



PERFORMANCE OF HEALTH INSURANCE COMPANIES IN INDIA

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Abstract

The insurance sector has been made significant effect on the society. It protects individual, industry and society by covering different types of risk. Especially health insurance covers individual as well group of the people After liberalization and privatization made changes in the insurance sector quiet often and also made insurance to adopt these changes. These recent trends in health insurance made wider scope to insurance companies earn more premiums. These trends made changes in the last two decades. In this background, the present study focuses to understand the performance of health insurance in India. Moreover, the recent trends in health insurance which provides major share of the total premium earned by the insurance companies in India. In addition to this, the study intends to know the premium, claim and profitability of health insurance in India. Few statistical analyses are made of different year to compare over the two years to identify the performance. The analysis and interpretation is made by using statistical tools and techniques to authenticated data in health insurance. Finally, it makes an attempt to major findings of the study by offering suitable and feasible suggestions and conclusions.

Key Terms: *Insurance companies, health insurance, Recent Trends, liberalization and Privatization*

Introduction

Insurance plays a significant role in the development of a country. It is one of the service sectors which focus on all segments of the society. With the increased population, industrialization and the changing environment, insurance related issues and problems are being emphasized and have become a great concern for the contemporary world.

The Indian insurance sector earlier was dominated by public sector insurance companies. Even after the new economic policy, insurance sector share was in the hands of public sector. After the introduction of IRDA, Government offered private sector insurance companies to enter into the insurance business in India. This privatization policy brings new era of change for the insurance sector, which has made insurance sector more competitive

Earlier, life insurance had become more significant part of the society. But changing conditions of property and assets also becomes a part of insurance. Due to industrial growth and private sector entry into the insurance sector focus is rapidly changing towards general insurance.

General Insurance

Insurance other than Life Insurance falls under the category of General Insurance. General Insurance comprises of insurance of property against fire, burglary etc, personal insurance such as Accident and Health Insurance, and liability insurance which covers legal liabilities.

Health Insurance

In view of the dismal state of healthcare provided in hospitals run by government, there is no option with people to look for healthcare facilities provided by private sector in the private hospitals. However due to the high cost of healthcare in private sector, health insurance has become a necessity of all



individuals. Health insurance policy basically covers the diseases and accidents which may require hospitalization. Premium depends upon the age and assessed health of the proposer based on individual good or bad habits/life style and the sum insured chosen.

Literature Review

RamaaBaanu (2011) in her thesis "*A Study on the Performance of Public Sector General Insurance Companies in Salem Division- Tamilnadu*", essentially makes an attempt to know how much to bear the risk of losses due to unexpected losses by the four public sector general insurance companies in Salem division. The class wise insurance business performance helps to know which class of business gives more profit and which kind of insurance business gives less profit or incurs loss. So, this will help the company to improve the business in future. Hence, the researcher intends to analyse the profitability and efficient performance of four kinds of general insurance business of public sector general insurance companies in Salem division.

Sharad N. Inamdar (2012) in his thesis "*A Study of Problems and Prospects of General Insurance Companies in Public Sector in Pune region for the period 2000-2008*", studies the customer awareness about the public sector general insurance companies and impact of public sector on the policy holders in financial terms. It also investigates the marketing strategies of the public sector general insurance companies. It gives an idea of the policy holders about insurance companies, government policies on the business of the public sector general insurance companies. It highlights the future prospects of the public sector general insurance companies.

Anabil Bhattacharya (2014) in his research paper, "*Achieving Growth in Profitable Areas*" mainly concentrates the key areas of sector wise analysis of the current market like fire, marine, engineering, health, personal line, rural insurance relating to the marketing forces. It also focuses on data warehousing for areas of profit generation, research and development activities, pricing of product at reasonable and reduced cost, effectively utilizing the proper publicity, fast claim settlement, online policy issuance and flexible payment options. Finally, it is concluded that the present scenario when the competition in the general insurance market is extremely stiff and market will be highly volatile.

Kavithaet.al, (2012) in their research paper "*Customer Attitude towards General Insurance-A Factor Analysis Approach*" identified the Indian insurance market in coming days. This paper examines the customer attitude towards the General insurance. The study has been conducted at Erode district with sample of 750 respondents to find out the influencing factors of the policy holders in the study area. In this context, factor analysis and important multivariate technique has used to find out the policy holders opinion. This study helps to find out the various customers with different expectations from the general insurance companies in this study area.

Dr. V P Sriraman(2015) in their research paper "*Health Insurance Regulation in India*" examined the pre-market regulation, important date marks in health insurance, post regulations market in India and IRDA functions and IRDA regulations related to health insurance. It discusses the health insurance guidelines like free-look period, portability of health insurance, TPAs, Entry age limits, deductibles etc.,. It suggests that the insurance penetration and density increase in the number of insurers both life and non-life. Speed claim settlement and many more aspects need to be change in terms of service quality and the IRDAs role in Indian insurance sector. There is need for more research in this field so as to improve the awareness level in insurance industry.



Objectives of the Study

In the light of the above following are the objectives of the study.

- The present study focus on premium and claim of health insurance companies in India
- It analyze the performance of health insurance in India

Scope of the Study

The present paper examines the key issues in health insurance in India. It focuses on premium, claim and profitability of health insurance in India. The present study covers the period of 2017-18 and 2018-19.

Methodology

The present study is purely analytical in nature. The necessary statistics are collected from the report of Insurance Regulatory Development Authority of India and also from their websites besides journals and books. For effective presentation tables, graphs are used.

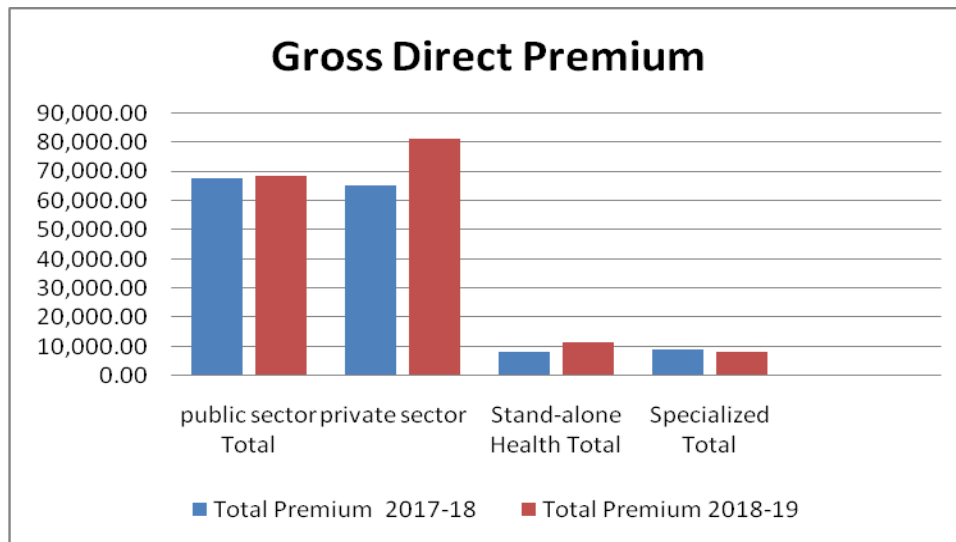
Results and Discussion

The present study analyses the Gross direct premium of public, private and health insurance companies in India. It also emphasis on Incurred claims ratio and profitability which focuses on the performance of insurance companies in India.

Table-1 Gross Direct Income in India: Health Insurers

INSURER	Total Premium in(RS)	
	2017-18	2018-19
public sector Total	67,794.23	68,658.85
private sector	65,419.82	81,287.15
Stand-alone Health Total	8,314.28	11,354.03
Specialized Total	9,133.81	8,148.42
Grand Total	1,50,662.13	1,69,448.46

Source: IRDA Annual Reports 2017-18 to 2018-19



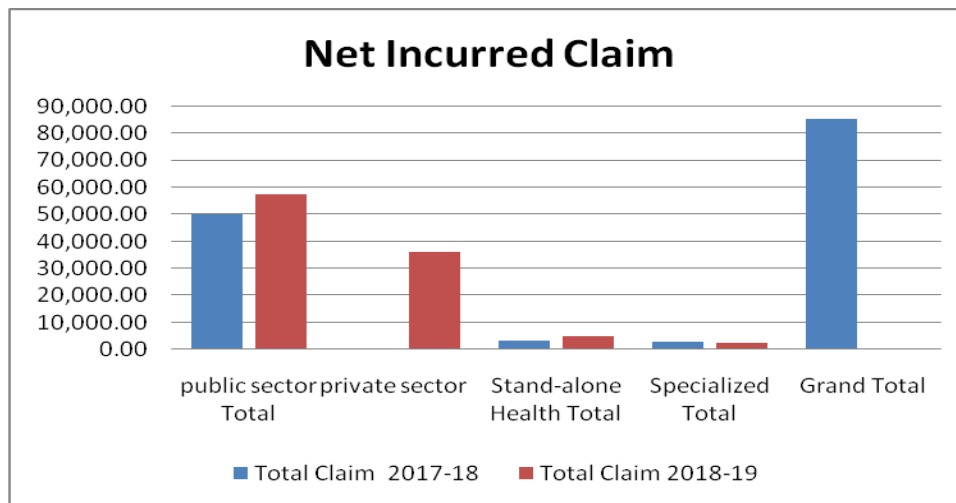


The general insurance industry underwrote total direct premium of Rs. 169448 crore in India for the year 2018-19 as against Rs 150662 crore in 2017-18, registering a growth rate of 12.47 percent as against 17.59 percent growth rate recorded in the previous year. The public sector insurers exhibited growth of 1.28 percent in 2018-19, over the previous year's growth rate of 12.58 percent. The private general insurers registered a growth rate of 24.25 percent, against 21.59 percent growth rate during the previous year. The standalone health insurers registered a growth rate of 36.56 percent against 41.93 percent growth rate during the previous year and the specialized insurers registered a negative growth rate of 10.79 percent as against the growth rate of 10.79 percent as against the growth 10.75 percent during the previous year.

Table-2 Net Incurred Claims of Health Insureres

INSURER	2017-18	2018-19
public sector Insurers	50,126.17	57,514.90
private sector Insurers	29,184.70	36,120.88
Stand-alone Health Insurers	3,382.67	4,750.43
Specialized Insurers	2,957.82	2,664.80
Grand Total	85,651.36	1,01,051.01

Source: IRDA Annual Reports 2017-18 to 2018-19



The net incurred claims of the general insurers stood at Rs 101051 crore in 2018-19 as against Rs 85651 crore in 2017-18. The incurred calims exhibited as increase of 17.98 percent during 2018-19. The public sector insurers, private sector general insurers and standalone health insurers reported increase of 14.74 percent, 23.77 percent and 40.43 respectively, while specialized insurers reported decrease in the incurred claims by 9.91 percent.

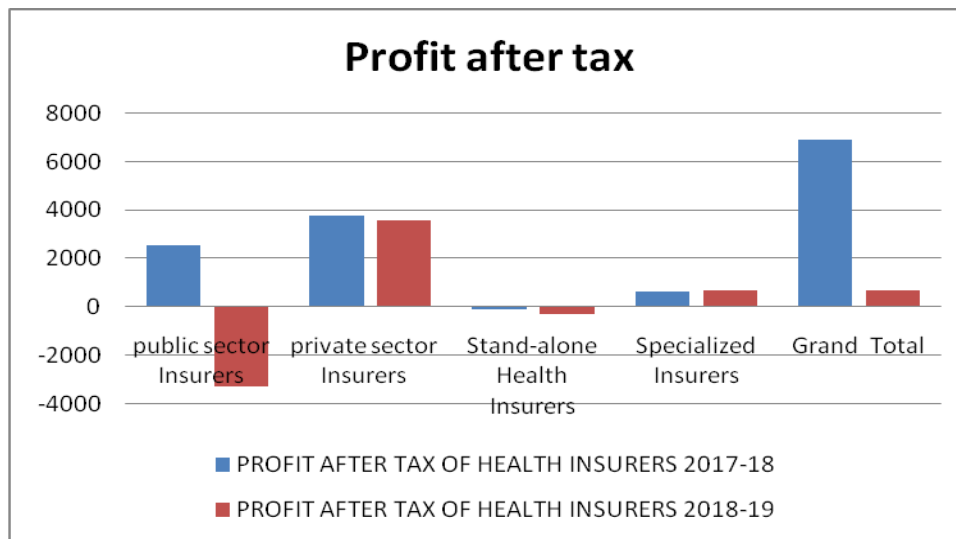
The incurred claims ratio (net incurred claims to net earned premium) of the general insurance industry was 89.16 percent during 2018-19 which is higher than the previous year figure of 85.26 percent. The incurred claims ration for public sector insurers was 103.46 percent for the year 2018-19 which was increased from the previous year's incurred claims ration of 93.73 percent Whereas for the private sector general insurers, standalone health insurers and specialized insurers incurred claims ration for the year 2018-19 was 76.20 percent, 60.68 percent and 106.33 percent respectively as compared to the previous year's ration of 75.46 percent, 59.58 percent and 112.95 percent respectively.



Table-3 Profit After Tax of Health Insurers

INSURER	2017-18	2018-19
public sector Insurers	2542.7	-3287.9
private sector Insurers	3798.33	3584.4
Stand-alone Health Insurers	-102.19	-298
Specialized Insurers	669.95	684.71
Grand Total	6908.8	683.21

Source: IRDA Annual Reports 2017-18 to 2018-19



During the year 2018-19, the total PAT of general insurance industry Rs. 683 crore as against a profit of Rs.6909 crore in 2017-18. The public sector companies reported a loss after tax of Rs. 3288 crore against a profit after tax of Rs. 2543 crore in 2017-18. The private sector insurers reported a PAT of Rs.3584 crore against a PAT Rs. 3798 crore in 2017-18 and specialized insurers have reported Rs. 685 crore PAT against a PAT of Rs. 670 crore in 2017-18 whereas the standalone health insurers reported loss of Rs. 298 crore against a loss after tax of Rs.102 crore in 2017-18.

Findings of the study

1. The gross direct premium of general and health insurance during the year 2017-18 to 2018-19, it has increased to 18,786 crore.
2. The gross direct premium of private sector insurers have been significantly increased by 15, 868 crore.
3. The net incurred claim ratio 2017-18 to 2018-19 increased to 15,400 crore.
4. Both public and private sector insurance have shown equal increasing proportion of incurred claim ratio.
5. During the year 2017-18 to 2018-19 the profit after tax was fallen to 90%.
6. The public sector insurers have shown negative profit of 745 crore.



Conclusion

Insurance sector plays a pivotal role the development of economy by safe guarding the interest of policy holders. From above analysis it is evident that the gross direct premium of the insurance sector has shown positive sign for insurance sector, where as the private sector shown more positive in terms of premium. The net incurred claim ratio of public sector has shown decreasing trend, meanwhile private sector maintain same trend during the study period. The profitability of health insurance is concern private has shown positive stream where as public sector seems negative result.

It is concluded that the performance of private health insurance sector has exhibits more premium collection and less incurred claim ratio compare to public sector insurers. The profitability index shows the private sector insurers more edge contemplated to public sector. Hence, the Insurance Regulatory Development Authority has to focus on public sector insurers for the improvement of performance in particular segment.

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