

PERFORMANCE OF THE STANDALONE HEALTH INSURANCE COMPANIES IN INDIA

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Abstract

Health insurance in Asian country may be a growing phase of India's economy in 2011, 3.9% of India's gross domestic product was spent within the health sector. The health insurance industry/companies are three aspects of very important to be notified by the Premium, Claim, and Market Share. Premium is the initial step which decides the next two steps. It determines the policy holder's rights to their privileges in the form of claim. It also conform the Market share of a health insurance Company. This study are analyzed the Growth of Premium, claim and market share. The researcher used from descriptive analysis of Mean, standard deviation, Covariance, Compound Annual Growth Rate (CAGR), Annual Growth Rate (AGR), of selected health insurance companies.

Introduction

The healthcare sector in India has been very rapid. It is estimated that the market value of the Indian healthcare sector will be close to \$280 billion by 2020. As a result of this, there are enough opportunities for health insurance companies to flourish in India. Health insurance companies are one of the top insurance firms in the market. Every year, a list of the health insurance companies in India is announced by the Insurance Regulatory and Development Authority of India (IRDA). IRDA prepares the list based on a few factors such as their performances, Incurred Claim Ratio, and the coverage and benefits offered to its customers¹. There are numerous choices as far as insurance companies are involved as both public as well as private health insurance operators are providing health insurance coverage. The health insurance industry was started in 1986, and has since then seen exponential growth in a market whose doubtless value is billions. The market is slowly turning into being aware of the advantages of health insurance cover, and with the liberalized economy we currently live in, seems poised to grow in leaps and bounds. In 2011, 3.9% of India's GDP was spent for the health sector. This means that an astounding variety of people have paid for their healthcare out of their own pockets. A Health insurance policy is a contract between the insurance company and the policyholder, wherein the insurer pays for the medical expenses incurred by the life insured. The insurance company under non depository financial institution will either offer a reimbursement for the medical expenses or make sure a person is eligible for cashless treatment for injuries or illnesses covered under the policy at one of the network hospitals.

STATEMENT OF THE PROBLEM

According to the latest Annual Report of the Insurance Regulatory and Development Authority of India (IRDAI), The health insurance companies collected by ₹ 37,029 crore as health insurance premium for 2017-18, registering a growth of 21.8 per cent in 2016-17. Group business accounted

¹ <https://www.moneycontrol.com/news/india/health-insurance-company-list-of-health-insurance-companies-in-india-pf8-4387291.html>

for 48 per cent (₹17,757 crore) of the premium, followed by individual segment at 41 per cent (₹15,291 crore), and government business at 11 per cent (₹3,981 crore). During 2017-18, general and health insurance companies issued around 1.47 crore health insurance policies (excluding policies issued under personal accident and travel insurance), covering 48.20 crore lives, a growth of 10 per cent in the number of lives covered over the previous year. Three-fourths of the lives covered were under government-sponsored health insurance schemes, and the balance one-fourth by group and individual policies issued by general and health insurers. There is an also improvement in net incurred claims ratio (ICR) during FY 2017-18. This is observed in all three classes of businesses. The four public sector general insurers held a combined market share of 58 per cent in 2017-18. However, their share declined to 63 per cent in 2016-17. On the other hand, the share of private sector general insurers increased to 21 per cent in 2017-18 from 19 per cent in 2016-17, and the share of standalone health insurers in health insurance premium went up to 21 per cent from 18 per cent in 2016-17. Standalone health insurers reported an increase in underwriting losses in 2017-18, which is ₹436 crore, compared to an underwriting loss of ₹261 crore in 2016-17. Of the six standalone health insurers, three reported losses and three made profits in 2017-18. The three standalone health insurers that reported PAT include Apollo Munich, Max Bupa and Star Health. They reported PAT of ₹15 crore, ₹23 crore and ₹170 crore, respectively, during 2017-18.

OBJECTIVES OF THE STUDY

The following are the objectives of the present study.

1. To study the concepts of Health insurance schemes.
2. To examine the growth of health insurance premium, claim and Market share of standalone health insurance companies in India.

RESEARCH METHODOLOGY

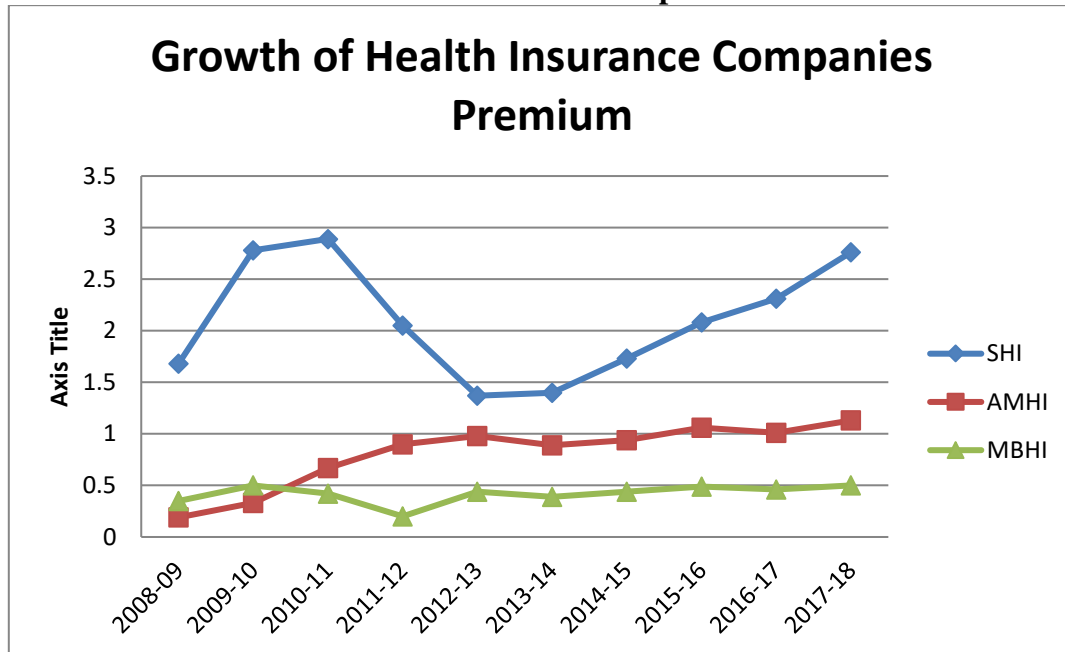
Research methodology is a way of systematically solving a research problem. This is related to science of studying how research is conducted scientifically. This study is both analytical and descriptive in method. This study used only secondary data.

The **Secondary data** is collected from various publications, Annual reports, books, Journals, Magazines, Seminar materials, Published and Unpublished reports, websites and libraries pertaining to Insurance Regulatory Development Authority (IRDA) and Selected standalone health insurance companies websites. The researcher has been selected by four standalone health Insurance companies based on market share. The followed by the sample companies Star Health & Allied Insurance, Apollo Munich Health Insurance, Max Bupa Health Insurance, and Religare health insurance Company.

GROWTH OF HEALTH INSURANCE PREMIUM IN INDIA

The health insurance Premium is the pre-decided amount of money that the policy holders pay towards their health insurance policy at regular intervals which is referred to as the 'premium'. This makes policy holders' eligible to avail the medical coverage for a period, as mentioned in their policy document. The policy holder has to mention the necessary details for the health insurance premium calculator to display the premium amount that they would have to pay. These details include pre-existing diseases if any, sum insured, age, number of members to be covered, etc. They act as the parameters based on which your premium amount will be calculated. The benefits detailed in the policy will be paid by the policy holders chosen health insurance companies in case of an unpredicted medical emergency or on the diagnosis of a disease, as per the terms of your policy. This analysis represents the growth of premium for select health insurance companies for the recent ten years from 2008-2009 to 2017-18. The following chart Growth of Health Insurance Companies Premium.

**Figure -1
Growth of Health Insurance Companies Premium**



In order to find the relationship of mean values of premium between years and between health insurance Company, a two - way ANOVA has been applied to test the following hypothesis during the study period.

H₀ : There is no significant difference of the mean values of premiums among the select health insurance companies with respect to between years and health insurance companies

**Table -1
Analysis of Variance of Growth of Health Insurance Premium**

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Rows	10107964	9	1123107	4.80429	0.002277	2.456281
Columns	8924200	2	4462100	19.08742	3.56E-05	3.554557
Error	4207891	18	233771.7			
Total	23240055	29				

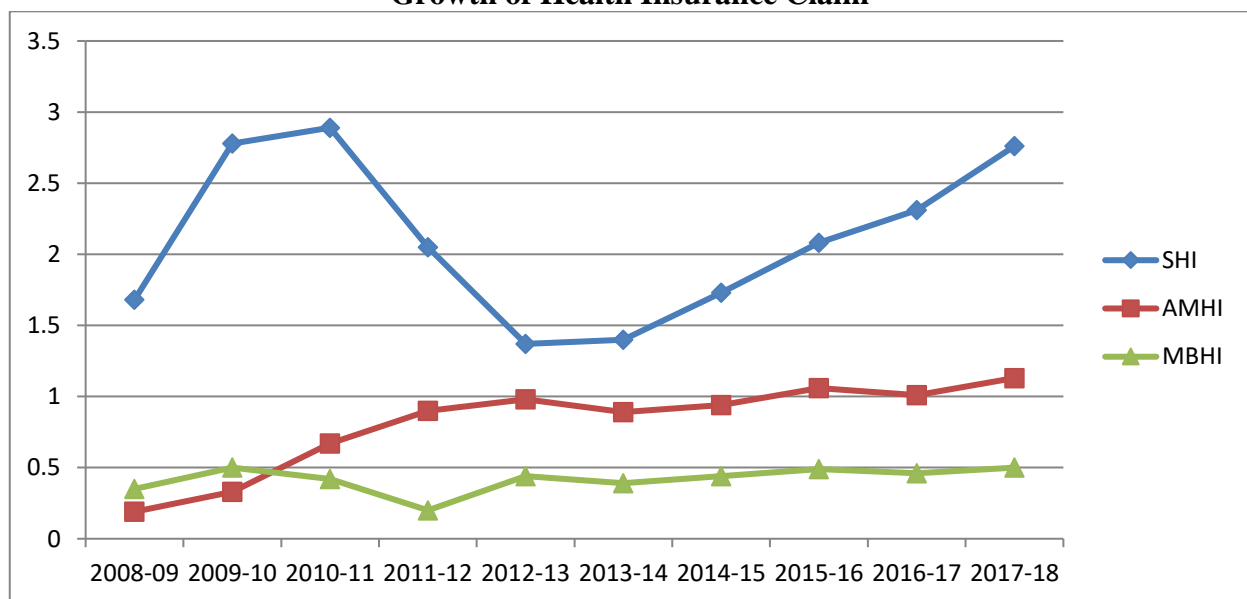
Source: Computed data; Note: NS-Not Significant.

It is noted from the Table -1 that the F value ‘between the years’ 4.80 which is less than the Table value 2.153 indicates that there are no significance ‘between the health insurance companies’ 19.08 which is greater than the Table value 2.634 at 5 per cent level indicating that there is significant difference. Hence, the null hypothesis is accepted for ‘between the years’ and it is not accepted for ‘between the health insurance companies’. It is found from the Table -1 that there is no significant difference ‘between the years’ of the mean values of Premium.

GROWTH OF HEALTH INSURANCE CLAIM IN INDIA

The Healthcare sector in India is set to increase its pace. Reasons for this rapid growth can be rising life expectancy, higher income levels, the growing incidence of lifestyle-related diseases and health insurance proliferation. There are five standalone health insurers including Religare who are offering services and products in India. These insurers are spread across the wide spectrum and that they do not essentially play the price-sensitive game to realize premiums. Max Bupa is focused on the low as well as high premium segment whereas Star Health is more focused on the low premium segment. The insurance companies are now being forced to provide similar kind of benefits at attractive prices or even more than that. People are becoming more aware of Health insurance now which is getting expensive. So they are seeking for more sophisticated plans. Meanwhile, employees are asked to share a greater part of the premium by increasing the number of companies. So there is a gradual breakdown of the group plan support structure. Companies are not covering parents in their cover thus, reducing the breadth of the cover. More health insurance companies can be seen in future if growth leads to changes in FDI rules. More competition will lead to more benefits to the customers so the ultimate winner is the customer. This analysis represents the growth of claim for select health insurance companies for the recent ten years from 2012-13 to 2017-18. The following table shows the growth of health insurance claim.

Figure 2
Growth of Health Insurance Claim



In order to find out the relationship of mean values of claim between years and between health insurance Companies, a two - way A NOVA has been applied to test the following hypothesis during the study period.

H₀ : There is no significant difference of the mean values of claims among the select health insurance companies with respect to between years and health insurance companies

Table -2
Analysis of Variance of Growth of Health Insurance Premium

ANOVA						
Source of Variation	SS	Df	MS	F	P-value	F crit
Rows	1.314613	9	0.146068148	1.025309	0.457256	2.456281
Columns	15.57501	2	7.787503333	54.6635	2.26E-08	3.554557

Error	2.564327	18	0.142462593			
Total	19.45395	29				

Source: Computed data; Note: NS-Not Significant.

It is noted from the Table -2 that the F value ‘between the years’ 1.02 is less than the table value 2.153 which indicates that there is no significance ‘between the health insurance companies’ 54.66 which is greater than the Table value 2.634 at 5 per cent level indicating that there is significant difference. Hence, the null hypothesis is accepted for ‘between the years’ and it is not accepted for ‘between the health insurance companies’. It is found from Table 2 that there is no significant difference ‘between the years’ of the mean values of Premium.

GROWTH OF MARKET SHARE FOR THE HEALTH INSURANCE COMPANIES

Market share means Out of total purchases of policy holders of a Policy, what percentage goes to a company defines its market share. In other words, if Policy holders as a whole buy 100 Policies, and 40 of which are from one company, that company holds 40% market share. It is calculated by the following formula.

$$\text{Market Share} = \frac{\text{Premium of the company during the year}}{\text{Total Premium Earned}} \times 100$$

Table -3
Growth of Market Share for the Health Insurance Companies

Year	SHI		AMHI		MBHI	
	Market Share	AGR	Market Share	AGR	Market Share	AGR
2008-09	1.68	--	0.19	--	0.35	--
2009-10	2.78	65.47	0.33	73.68	0.5	73.68
2010-11	2.89	3.95	0.67	103.03	0.42	103.03
2011-12	2.05	-29.06	0.9	34.32	0.2	34.32
2012-13	1.37	-33.17	0.98	8.88	0.44	8.88
2013-14	1.4	2.18	0.89	-9.18	0.39	-9.18
2014-15	1.73	23.57	0.94	5.61	0.44	5.61
2015-16	2.08	20.23	1.06	12.76	0.49	12.76
2016-17	2.31	11.05	1.01	-4.71	0.46	-4.71
2017-18	2.76	19.48	1.13	11.88	0.5	11.88
Mean	2.10		0.81		0.41	
SD	0.56		0.31		0.09	
CV (%)	26.99		39.03		21.85	
CAGR (%)	0.0567		0.21		0.04	
‘t’ Value	11.716		8.102		14.468	
‘p’ value	0.000		0.000		0.000	

Source: IRDA annual Report Since 2008-09 to 2017-18

It could be observed from the Table 3.1 that growth rate from the period 2008-09 to 2017-18. It is found from the Table that the highest growth of total has been recorded the highest (65.47%) in

2009-10 in Star health insurance and the lowest (2.18%) has recorded at 2013-14. In the case of Apollo Munich health insurance Company, it is recorded as the highest growth rate (103.03%) in the year 2010-11 and the lowest growth rate (5.61%) in 2013-14 and the highest growth rate of Market Share (120%) in 2009-10 and the lowest (8.69%) at 2017-18 have been registered by the Max Buba Health insurance company. The negative growth rate of Market Share has been registered by Star health insurance 2011-12 and 2013-14, Max Buba Health insurance company in 2010-11, 2011-12, 2013-14 and 2016-17.

From the mean value of the Market Share in selected health insurance companies are Max Buba Health Insurance (0.41%) have registered the highest and lowest mean value in the study period. The co-efficient of variation noticed that the growth of Market Share in Max Buba Health Insurance (21.85%) has been constant and Apollo Munich Health Insurance (39.03%) was more than the variable during the study period.

The CAGR of Market Share of the selected health insurance companies is positive of all health insurance. The growth rate of total Market Share of selected health insurance companies is statistically significant at 5 percent level. The Apollo Munich health insurance has the highest CAGR in Market Share at 0.48 percent.

In order to find out the relationship of mean values of market share between years and between health insurance Companies, a two - way A NOVA has been applied to test the following hypothesis during the study period.

H₀ : There is no significant difference in the mean values of p market share among the select health insurance companies with respect to between years and health insurance companies

Table 3.1
Analysis of Variance of Market Share in Health Insurance

Source of Variation	Sum of square	Degrees of freedom	Mean Square variance	F Ratio	'P' value
Rows	1.314613	9	0.146068148	1.02530 9	0.036
Columns	15.57501	2	7.787503333	54.6635	0.215
Error	2.564327	18	0.142462593		
Total	19.45395	29			

Source: Computed data

It is noted from the Table 3.1 that the F value 'between the years' 1.02 which is less than the table value 2.153 indicates that there is no significance 'between the health insurance companies' 54.66 which is greater than the Table value 2.634 at 5 per cent level indicating that there is significant difference. Hence, the null hypothesis is accepted for 'between the years' and it is not accepted for 'between the health insurance companies'. It is found from Table 3.1 it indicates that there is no significant difference 'between the years' of the mean values of market share.

Conclusion

Health insurance companies determining the Growth of Premium and claim settlement, Market share, loss ratio, risk retention ratio and scheme wise claim settlement of the select health insurance companies in India. The study briefly describes the secondary points of health insurance in determining the select companies. To strengthen the logics evolved in the research and to justify the Mean, Standard Deviation, Compound Annual Growth Rate, Annual Growth Gate and Analysis of Variance (ANOVA) related with the current study, various supporting data are also discussed in the

chapter. This study was conducted by the availing data from the annual reports of the IRDA from 2009-10 to 2017-18.

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