

People in small towns to pay less premium

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NEW DELHI: Gita from Kanpur will pay a lower premium for health insurance products than sister Sita in New Delhi or cousin Nita in Mumbai.

She gains from differential pricing that private insurers intend to introduce for their products, charging less from people living in smaller cities, where medical bills are significantly lower than the metros. So, the Kanpur teacher's premium for a health insurance could be 15-20% lower than her sisters' living in New Delhi or Mumbai.

The move is expected to increase health insurance cover in smaller towns, where people often avoid buying such products because they find the price too steep. Currently, only 17% of India's population has some form of health insurance.

In 2014, India's top six metros collectively reported 25% of all

health insurance claims and received 30% of the total payouts. Besides, the average claim in the major metros varied between ₹45,000 and ₹35,000. The average claim size in states such as Bihar and Kerala, on the contrary, was between ₹10,500 and ₹15,000. The data bring out the disparity between cost of healthcare in metros and rest of India.

Companies such as Bajaj Allianz and Apollo Munich Health Insurance have started adopting differential pricing. Sources said ICICI Lombard and Reliance General Insurance too are looking into it. "The rationale behind differential pricing was to make sure that people living in high-cost zones do not cross-subsidise for their counterparts in low-cost zones by paying the same premium. We divided the country into two zones depending on medical costs and our past experience," said Abhijeet Ghosh, head of health insurance at Bajaj Allianz General Insurance.