class quality have enabled it to attain and sustain...
leadership in all its major lines of business.\textsuperscript{31} The plans and policies offered by the Company are as follows:

- My:Jeevika Cash @ Hospital Micro Insurance
- My:Jeevika Medisure Micro Insurance
- My:Health Medisure Prime Insurance
- My:Health Personal Accident Insurance
- My:Health Group Medisure Insurance
- My:Health Group Personal Accident Insurance

20. **Magma HDI General Insurance Company**: Magma HDI General Insurance Company is a 37:37:26 joint venture between Indian non-banking finance company (NBFC) Magma Fincorp, its promoters Celica Developers and German insurance major HDI-Gerling. HDI-Gerling is part of the third largest insurance group in Germany called Talanx Group, and has a product range extending across automotive, property, casualty. Magma Fincorp posted a 93% year-on-year rise in net profits to Rs 33 crore. Loan disbursements in the same period were up 45% to Rs 2057 crore. The NBFC had an asset under management (AUM) base of Rs 13,750 crore as of June 30, 2012. Apart from motor Insurance, the company will soon launch products for retail health insurance also.\textsuperscript{32}

21. **Liberty Videocon General Insurance Company Limited**: Liberty Videocon General Insurance Company Limited, a joint venture between the Videocon Industries limited and liberty City state Holdings PTE Limited, a part of US-based Liberty Mutual Insurance Group, announced the start of operations in India with plans to
launch a comprehensive portfolio of retail and commercial products. The Company is headquartered in Mumbai and has commenced its business with an initial capital of Rs.350 crores, one of the highest for a start-up company in the General Insurance industry. The Company received license to operate in the general insurance industry from Insurance Regulatory Development Authority (IRDA) in May 2012. With 26% stake, Liberty City state Holding PTE Limited will provide the Indian arm inputs on technical functions and extend expertise on managing emerging markets. On the other hand, Videocon Industries with its 74 per cent stake will provide access to extensive distribution network across India and share knowledge on consumer behaviour. With USD 8.6 billion in international business, Liberty Mutual Insurance is one of the leading players in several emerging economies, including Venezuela, Brazil, Colombia, Thailand, China and Vietnam. With more than 45,000 employees and 900 offices worldwide, the Group has expanded its presence globally through acquisitions. The Company is an emerging General Insurance Company and will soon provide health insurance products in the country.33

22. Apollo Munich Health Insurance Company Limited: - The Company is headquartered in Gurgaon with an expanding national presence, Apollo Munich is a joint venture between Asia’s largest integrated healthcare provider, The Apollo Hospitals Group and Germany based Munich Re’s newest business segment, Munich Health. Apollo Munich is 74:26 joint venture between Apollo Hospitals Group and Germany-based Munich Re's newest business segment Munich Health. The total premium earned for the half year ended September 30, 2010 was Rs 597 million. The profit before tax for the same period is Rs 397 million. A total of 16,162 claims were made during the period out of which 12,977 claims were settled. The Company is the
Stand-alone health insurance provider. The plans and policies offered by the Company are as follows:

- Optima Restore Individual
- Optima Senior
- Optima Global
- Optima Cash
- Optima Plus
- Individual Easy Health Standard
- Individual Easy Health Exclusive
- Individual Easy Health Premium
- Family Easy Health Standard
- Family Easy Health Exclusive
- Family Easy Health Premium
- Individual Personal Accident Plan
- Easy Travel Plan – Individual
- Easy Travel Plan – Family
- Easy Travel Plan – Senior Citizen
- Easy Travel Annual Multi trip
- Insure Health
- Optima Restore Family

(28)
23. **Star Health & Allied Insurance:** Star Health and Allied Insurance Company Limited (Star Health) has a capital base of Rs.438 crores, more than sufficient to form a General Insurance Company. Star Health has chosen to be in the field of Health. It is India's first stand-alone Health Insurance Company in India and deals in Personal Accident, Mediclaim and Overseas Travel Insurance. Total Premium up to the month of March 2010 is Rs.960 crores. The Company is the Stand-alone health insurance provider in the country. The plans and policies offered by the Company are as follows: -

- Star Comprehensive Insurance policy
- Star Delite
- Star Unique Health
- Star Wedding Gift
- Medi-Classic Insurance
- Individual Medi-Classic Accident Care policy
- Family Health Optima Accident Care Policy
- Star Medi Premier Insurance
- Star Diabetes Safe
- Star Family Health Optima
- Star Senior Citizen Red Carpet
Star Super Surplus Insurance

Star Net plus

Super Surplus

Star Criti Care plus

Star Health Gain Insurance

Star Travel Product Policy

Star Family Travel Protect Insurance

Student Travel Protect Insurance

Star Health Corporate

Star Health Accident Care Insurance

Student Insurance Care

Star’s Micro Health Insurance Policy

24. **Max Bupa Health Insurance Company Limited**: Max Bupa has been formed through a joint venture between Max India Limited and the UK based Bupa Finance PLC, UK. Bupa brings in rich experience in providing health and care to over 10 million customers in more than 190 countries and Max India brings local expertise and service excellence in healthcare and insurance. The Max India Group brings expertise in both health and insurance related services including hospitals, clinical research and life insurance. The perfect blend of global expertise and local knowledge in both healthcare and insurance makes Max Bupa the perfect choice when it comes to
family's health and wellness as it is the Stand-alone health insurance provider in the country. The plans and policies offered by the Company are as follows: -

- Swasth Parivar Health Insurance Product
- Health Companion - Health Insurance Plan
- Employee First Health Insurance Plan - Addition of Plan (Classic)
- Heartbeat
- Health@ Companion
- Health Assurance

25. **Religare Health Insurance Company Limited:** - Religare Health Insurance Company Limited is a specialist health insurer engaged in the distribution & servicing of health insurance products. The Company comprises of three strong entities: Religare Enterprises Limited, a leading diversified financial services group based out of India, Union Bank of India & Corporation Bank. Religare is promoted by the founders of Fortis Hospitals, which owns or manages 68 hospitals in India; SRL Diagnostics, Asia’s largest network of diagnostic labs with over 1100 collection centers and Religare Wellness, a nationwide chain of stores offering pharmacy and wellness products. Religare offers an integrated suite of financial services including asset management, life and health insurance, lending, broking, investment banking, and wealth management. Religare Enterprises is headquartered in New Delhi and is listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) in India. The Company is the Stand-alone health insurance provider in the country. The plans and policies offered by the Company are as follows: -

(31)
• Care Health Insurance policy

26. **Export Credit Guarantee Corporation of India Limited:** - The Export Credit Guarantee Corporation of India Limited (ECGC) is a company wholly owned by the Government of India based in Mumbai, Maharashtra. It provides export credit insurance support to Indian exporters and is controlled by the Ministry of Commerce. Government of India had initially set up Export Risks Insurance Corporation (ERIC) in July 1957. It was transformed into Export Credit and Guarantee Corporation Limited (ECGC) in 1964 and to Export Credit Guarantee of India in 1983. ECGC of India Limited was established in July, 1957 to strengthen the export promotion by covering the risk of exporting on credit. It functions under the administrative control of the Ministry of Commerce & Industry, Department of Commerce Government of India. It is managed by a Board of Directors comprising representatives of the Government, Reserve Bank of India, banking, insurance and exporting community. ECGC is the fifth largest credit insurer of the world in terms of coverage of national exports. The present paid-up capital of the company is Rs.900 crores and authorized capital Rs.1000 crores.38

27. **Agriculture Insurance Company of India Limited:** - Agriculture Insurance Company of India Limited was incorporated on 20 December, 2002 with an authorised capital of Rs.1500 crore. The initial paid-up capital was Rs.200 crores, which was subscribed by the promoting companies, General Insurance Corporation of India (GIC) (35%), NABARD (30%) and the four public-sector general insurance companies (8.75% each), National Insurance Co. Ltd., Oriental Insurance Co. Ltd., New India Assurance Co. Ltd., and United India Insurance Co. Ltd. AIC aims to
provide insurance coverage and financial support to the farmers in the failure of any of the notified crop as a result of natural calamities, pests and diseases to restore their creditworthiness for the ensuing season; to encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology; to help stabilize farm incomes, particularly in disaster years.  

Some of the life Insurance companies offering health Insurance are as follows:-

1. Bajaj Life Insurance Company Limited
   a. Bajaj Allianz Care First
   b. Bajaj Allianz Health Care
   c. Bajaj Allianz Family Care First

2. Birla Sun Life Insurance Company Limited
   a. BSLI Universal Health
   b. BSLI Health Plan

3. HDFC Standard Life Insurance Company Limited
   a. HDFC Critical Care Plan
   b. HDFC Surgicare Plan

4. Life Insurance Corporation of India
a. Health Protection of India

b. Health Plus

5. Aviva Life Insurance Company Limited

a. Met Health Care

6. Bharati AXA Life Insurance Company Limited

a. Bharati AXA Life Easy health

7. Max New York Life Insurance Company Limited

a. Lifeline Medi Cash Plan

b. Lifeline Medi Cash Plus

c. Life’s Lifeline –Wellness

d. Lifeline Wellness Plus

e. Lifeline – Safety Net Plan

f. Lifeline Healthy Family Plan

8. TATA AIG Life Insurance Co. Ltd

a. Tata AIG Life Invest Assure Health

b. TATA AIG Life Hospi Cash Back

c. TATA AIG Life Health Investor

(34)
d. TATA AIG Life Health First

e. TATA AIG Life Health Protector – 5 Year

f. Guaranteed Renewal Accident and Health Plan

9. ICICI Prudential Life Insurance Company Limited

a. Health Saver, Medi Assure, Hospital Care, Crisis Cover, Diabetes Care Active, Cancer Care.

b. Rashtriya Swasthya Bima Yojana (RSBY)

c. Employees State Insurance Scheme of India (ESI) Services and Benefits.

1.6 Financing of Health Insurance

Health insurance is emerging to be an important financing tool in meeting healthcare needs of the society. The rising incidence of health related issues and increased health awareness among the growing middle class have further contributed to the demand for health insurance. However much remains to be accomplished given the fact that the industry is still in its fancy with health insurance penetration too low. With some form of health coverage, there is a pressing need to think out of the box in order to cover the health care requirements of large number of people who remain outside the health safety net. The key to driving health insurance penetration is to gain an insight into the healthcare needs of the uninsured, develop products which suits to those needs, build robust financing models with cost-effective delivery platforms in addition to encourage greater awareness among masses about the need for health insurance.
Indian healthcare continues to be largely financed through out of pocket payments as the government spending on healthcare is very low. Schemes such as Central Government health Scheme (CGHS) and Employee State Insurance Scheme (ESIS) cover the central and the state government employees while government departments such as the Indian Railways and Armed forces have their own health care facilities for their employees. Most people who are employed in the private sector have turned to health insurance plans offered by insurance companies to get access to quality healthcare. Apart from these, the other sources of large scale funding of healthcare can be broadly classified into: -

A) Government sponsored Health Insurance Schemes

1. Social Insurance/Mandatory Health Insurance Schemes (Namely- Central Government Health Schemes (CGHS), Employees state Insurance Scheme (ESIS) and the Universal Health Insurance Scheme (UHIS)/ Public Health Insurance Schemes.

2. Voluntary Health Insurance Schemes/Private for profit Schemes (Namely-Mediclaim of GIC).

3. Employer based Health Insurance Schemes.

4. Insurance offered by the NGO’s/Community Based Health Insurance Schemes.

B) Micro Health Insurance Schemes.

These cater to different segments of the population and have the potential to achieve the desired level of insurance penetration and acceptance within these segments.
A1. **Government Sponsored Health Insurance Schemes**

The Government has successfully channelized its welfare budget through public-private partnership of mass health insurance schemes with the objective of making healthcare affordable for the uninsured population, particularly the rural poor. The government run schemes include the Central Government Health Schemes (CGHS), Employees state Insurance Scheme (ESIS) and the Universal Health Insurance Scheme (UHIS).

a) **Central Government Health Schemes (CGHS)-** Since 1954, all employees of the Central Governmental (present and retired); some autonomous and semi-government organizations, MP’s judges, freedom fighters, and journalists are covered under this Scheme. This schemes aims at providing comprehensive medical care to the central Government employees and include benefits of all out-patient facilities, preventive and promotive care in dispensaries, in-patient facilities in government hospitals and approved private hospitals. This scheme is mainly funded through Central government funds, with premiums ranging from Rs. 15 to Rs. 150 per month based on salary scales.42

b) **Employees state Insurance Scheme (ESIS)-** The enactment of the Employees state insurance Act in 1948 led to formulation of the Employees state Insurance Scheme. This scheme provides protection to employees against loss of wages due to inability to work due to sickness, maternity, disability and death due to employment injury. It offers medical and cash benefits, preventive and promotive care and health education. Medical care is also provided to Employees and their family free of cost. This scheme covers, all power-using and non-power using factories employing 20 or more persons. And now service establishments like:
shops, hotels, restaurants, cinema houses, road transport & news papers printing are also covered.

c) **Universal Health Insurance Scheme (UHIS)** - The 2003-04 union Budget proposed introduction of a universal Health Insurance Scheme in the country is for the people below the poverty line in tie-up with the insurance companies.

(2.) **Voluntary Private for Profit Schemes**

In private insurance, buyers are willing to pay premium to an insurance company that pools people with similar risks and insures them for health expenses. The key distinction is that the premiums are set at a level, which provides a profit to third party and provider institutions. The premium is based on an assessment of the risk status of the consumer and the level of benefits provided, rather than as a proportion of the consumer’s income.

In public sector, the General Insurance Corporation and its four subsidiaries and L.I.C. of India provide voluntary insurance schemes. The L.I.C. offers Ashadeep plan 2 and Jeevan Asha Plan 2. The public G.I.C. offers – Mediclaim Policy, Personal Accident policy, Jan Arogya Policy, overseas Mediclaim Policy, Cancer insurance policy, Bhavishya Arogya Policy, Dreaded Disease Policy, Family floater Policy, Swasthya Bima Policy etc. Out of these various schemes, Mediclaim is the main product of G.I.C., it was introduced in November 1986 and covers individuals and groups with persons aged 5-80 years. This policy provides cover against unforeseen illness, injuries and disease and offers cashless hospitalization as per the sum insured.

The year 1999 marked the beginning of a new Era for health insurance in the Indian context. With the passing of the Insurance Regulatory & Development
Authority Bill (IRDA) the insurance sector was opened to private and foreign participation, thereby paving the way for the entry of private health insurance companies. The Bill also facilitated the establishment of an authority to protect the interests of the insurance holders by regulating, promoting and ensuring orderly growth of the insurance industry. Today, many private health insurance companies are offering various health insurance products.

(3.) **Employer Based Health Insurance Scheme**

While the under privileged may have limited access to healthcare in rural markets, in urban areas the soaring cost of healthcare and a high incidence of lifestyle diseases across various age groups are some of the factors that are compelling people to realize the significance of health insurance. The corporate sector has responded to this shift in trend. Organisations are increasingly relying on group health insurance to cover health risks faced by employees and promoting employee well-being and a productive work environment. The employer based health insurance schemes have proved to be an effective means of increasing the number of insured people by covering individuals in the organized sector. Private insurance companies are offering highly-differentiated products to corporate customers; which include routine health check ups for pre-existing diseases and critical illnesses, wellness packages and coverage for dependants. A high degree of product customization has been made possible partly due to economies of scale. Employer-based health insurance schemes have played a vital role in providing cost-effective, quality healthcare to a large number of individuals in the corporate sector. Small and Medium Enterprises (SMEs) are also increasingly looking at insuring their employees and this trend will lead to improved insurance penetration amongst the working class.
4. **Insurance offered by NGOs/Community Based health Insurance**

The proliferation of Community based health Insurance (CBHI) Schemes driven by Non-Governmental Organizations (NGO’s) and Micro-finance Institutions (MF/s) has made health insurance accessible to those people who are unable to afford conventional health coverage. The (CBHI) programs aims to reach the economically weaker sections of the society. NGOs have assumed the role of an intermediary between the community and the insurance company. The success of the CBHI programs relies heavily on the network of outreach workers and beneficiaries. The outreach workers should have a deep understanding of socio-economic conditions of the community in order to make bondings with the beneficiaries and convince them about the benefits of low-cost health-insurance.

There are several community-based Health Insurance (CBHI) programs that seek to provide cost-effective, quality health care to the low-income population. Some (CBHI) programs partly depend on funds from government, non-profit organizations and donors to offer subsidized insurance to beneficiaries. While there are challenges with respect to marketing subsidizing insurance, controlling claims ratio and choosing the right healthcare providers; the bottlenecks hindering these programs can be overcome through long-term partnership with government and private organizations.43

**B. Micro Health Insurance**

The development of Indian rural population is extremely restricted by personal, economic, social, political, financial and natural conditions. And the common crisis are accidents, sudden illness and hospitalization, death of the bread earners of the family etc. These crisis occur due to the shortage of health care
infrastructures, lack of health care facilities and providers, changing disease pattern and increasing healthcare expenses for which the financial condition of the rural populations are becoming bad to worse. Millions of people are without affordable healthcare, and to address this, micro health Insurance and community based health insurance schemes are preferred mechanisms to finance healthcare needs.

There are two main types of micro-insurance; one focused on extending social protection to the poor in the absence of appropriate government schemes, and the other offering a virtual financial service to low income households by developing an appropriate business model that enables the poor to be a profitable market segment.

Rapid increase in healthcare cost and more out-of-pocket expenses is increasingly pushing more households below poverty line. And thus, a health risk in lower income group people leads to financial loss causing indebtedness & poverty.

So, this problem cannot be met by the regular mediclaim policy because of its high cost. In order to overcome this paradox, the need to the hour is to find new and innovative solutions for ensuring quality and affordable healthcare, and one way to address the same is to have a Micro health insurance scheme, which has a very low premium and which is truly meant for the people below poverty line.

Micro-insurance provides protection against unexpected illness and injury, and protect the poor from poverty and indebtedness arising out of health risks. It helps in the enhancement of quality of life by focusing more on the upliftment, empowerment of the rural populations.44

1.7 Benefits of Health Insurance

Health insurance sector in India is growing rapidly due to its certain benefits which are stated as below:-

(41)
1. It provides as a safety net towards any critical illness, sickness, injuries or accidents to the consumers.

2. Consumer consider health insurance to be a means of ensuring their financial independence and security. Health Insurance saves them from borrowing money from others during an emergency and helps preserve other savings for later use.

3. One of the key advantage of health insurance has been found to be is Cashless hospitalization. This gives the insured the benefit of starting the treatment, once his pre-authorization is approved by the Insurance company/ Third party administrators (TPAs). In addition, this gives the family the time and peace of mind to concentrate on the patient and the treatment and relief from arranging for funds.

4. Tax benefits on investments in health insurance for self and dependants becomes a major driver for consumers to invest in a policy.

Unless the Indian consumers are made aware of the health insurance concepts and benefits, the industry is not likely to be able to achieve its growth potential. So, it is necessary to increase awareness of health insurance, its benefits and unique features and develop positive perception about health insurance amongst the Indian consumers.

1.8 **Challenges before Health Insurance Sector**

Health insurance sector continues to be one of the most dynamic and fast evolving constituents of the Indian insurance industry with premium of Rs.13,092 crore underwritten in 2011-12, reporting growth of 14.05 percent over the premium of Rs.11,480 crore underwritten in 2010-11. Health insurance industry has grown ten-
folds in terms of premium generated. The growth is not only in monetary terms, but also in variety of health insurance products being offered by the various health insurance companies in the country. In the past, mediclaim was the single product being marketed by four non-life insurers for a decade and a half, but today more than 300 health insurance products are being offered by the Indian insurance companies including general, life and stand-alone health insurers. According to KPMG, Mckinsey and others, the health insurance market would continue to grow and reach a level of Rs. 25000 to Rs. 30000 Crores by 2015, which does not look difficult to achieve.46

The most common form of health insurance policies prevalent in India are those which cover the expenses incurred on hospitalization on indemnity basis, but in the passage of time, a variety of innovative products are available, offering a range of health cover, depending upon the need and choice of the insured. To suit the needs of the policyholders even the four public sector insurers have diversified in their current version of mediclaim polices, with different names and prices. Many more insurers are launching newer health insurance products with widely varying features, which becomes difficult at times for the customer to choose one from many.

India now has products ranging from micro health insurance policies to globally valid comprehensive policies. Fixed benefit products like hospital cash, critical illness and surgical cash, as also newer models like high-deductible hospital indemnity covers are being introduced by most players in the industry. Since, the choice of health insurance products is no longer an easy task, standardization and consumer awareness will be important items in the industry’s growth agenda.

Health services, including the mandatory formal sector schemes like the Employees state Insurance scheme (ESIS), Central Government Health Scheme
(CGHS) and other such employer schemes, cover only about 16-18% of all the people in the country, which includes a substantial recent contribution from large scale government funded health insurance programmes for the poor.47

The Governments participation in the health insurance sector is thus, truly multifaceted now, it is the largest insurer (companies owned by the Government together constitute 60% of the health insurance market) and the largest healthcare provider in terms of number of facilities owned and operated by them, and now the largest bulk-buyer of health insurance for poor families, besides its role in regulations and providing tax subsidies for encouraging uptake of health insurance. The government policies & actions are significantly influencing and shaping the future of the health insurance sector.

A major landmark occurred when the Federation of Indian Chamber of Commerce and Industry (FICCI), which in its report on health Insurance July 2009, released Standard treatment Guidelines (STGs) for 21 common causes of hospitalization developed by the eminent clinical experts and other professionals of FICCI working group on health insurance in association with the insurance regulator, IRDA. It was an important landmark, for the first ever joint insurance provider effort in India for this purpose, and demonstrated the willingness of insurers and health providers in sharing a common platform to find solutions for challenges faced by the industry.

Over the last two years, the Confederation of Indian Industry (CII) along with Insurance Regulatory and Development Authority (IRDA) has worked, jointly on standardization of important documents in the health insurance system, viz. the pre-authorization form, claim form and introduced IT-enabled formats in order to boost up the operational efficiency in improving the effectiveness of the industry.
Health insurance will be an increasingly important mode of payment for hospital services in the country and will witness several products and delivery innovations as well as distribution innovations, with the growing demand of specialization and professionalization in the system, a move towards quality issues, standard setting and cost optimization is likely to be led by the insurance industry.

Health insurance never exists in isolation, and all the issues inherent in the health system affect it, though some of these challenges can be addressed through better designing and implementation of health insurance programs. Health being a state subject and there being no single regulatory entity for health providers, is a major challenge which insurance sector will find hard to address. Another set of challenge is regarding the consumer awareness and empowerment, and in making available products which consumers can understand better and also to restore the consumer’s confidence in them.

A path paved with transparency and fair practices, and strengthened by the use of technology, perhaps is the ways to go for India’s health insurance sector, and this will be the key in achieving milestones of reaching for access and affordability in the system. According to the Chairman of FICCI, Health Services Committee, Shivinder Mohan Singh- “The key challenge, however, is to create such products that can reach the bottom half of the population which enables greater access to quality healthcare. Putting money and access in the hands of those who cannot afford will create an inclusive health system in the country.”

For India, the challenge lies in combining affordability with quality both insurers and healthcare providers need to look beyond setting standard rates and processes. And a mechanism is needed to cover special groups who are physically or mentally challenged, or those who suffer from chronic/incurable ailments.
1.9 **Health Insurance Policy Portability**

Insurance Regulatory and Development Authority (IRDA) of India implemented health insurance policy portability service from October 1, 2011, which would allow policy holders to switch their insurers and have the freedom of shifting to other insurers who offer a better deal without losing the continuity benefits.\(^{50}\)

Portability relates to the transfer of credit gained by the insured for pre-existing conditions and time bound exclusions, if the policyholder chooses to switch from one insurer to another insurer or from one plan to another plan of the same insurer, provided the previous policy has been maintained without any break. Portability facility will help those policyholders who stick to one insurer throughout their life for fear of losing the cover for pre-existing Diseases (PED). Currently, the key issue that prevents policyholders from switching insurance companies is pre-existing diseases (PED) cover. In majority cases of claims arising out of such pre-existing illnesses are reimbursed only after a waiting period of 3-4 years. A pre-existing disease is defined as any ailment or condition that the policyholder was suffering from, within 48 months prior to purchase of the policy. The period during which the insurer will exclude coverage to such illnesses is referred to as the waiting period. Policyholders who switched to another company were treated as new customers, and required to go through the waiting period all over again. To address this, IRDA has issued guidelines on the portability of health insurance policies.\(^{51}\)

The amendment provides an opportunity to new entrants to attract more business. The switch over of policy will be more on the basis of quality of service.
The insured will be the major beneficiary because they now have the flexibility to choose and change in case they are not satisfied with the services of his insurance provider. The guidelines of Insurance Regulatory and Development Authority (IRDA), has also removed the risk that the new insurer will reject a claim on the grounds that the ailment was existing before the policy was issued. The portability is expected to increase the competition among the insurers and thus provide the policyholders with better services.\textsuperscript{52}

1.10 Health Insurance Fraud

Health insurance fraud is described as an intentional act of deceiving, concealing, or misrepresenting information that results in health care benefits being paid to an individual or group. Health insurance fraud can be committed by both the insured and the healthcare providers. Fraud committed by insured consists of ineligible members and/or dependents, alterations in enrollment forms, concealing pre-existing conditions, failure to report other coverage, prescription drug fraud and failure to disclose claims that were a result of a work related injury in case of accidental insurance. Health care provider fraud consists of claims submitted by fake physicians, billing for services not rendered and billing for higher level of services, diagnosis or treatments that are outside the scope of practice and alterations in claims submission. Some frauds involve double-billing by doctors who charge insurance companies for treatments that never occurred, and surgeons who perform unnecessary surgery.

The main reason that medical fraud is such a prevalent practice is that nearly all of the parties involved find it favorable in some way especially their desire for financial gains. The most common perpetrators of healthcare insurance fraud are healthcare providers. One reason for this is the historically prevailing attitude in the medical profession to provide ‘loyalty to patients’. This incentive can lead to fraudulent
practices such as billing insurance companies for treatments that are not covered by the patient’s insurance policy. For this, physicians often make bill for a different service, which is covered by the policy, than that which was rendered. They make bills for expensive treatments than those actually provided, subsequently make bills for treatments that are not medically necessary, schedule extra visits for patients, referring patients to another physician when no further treatment is actually necessary, ‘phantom billing’ or billing for services not rendered and ‘ganging’ or billing for services to family members or other individuals who are accompanying the patient; who did not personally receive any services.

Perhaps the greatest amount of fraud is committed by the health insurance companies themselves. The insurance companies intentionally do not pay the claims and delete them from their systems, deny and cancel coverage, and they provide underpayment to hospitals and physicians beneath what are normal fees for health care. Although difficult to obtain the information, this fraud by insurance companies can be estimated by comparing revenues from premium payments and expenditures on health claims. Hence, the health insurance fraud can be committed by any member viz; the insured, insurer or the health care service providers and for this the regulatory body needs to keep a strict control over their activities.

1.11 Future Scenario of Health Insurance

Health insurance is the basic necessity of every human being. India being a welfare state, it is the duty of the government to see that health services are equally available to all the sections of the society. India will progress only when its people are healthy. It has been observed that people go for insurance coverage once they suspect having contracting any disease. This is the root cause of insurance companies paying huge claims. They must cover healthy lives to offset this loss and increase the net of
insurance to make this portfolio sustainable and profitable.

The majority of Indian population is unable to access high quality healthcare provided by private players due to high cost. But now with the increasing awareness of health insurance they are looking towards the insurance companies for getting alternative financing option in order to seek better quality healthcare. The opportunity for insurance providers entering the Indian healthcare market remains huge, as 75% of expenditure on healthcare in India is still being met by ‘out-of-pocket’ by consumers. Even though only 12-13% of the Indian population today has health insurance coverage and this industry is expected to face tremendous growth over the next few years as a result of several private players that have entered the market. Health insurance coverage among urban, middle and upper-class Indians, however is significantly higher and stands at approximately 50%. In order to encourage foreign health insurance to enter the Indian market, the government has recently proposed to raise the foreign direct investment (FDI) limit in insurance from 26% to 49%, increasing the health insurance penetration and ensuring affordable premium rates necessary to drive the health insurance market in India.\textsuperscript{53}

Incentive for investing in health insurance is improving and expected to get up to the mark in the near future. There is also a need to have greater exposure of the products in terms of advertising and exposing the value and need of health insurance. Innovative products, addressing the needs of the newborn and old-age, the poor, those suffering from chronic illnesses and reimbursement of outdoor medical costs need to be addressed. Rural India needs a separate insurance product and policy which suits the people below poverty line (BPL).\textsuperscript{54}

In past years healthcare providers have fallen short in many ways. Governance and assurance of quality was insufficient. Hospitals were not transparent in their
information. Evidence based practices were inadequately followed and inflation of bills related to health insurance was an unfortunate practice in certain hospitals. These pitfalls need to be encountered and addressed in order to provide quality health services to the consumers. The average consumer even today does not understand the value of health insurance, this is related to the fact that the benefits are not as good as they should be. Further the government has provided insufficient incentives and tax benefits for amounts invested in health insurance.

Substantial improvement is required in the process of health insurance claims. There is no standard form for preauthorization. The documentation of medical information leaves much to be desired. There is insufficient understanding of medical terminology and procedures. The uniform application of electronic records is very long way off. Lack of integrity in filling of the preauthorization forms still exists. Delay in processing bills after discharge causes delays in the patient leaving the hospital. With the growth of new health insurance companies in the country & the increase in the customer base of both urban and rural population the companies were facing problems in customer relationship management & claims-management. A mechanism was needed to be developed which could be able to tackle and address these issues. Third Party Administrators (TPAs) was the only way which could be able to provide some relief to the Insurance companies and the customers. Hence, there was a birth of Third Party Administrators (TPAs) who were regarded as facilitators in the coordination process between the health insurance companies and the policyholders.

However, the Insurance Regulatory and Development Authority (IRDA) has taken a number of initiatives for the development of health insurance sector,
strengthening protection of policyholders’ interest and orderly growth of the insurance sector. Some of the initiatives taken by the Authority are:

1. During 2010-11, the Authority examined at length various issues involved in the portability of health insurance plan and issued the Circular for effective portability of health insurance policies. Subsequent to the discussions with the industry, the Authority implemented the portability in health insurance products in 2011-12, which has benefitted the customers and industry as a whole. In order to facilitate quick and time bound portability, an exclusive web portal has been created to exchange data between insurers for porting the policies.

2. The repudiation (refusal) of claims has been a concern across for all classes of business. The Authority gave directions to all public and private health insurance companies not to repudiate genuine claims based on delayed intimation of claims or delayed submission of claims, unless sufficiently justified. The guideline is expected to help in serving the real concern of rejection of the genuine claims, which are reported/ submitted late due to certain unavoidable situations.

3. The Authority on close examination of various products filed, complaints received and the dynamic environment involving all stakeholders in health insurance sector, initiated an exercise to frame a comprehensive health insurance regulation. The draft proposal includes many aspects of health insurance, such as uniformity in definitions, provision for ‘no exit age’ for continuous renewals, uniform forms, contribution methods, TPA related issues, agreements between TPA and Insurer, hospital and Insurer, and a host
of other provisions. The Regulation is likely to be finalized and notified in the year 2012-13.

4. The Authority has also formed the Health Insurance Forum in February 2012 with representations from all related fields, viz. life insurers, non-life insurers, standalone health insurers, concerned Ministries, National Accreditation Board for Hospitals and Health Care Providers (NABH), Hospitals, Service Providers, TPAs, Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), etc. The objectives of the forum is to aid, advise, assist the Authority for further improvements in health insurance, health provider services and all health insurance related issues. The purpose of the forum includes initiatives by all stakeholders in the health insurance and health service sector, maintaining unified approach by all stakeholders against frauds, providing high service standards, adherence to ethical standards and maintenance of business conduct, along with protection of interest of policyholders and service recipients.

5. The Authority is also being represented in many Committees, viz. multi-stakeholder working groups formed by FICCI and CII on specific areas of health insurance. Some of the works, completed by such groups, include the standardisation of billing formats, discharge summary, etc.

The health insurance market in the country is growing fast and becoming a fastest growing segment in the insurance industry. With significant headroom to grow further over the coming years, it is projected that health insurance will grow at a faster pace. The health insurance sector in India has come a long way from being a nationalized to a liberalized market. And to continue the trend of growth there is a constant need to examine the key issues and outline possible trends and challenges in
this sector, so that, it can match International standards both in terms of market size and customer satisfaction. No doubt ‘Health is Wealth’ and in the coming years health insurance is going to be a shining jewel in the crown of insurance industry. Health insurance which used to be a luxury earlier, has become comfort now and soon it would become a necessity.

To fulfill the need an attempt has been made in the present research work which has been divided into 6 chapters, along with an appendix and a comprehensive bibliography. The 1st chapter being introductory deliberates on the health insurance overview in India, its growth in recent years and future scenario. The 2nd chapter is the review of literature, which provides an insight to the work done by eminent scholars in the areas of TPAs and their suggestions. The 3rd chapter makes detailed study of the evolution and role of Third Party Administrators (TPAs) in the health insurance sector and the issues and challenges before the Third Party Administrators (TPAs) in the present competitive era. The 4th chapter being Research Methodology outlines the objectives, research design, sampling and hypothesis to be tested in the present research work. The 5th chapter studies the analysis of primary data gathered from the respondents and secondary data collected from secondary sources. The study is related to the Allahabad district and the application of statistical tools have been applied and incorporated where desired and the last 6th chapter provides the findings and suggestions based on the analysis of data.

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