A Note on the Insurance Status in India for the Poor

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Abstract

Insurance in India has come a long way since its inception, yet much remains to make it as available and widely-used as it should be. Insurance is more concentrated in relatively financially stable urban areas, but the requirement for a cushion to absorb risks is greater among rural and urban poor. Even after the opening of insurance to private players in India, its penetration is very low compared to that in developed nations, raising a central question: Is there a gap between what is offered and what is demanded?

The business of insurance essentially entails defraying risks attached to any activity over time (including life) and sharing the risks among various entities, both persons and organizations. Insurance products offer the following benefits:

1. protection to investors
2. accumulated savings
3. channeling savings into sectors needing heavy long-term investments

Therefore, for the development of the economy, insurance penetration in India should grow, but that growth will be possible only when suitable products become available. The poor and needy find insurance a risky proposition with their uncertain and irregular incomes, and with their limited ability to read about its benefits. The male literacy rate in India in the year 2000 was 68.4 percent; the female literacy rate was only 45.4 percent (National Sample Survey Organization, NSS 54 (Sch.3.3)). Thus, access is not sufficient in rural areas in India (Tables 1, 2,10).

Table 1
Insurance Penetration Compared with International Figures

Countries	Insurance Penetration (Premium as % of GDP-1999)			Insurance Penetration (Premium as % of GDP-2000)			Insurance Penetration (Premium as % of GDP-2001)		
	Total	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life
United States	8.55	4.32	4.23	8.76	4.28	4.48	8.97	4.57	4.40
Canada	6.49	3.31	3.19	6.56	3.28	3.27	6.42	3.45	2.97
Brazil	2.01	1.66	0.35	2.11	1.75	0.36	2.14	1.78	0.36
UK	13.35	3.05	10.30	15.78	3.07	12.71	14.18	3.45	10.73
France	8.52	2.82	5.70	9.40	2.81	6.59	8.58	2.85	5.73
Russia	2.13	1.34	0.78	2.42	1.29	1.13	3.06	1.51	1.55
South Korea	11.28	2.89	8.39	13.05	3.16	9.89	12.07	3.38	8.69
PR China	1.63	0.61	1.02	1.79	0.67	1.12	2.20	0.86	1.34
India*	1.93	0.54	1.39	2.32	0.55	1.77	2.71	0.56	2.15
Malaysia	3.88	1.72	2.16	3.72	1.59	2.13	5.18	1.80	3.38
South Africa	16.54	2.62	13.92	16.86	2.83	14.04	17.97	2.78	15.19
Kenya	3.26	2.48	0.78	2.63	1.91	0.72	2.70	1.87	0.82
Australia	9.82	3.39	6.43	9.41	3.37	6.04	9.15	3.44	5.70

* India is comparable to China

Source : Swiss Re, Sigma volumes 9/2000, 6/2001 and 6/2002

Table 2

Insurance Density (International Comparison)

Countries	Insurance Penetration (Premium as per% Capita of USD-1999)			Insurance Penetration (Premium as per Capita of USD-2000)			Insurance Penetration (Premium as per Capita of USD-2001)		
	Total	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life
US	2, 921.1	1, 474.4	1, 446.6	3, 152.1	1, 540.7	1, 611.4	3, 266.0	1, 664.1	1, 602.0
Canada	1, 375.3	700.6	674.6	1, 516.8	759.6	757.2	1, 460.4	784.6	675.9
Brazil	68.6	56.7	11.8	75.6	62.7	12.9	64.0	53.2	10.8
UK	3, 244.3	741.5	2, 502.8	3, 759.2	730.7	3, 028.5	3, 393.8	825.9	2, 567.9
France	2, 080.9	688.6	1, 392.3	2, 051.1	613.7	1, 437.4	1, 898.8	630.6	1, 268.2
S. Korea	1, 022.8	262.3	760.5	1, 234.1	298.5	935.6	1, 060.1	296.7	763.4
PR China	13.3	5.0	8.3	15.2	5.7	9.5	20.0	7.8	12.2
India*	8.5	2.4	6.1	9.9	2.3	7.6	11.5	2.4	9.1
Malaysia	140.4	62.3	78.1	150.9	64.6	86.4	198.3	68.7	129.5
S. Africa	490.9	77.9	413.0	472.1	79.1	392.9	446.3	69.1	377.2

* India is comparable to China

Source: Swiss Re, Sigma Volumes 9/2000, 6/2001, & 6/2002

Two main players comprised the Indian insurance industry until it went into private hands: Life Insurance Corporation of India (LIC) in the life sector, and General Insurance Corporation of India (GIC) in the general sector. Four formerly subsidiary companies associated with GIC have been de-linked from the parent company and formed into an independent insurance company.

The business of insurance in India is divided into four classes:

1. Life insurance
2. Fire insurance
3. Marine insurance
4. Miscellaneous insurance (motor, liability, agriculture, Mediclaim/health insurance, etc.)

Why Privatization?

Since the insurance penetration level has always been very low in India, the Malhotra Committee on insurance reforms identified a few factors for the slow growth of the life and general insurance business in India from 1956 to 1992 (Malhotra Committee, 1994). Tough competition from both banking and non-banking organizations due to better returns on investments also led the committee to recommend the opening of the insurance sector to Indian and foreign private insurers. But the major worry for government was the rural sector, because even after nationalization for more than 24 years, in the domestic market, rural insurance performance was not satisfactory, and in India about 70 percent of the population still reside in rural areas mainly dependent on agriculture, and are thus exposed to a greater risk (Table 3).

Table 3
Population Living in Rural Areas vis--vis Agricultural GDP across Low, Middle, and High Income Countries

Sl. No.	Countries	Population Living in Rural Areas%	Agricultural GDP
1	Low Income	69	27
2	Middle Income	50	10
3	High Income	23	2

Source: World Bank. *Report*, 2001

What will happen to this segment after privatization?

The benefits expected of privatization were increased competition, effective tapping of the vast market, and greater availability of innovative products at low prices, with improved services. Serious questions exist as to how well these objectives have been met.

Agriculture is prone to natural vagaries since it is extensively, directly, and continuously in contact with the forces of nature, which make it a risk enterprise. However, India lacks the integrated risk management approach that has been adopted by the developed countries, which includes use of insurance to stabilize the agriculture industry. In most developed countries, insurance complements activities designed to strengthen the agricultural base through such initiatives as irrigation, drainage, land reclamation, and other means of increasing agricultural productivity on the one hand, and pricing and other income support measures on the other.

In a global environment, the cushion that could have been available through extended families, social groups, or government support is not available as it was earlier. On the other hand, risks and vulnerability are increasing. In this context it is the insurer's duty to organize, transfer, and spread risks so that the society—consisting of individuals, families, and communities— is genuinely protected. The role and capacity of insurers in this regard is bound to grow over time and overshadow the role played by the state and other non-insurance risk mitigating institutions (James, 2004).

The income risk of India's farmers has increased due to liberalization of trade in recent years. Normally, in a market insulated from international pressures, when crops fail, prices go up during the harvest season, and the increased prices to some extent compensate for the loss in yield. Thus the fall in prices has accentuated the impact of crop failure on farmers' income fluctuations. Crop insurance is meant only for the yield risk. Lack of a mechanism to deal with price-risk accentuates the problems of crop failure or a reduction in the crop.

Small and marginal farmers are even more vulnerable. Failure of a food crop would lead to transient hunger, and makes these farmers indebted to traders and moneylenders at high interest rates. Crop insurance is thus of utmost importance to Indian agriculture to protect farmers from crop failure through such natural calamities as drought, flood, hail, storm, cyclone, fire, pests, and diseases. Crop insurance is not totally new to India. To date, however, very little benefit has been derived from it. The Comprehensive Crop Insurance Scheme (CCIS) introduced in 1985 had limited scope. It was a credit-linked insurance whose aim was to restore the credit worthiness of farmers for the ensuing season.

India's agriculture sector contributes over 25 percent of the nation's gross domestic product (GDP), providing food to a population of over a billion, livelihood to nearly two-thirds of this number, and raw materials to the country's agro-based industries, thus steering the overall growth of the economy. Therefore, agriculture insurance is an important risk management tool with the potential to provide financial security to the persons engaged in agriculture and allied activities (Datanet India).

Some 20 percent of the farming community in India

depends on crop loans from financial institutions; only half of those are insured. The remaining 80 percent (88 million people) are either self-financing or depend upon informal sources for their financial requirements. Most of these farmers are illiterate and do not understand the procedural and other requirements of formal financial institutions and, therefore, shy away from them.

Currently, GIC is the only entity in the country to offer crop insurance, with its National Agricultural Insurance Scheme (NAIS). All crop insurance schemes to date have been group insurance schemes aimed at farmers taking crop loans from banks. The requirement for insurance in this segment has perforce arisen from the statutory requirement of loans being provided against the guarantee of insurance, in case of default (Datanet India.).

The national crop insurance scheme aims to provide insurance coverage and financial support to farmers in the event of natural calamities, pests, and diseases, besides encouraging them to adopt progressive farming practices, high value in-puts, and higher technology in cultivation in order to help stabilize farm incomes, particularly in disaster years.

The government perceives that agriculture insurance should play a greater role in the country, since not only is this sector's contribution to the GDP high, but also because a majority of the working population is engaged in agriculture and allied activities (Central Statistical Organization, 2004). With a view to providing coverage in this area, the Agriculture Insurance Company (AIC) has been floated by the GIC (35 percent equity), the National Bank for Agriculture and Rural Development (NABARD) (30 percent equity), and the four public sector non-life insurers: the National Insurance Co. Ltd.; the Oriental Insurance Co. Ltd.; the New India Assurance Co. Ltd.; and United India Insurance Co. Ltd. to the extent of 8.75 percent equity for each. AIC aims to provide financial security to persons engaged in agriculture and allied activities through insurance products and other support services. AIC, which has been granted a license to transact a crop insurance business only, was granted registration on October 29, 2003.

Health insurance has been defined in the Insurance Regulatory and Development Authority's (IRDA) Regulations on Registration of Indian Insurance Companies, which covers indemnity benefits as well as assured benefits (Table 4).

Table 4

Health Profile of India Compared to the World

Country	People Living with HIV/AIDS			Tuber-culosis Cases (per 100,000 people)	Cigarette Consumption per Adult (Annual Average)	Malaria cases (per 100,000 people)	Physicians (per 100,000 people)	Health Expenditure, Public (as % of GDP)
	Adults (% age 15-49)	Women (% age 15-49)	Children (% age 0-14)					
	2001	2001	2001	1999	1992-2000	2000	1990-1999	1998
India	0.79	1,500,000	170,000	123	119	193	48	NA
World	1.20	18,500,000	3,000,000	64	NA	NA	NA	NA

Source: UNDP. Health Profile of India Compared to World Figures, 2002

Thus, the poor (daily wage earners, house-less[1] , small shop-owners, etc.) desire the following benefits, since when any family member falls ill, it entails a serious financial loss to the family:

- ➢ Hospitalization service
- ➢ Outpatient treatment
- ➢ Treatment for chronic ailments
- ➢ Maternity care
- ➢ Care for infants and children
- ➢ Specialized treatment

In addition to treatment per se, the poor need benefits in other categories, such as:

- ➢ Loss of daily wages
- ➢ Out-of-pocket expenses
- ➢ Transportation costs
- ➢ Death/disability due to hospital negligence
- ➢ Death/disability due to accident

India devotes 5.2 percent of its GDP toward healthcare expenditure. The coverage of the population under the various health insurance schemes is limited to 15 percent. This figure includes those covered under the Employees' State Insurance Scheme (340,000 beneficiaries); the Central Government Health Scheme (four million beneficiaries); and the Railways Health Scheme (1.2 million beneficiaries) (India Infoline, 2002-03). In addition to the health coverage provided by the non-life insurance companies, life insurers have also begun to provide health coverage to their policyholders, albeit through riders. Thus, the health insurance schemes will definitely provide a safety net to the masses (Matthies & Cahill, 2004; Rao, 2004) and improve the quality of life through the following arrangements:

- ➢ Mediclaim (for the general public)
- ➢ Jan Arogya (for economically weaker sections of society)
- ➢ Community based universal health insurance schemes (for those below the poverty line)
- ➢ Health Insurance Scheme (Shield)
- ➢ Critical illness policy
- ➢ Hospital cash policy

Industry statistics

Life insurers:

An examination of industry statistics (Table 5) shows that after liberalization, the insurance industry has 28 new entrants to date, including 14 in the life insurance sector, 13 in the general insurance sector, and one reinsurer, GIC of India.

Table 5
Key Market Indicators

Size of Market, Life and Non-life	$16 billion
Total Global Insurance Premiums (2001)	$2,408.25 billion (–1.5% compared to 2000)
Rate of Annual Growth, 2002-03	Life 11.27% Non-life 23% (Premium underwritten in India and abroad)
Geographical Restriction for New Players	None. Players can operate all over the country.
Equity Restriction in a New Indian Insurance Company	Foreign promoter can hold up to 26% of the equity.

[1]House-less: People without dwellings or place to live

Registration Restriction	Composite registration not available			
Number of Registered Companies	Type of Business	Public Sector	Private Sector	Total
	Life Insurance	01	12	13
	General insurance	06	08	14
	Reinsurance	01	00	01
	Total	08	20	28

Source: Insurance Regulatory and Development Authority. Annual Report, 2003-2004, p.39

The premium total underwritten by life insurance companies during the financial year[2] 2002-03 was Rs. 557,381.1 million (1 INR = 0.0228 USD) compared to Rs. 500,944.4 million in the previous year, a growth of 11.27 percent. Prior to this, the year 2001-02 witnessed a growth of 43.54 percent in the business underwritten by the life insurers. Life Insurance Corporation of India's share in the first year premium (including single premium) business underwritten in the life segment in the years 2001-02 and 2002-03 was 98.65 percent and 94.34 percent, respectively. Overall, LIC accounted for 98.01 percent of the premiums underwritten by the life insurers in the year 2002-03, compared to 99.46 percent in the year 2001- 02. Accordingly, the share of the private players went up from 0.54 percent in the year 2001-02 to 1.99 percent in the year 2002-03 (Insurance Regulatory and Development Authority, 2003).

Premiums written by private players for individual policies stood at Rs. 14,591.27 million, toward approximately 1.3 million policies, with group premiums accounting for Rs. 2,071.66 million toward 912 schemes. The number of lives covered under group schemes was approximately 1.4 million. Premiums written by LIC under individual schemes came to Rs. 91,109.34 million toward approximately 19.3 million policies, and under group schemes amounted to Rs. 22,603.35 million toward 12,256 schemes. The number of lives covered by LIC under group schemes increased to 3.57 million, or 71.56 percent of the total lives covered ("Life Insurance Statistics, IRDA, India," 2003).

Although private insurers underwrote business under the rural sector at Rs. 276.02 million toward 187,605 polices, two insurers have no business under the social sector. The private insurers underwrote premiums of Rs. 18.72 million in the social sector, covering 176,412 lives. LIC underwrote rural premiums of Rs. 10,772.53 million toward 4.4 million policies, and Rs. 152.02 million covering 1.52 million lives in the social sector (Insurance Regulatory and Development Authority, 2003).

Non-life Insurers

The general insurance industry has witnessed significant changes, which are likely to affect the industry's future growth. The pace was set with the de-linking of the public sector non-life insurers from their holding company, the General Insurance Corporation of India (GIC). A growth of 6.03 percent (Rs. 65,768.7 million) occurred over the corresponding period in the previous year, while the private insurers underwrote premiums of Rs. 11,072.7 million for a growth of 86.72 percent (Rs. 5,930.1 million) over the corresponding period in the previous year (Insurance Regulatory and Development Authority, 2003).

The gross premium underwritten by the non-life insurers during financial year 2002-03 was Rs. 156,148.5 million, including crop insurance business underwritten by GIC, recording a growth of 23 percent over the previous year. The share of the public sector insurers in the non-life segment during the financial years 2001-02 and 2002-03 was 96.32 percent and 91.36 percent, respectively. The share of eight private players in the financial year 2002-03 was 8.64 percent, compared to six players capturing 3.68 percent in the previous year. The public sector insurers underwrote

[2]Financial Year : Starts from 1st April from year one($X, X_1, X_2 \ldots X_n$) to 31st Mar year two ($Y, Y_1, Y_2 \ldots Y_n$) every year and is a period of twelve months

premiums of Rs. 69,737.8 million; 2002-03 did not witness any upheaval in economic or natural disasters ("Non-life and life insurance statistics, IRDA, India," 2004). The new players would still take time to contribute to the profitability of the sector, being in the early phase of their operations, but the financial year provided an environment conducive to growth. Simultaneously, the existing public sector insurers have also taken steps to reposition themselves in the evolving competitive market conditions.

The Indian insurance industry now covers around 9.5 million persons under private health insurance, mainly under Mediclaim, a hospital expenses policy. Despite its inadequacies, Mediclaim has experienced dramatic growth over the years mainly for want of substitutes. From 1995-96 to 2002-03, the number of persons covered increased by 29 percent per annum, and premiums went up from Rs. 1,290 million to over Rs. 10,000 million. The percentage of total population covered under Mediclaim rose from 0.084 percent in 1990-91 to 0.359 percent in 1998-99 and to 0.9 percent in 2002-03 (Praveen, 2000).

Sustained growth of Mediclaim indicates a huge latent demand for health insurance, fueled by escalating episodes of hospitalization due to increases in diseases associated with certain lifestyles[3] (such as intravenous drug use), accidents, escalating hospitalization expenses, and the absence of a public health security net.

Insurers in health insurance deal with the complex subject of morbidity, which is determined by a variety of factors such as age, income, occupation, sex, genetic factors, and environment. The patterns, intensity, and frequency of morbidity are not easily understood and statistics are not readily available. Moral Hazard[4] faced by the insured and the provision of insurance to those experiencing naturally greater risk, regardless of behavior, are also especially distinct possibilities in health coverage. Those with known risks try to enter insurance plans, and persons with the highest risk try to obtain coverage terms in their favor. On the suppliers' side, medical costs have historically been showing inflationary tendencies. Coupled with increasing levels of utilization, this imperils the rating structure and the beneficial features of the policy. Rising premiums from adverse claims could begin a vicious cycle as those with less risk begin to leave a scheme, and those who can count on receiving claims stay, with the resulting growth in claims making the health scheme even more unviable.

Health insurance is a highly emotional and service-intensive business. Health coverage requires highly specialized service providers such as Third Party Administrators (TPAs) (Sureka, 2003) to ensure cashless service, emergency assistance, networking with hospitals, call centers, very fast and responsive turnaround times in claims, settlement, and complaints handling. Most importantly, the success of the coverage depends on the proactive approach of the many stakeholders involved. The government must introduce regulations regarding standardization, coding, and rating of hospitals and other aspects of healthcare. Providers need to develop standardization in billing and transparency in costs. Insurers must study the markets for the rural and the poor and offer appropriate products and services. TPAs and other service providers need to spread into the nation's interior to develop networks of distributors and hospitals, and to offer suitable services.

Different insurers in the public and private sectors offer various schemes that benefit the poor directly or indirectly (Table 6).

[3]Lifestyle diseases :diseases that arise out of changing life style of people today viz., obesity, hypertension, diabetes, heart diseases, etc.

[4] Moral Hazard: Hazard is a condition that may create and increase the chance of loss arriving from a given peril under a given condition. It can be of two types: Physical and Moral. Physical Hazards are the physical conditions which may increase the chance of loss and Moral hazard refers to increase in the probability of loss and in health care it may increase from fake prescriptions, hospitalization bills, medicine bills, etc.

Table 6
NAIS State-wide Coverage from RABI 1999-2000 to Kharif 2002-03 (Seven Seasons)

Covered State	Farmers insured (million)	Area Insured (million hectares)	Sum (Rs. million)	Premiums (Rs. million)	Claim Ratio	Claim %
Gujarat	3.6	7.7	57, 401.4	2, 254.4	16, 5347	733
Karnataka	2.1	3.2	22, 352.9	682.5	39, 912	585
Andhra Pradesh	5.6	8.0	62, 968.9	1, 697.5	35, 722	210
Orissa	3.2	3.3	24, 106.5	631.5	35, 546	563
Madhya Pradesh	4.6	11.7	25, 544.3	831.8	30, 976	372
Maharashtra	7.9	9.0	53, 019.4	1, 859.4	30, 887	166
Chhattisgarh	1.6	3.8	76, 37.8	200.7	16, 388	817
Tamilnadu	0.4	0.6	4, 659.5	94.4	5, 119	542
West Bengal	1.6	0.9	9, 099.4	224.8	4, 770	212
Others	3.3	4.5	24, 503.5	497.5	7, 829	157
Total	33.8	52.7	291, 293.5	8, 974.4	372, 494	415

Source: NAIS Business Statistics from RABI 1999-2000 to Kharif 2002-03

For example, in the National Agriculture Insurance Scheme (NAIS), the institutional borrowers are insured compulsorily, and only about two percent of the non-borrower farmers avail themselves of insurance coverage voluntarily. Under the scheme, comprehensive risk insurance will be provided to cover yield losses due to non-preventable risks, such as natural fires and lightning, hail, cyclones, typhoons, hurricanes, tornadoes, floods, landslides, drought, pests, and diseases. The scheme will be available to all the farmers (both borrowers and non-borrowers), irrespective of the size of their holdings. The scheme envisages coverage of all crops, including cereals, pulses, and oil seeds, like Plantation/Horticulture Insurance (Inputs) Policy (PHIP)[5] issued by the public sector unit's general insurance companies. Such policies are the annual contracts and operate on an individual basis.(Table 7)

Table 7
Details of New Products in Non-Life Insurance that Can Help the Poor

Insurer's name	Product name
ICICI Lombard General Insurance Co. Ltd.	Money Insurance, Agriculture Pump-set, Janata Personal Accident, Group Health Insurance Policy, Group Health (Floater) Insurance Policy, Group Personal Accident Insurance, Home Insurance Policy.
The New India Assurance Co. Ltd	Individual and Group Mediclaim Policy, Health Insurance policy for ex-defense Personnel, Credit Insurance (Amendments)
National Insurance Co. Ltd.	Individual Group mediclaim policy, Long-term Group mediclaim policy
Oriental Insurance Co. LTd	Nagrik Suraksha Policy, Office Umbrella Policy.

[5]PHIP: A policy for various kinds of horticultural crops like fruits, vegetables, spices, plantation crops and flowers by the government of India to increase its production.

Insurer's name	Product name
IFFCO Tokio General Insurance Co.Ltd	Workmen's compensation policy, Agriculture Insurance Policy, Burglary and house breaking insurance, Medishield policy, Individual Personal accident policy, Group Personal Accident policy, Sankat Mochak Policy, Lok Swasthya Bima Yojana, Pashu-dhan Bima, Krishak Mitra bima yojana, Sankat haran (kisan gramin bima yojana), Home and Family protection policy.
Reliance General Insurance Co. Ltd	Janata Personal accident policy, cattle Insurance
Royal Sundaram Insurance Co. Ltd	Windmill package insurance policy, Individual and group personal accident policy, Home insurance policy, Rural personal accident insurance policy, JPA, Poultry insurance, Hospital cash insurance, farmers package insurance policy.

Source: Insurance Regulatory and Development Authority, Annual Report, 2002-2003

Table 8
Mediclaim Policy

	1997-98	1998-99	1999-00	2000-01	2001-02
Persons Insured	2,783862	3,534,417	4,894,129	5,623,864	7,784,491
Premiums (Rs. in million)	2,156.96	2,717.35	3,804.07	5,189.82	7,420.45
Claims (Rs. in million)	1,861.24	2,181.03	3,322.61	4,715.28	6,203.86
Claims Ratio %	86.3	80.3	87.3	90.9	83.6

Source: Insurance Regulatory and Development Authority, *Annual Report, 2002-2003*

Table 9
Jan Arogya Bima Policy

	1997-98	1998-99	1999-00	2000-01	2001-02
Persons Insured	13,9354	31,3643	68,6685	34,8413	34,8912
Premiums (Rs. in million)	11.53	288.00	656.90	680.03	907.93
Claims (Rs. in million)	9.71	288.24	797.80	668.90	881.82
Claims Ratio %	84.3	100.1	121.4	98.4	97.1

Source: Insurance Regulatory and Development Authority, *Annual Report, 2002-2003*

Table 10
Distribution Channel Statistics for Agents March 31, 2003—Urban & Rural

Insurer (Life)	Urban	Rural	Insurer (Non-Life)	Urban	Rural
Allianz	13,632	570	Royal Sundaram Alliance	201	25
ING Vysya	3,870	44	TATA-AIG	769	41
AMP Sanmar	1,282	326	Reliance	256	4
SBI	2,152	72	IFFCO-TOKIO	343	41
TATA-AIG	15,539	20	ICICI Lombard	580	147
HDFC Standard	10,803	509	Bajaj Allianz	898	92

Insurer (Life)	Urban	Rural	Insurer (Non-Life)	Urban	Rural
ICICI Prudential	2,369	342	HDFC Chubb	13	1
Birla Sun Life	6,233	85	Cholamandalam MS	190	8
Aviva life	166	304	The New India Assurance Co. Ltd	15,259	5,407
Om Kotak Mahindra	3,426	359	National Insurance Co. Ltd	14,410	4,834
Max New York Life	5,735	42	United India Insurance Co. Ltd	11,002	5,278
Metlife India	1,447	17	The Oriental Insurance Co. Ltd	11,502	3,274
LIC of India	468,133	479,432	Sub-Total **b**	55,423	19,152
Sub Total **a**	557,437	482,122	Grand Total **a+b**	612,860	501,274

Source: Insurance Regulatory and Development Authority, *Annual Report, 2002-2003*

Under the Janraksha scheme, an individual after paying Re.1 per day was entitled a benefit of up to Rs. 30,000 per year for indoor treatment in designated hospitals, and up to Rs. 2,000 for outpatient treatment in designated clinics (Life Insurance Corporation of India, 2004; Rajeev, 2004).

The new general insurers have introduced slight variations on the existing Mediclaim, and the new life insurers have introduced some health riders to their life policies. However, their volume of business is negligible (Government of India, 2002).

Health insurance for the public has come a long way since its inception, yet much ground remains to cover. On introduction of the Mediclaim policy by the four general insurance companies in 1986, these insurers had collected a cumulative premium of Rs. 250 million in the first year of the scheme's operation. The latest audited business figures for the year 2002-03 reveal that the health insurance segment crossed the Rs. 10,000 million threshold. Overall, the health portfolio has increased by 50 percent over the premiums underwritten in the previous year due to revision in Mediclaim premiums and additional six percent TPA costs through administrative charges levied on the insured ("Life and Non-life Insurance Statistics," 2003; Sureka, 2003).

Given the vast potential which exists in the health care sector, and the changes in the demographic pattern owing to increased life spans, it is crucial to popularize health insurance. Insurance companies can evolve strategies by translating these opportunities into actual purchase of health insurance products by building suitable underwriting systems. This segment of the economy provides not only an exciting business opportunity, but also serves the wider interests of the nation.

Conclusion

There is an urgent need for public action in building health security into the lives of the poor. Insurance is a critical financing tool that has been tried and tested by various agencies in different forms, and the results from continuing initiatives are promising. The experience gathered so far can be profitably applied to enlarge upon and broaden the base of such initiatives in the country. For successfully running health insurance for the poor, coordination among multiple agencies is needed.

Many insurance schemes for the poor are being experimented with across the country. Along with food security, health security has become a crying need, and the time has come to scale up the pilot schemes to much larger populations with the active support of available governmental and non-governmental infrastructure. At its root, success will lie in the ability to utilize the meager paying capacity of the poor to build a responsive, high-quality scheme to overcome the frequent health risks they face, and to help prevent further deterioration of health. The challenges are many, but if all institutions can be persuaded to converge on this important issue, there could be substantial breakthrough in health security for all.

Unlike most Organization for Economic Cooperation and Development (OECD) countries where private health insurance is the main source of health care fi-

nancing, in India, and more generally in developing countries, most private insurance is a supplementary service. Health insurance, whether social or private, whether formal or informal, is extremely limited in India[6].

Although a number of private insurance companies have entered the field after the liberalization of the insurance market in 2000, no significant change in health insurance has been observed either in the availability of new health insurance products or in the volume of business. The two health insurance products launched prior to the liberalization, Mediclaim for the general public and Jan Arogya for the poor, have not shown any significant growth either in volume of business or in the number of policies sold post-liberalization (Tables 8, 9). But why has the scope of existing health insurance schemes remained limited? Two important reasons are poor product design, and lack of vigorous marketing of the products to sensitize the public to the need for health insurance. Banks have also been identified to play a major role in helping insurance penetrate deep into the rural and urban poor market, since the distribution in rural areas is insufficient (Table 10).

Agriculture in India is the industry on which most poor in villages depend, and therefore provisions, products, and reforms must be designed that consider this segment of the population seriously.

As another step toward providing crop insurance, recently ICICI Lombard General Insurance Company Limited, one of the new insurers, with support from the World Bank and International Finance Corporation (IFC), conceptualized and modeled rainfall insurance policies and sought out reinsurance. Farmers have appreciated the structure of these policies because it directly reflects their experience that the distribution of rain throughout the season is critical to crop yield.

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[6]Health insurance (Private and Social): is a term associated with Health/Medical insurance schemes associated with rural population in the country and provided in collaboration with Private sector health organizations in India.

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