

INSURANCE – LIFE & HEALTH – VIEW FROM INDIA

Group health insurance needs to be innovative



It is now mandatory for all employers to provide health insurance cover to all employees. This will help increase health insurance penetration but how will the insurance industry cope with the increasing incurred claims ratio in this category? It would need a concerted effort by all three stakeholders: Insurers, employers and employees.

By Anoop Khanna



It is now mandatory for all employers in India to provide a health insurance cover to their employees.

The Insurance Regulatory and Development Authority of India (IRDAI) has asked all general and standalone health insurers to offer comprehensive health insurance policies either to individuals or groups so that they can comply with the government of India directives.

Group health insurance largely restricted to large corporates

While most large corporates already offer group health insurance cover to their employees, SMEs have so far kept away from group health insurance policies.

The insurance industry is hopeful that, following the government directive, SME players will look at group health insurance policies for their employees more seriously.

Biggest contributor to health insurance premium

According to the IRDAI annual report for the financial year 2018-19, during the year 20.7m health insurance policies were issued and these covered around 472m lives. Also, during 2018-19 health insurance contributed \$6bn to the total general insurance industry premium in India. Share of group health insurance business at 48% was the highest. The two other categories in health insurance are government-sponsored health insurance schemes and individual health insurance covers.

Asia Insurance Review spoke with Bajaj Allianz General Insurance chief distribution officer (institutional sales) Sasikumar Adidamu to get an insurer's perspective of group health in India.

Mr Adidamu said, "The government's decision to make health insurance mandatory for workers and employees is a step in the right direction. It gives a sense of safety to employees and confidence that their company cares for their health and wellbeing."



Mr Sasikumar Adidamu

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Table 1: Group health insurance business premium income 2014-15 to 2018-19

Class of business/ year	2014-15	2015-16	2016-17	2017-18	2018-19
Group health insurance (\$bn)	1.19	1.55	1.96	2.37	2.89
% of the total	44	48	48	48	48

Source: IRDAI Annual Report 2018-19 Conversion rate: \$1 = INR75

Table 2: Net incurred claims ratio for group health insurance business

Financial year	2014-15	2015-16	2016-17	2017-18	2018-19
ICR of group health insurance (%)	116	120	125	107	102

Source: IRDAI Annual Report 2018-19

Government directive kindles interest in health insurance

He said, "Many large corporates already have a group health insurance cover for their employees. After this government notification, however, we are seeing an increase in the number of queries from the manufacturing sector and small businesses as well. We are assessing the proposals and offering relevant insurance solutions as per their needs."

Group health insurance covers are usually tailor-made by insurers for each corporate client based on their demography and specific health insurance requirements arising out of their internal employee health benefit strategy. According to the IRDAI, group health insurance covers have doubled over the last five years.

Generally, group health insurance covers include the choice of hospital for treatment, the room category chosen, claim type chosen (cashless/reimbursement), outpatient treatment benefits used and more.

Entail high incurred claims ratio

Group health insurance policies are, however, characterised by high incurred claims ratio (ICR). During 2018-19 the ICR for group health insurance policies was 102% and over the last five years it has continued to be above 100 every year.

Mr Adidamu said, "Insurers try to drive the claim behaviour of the insured establishment by instilling a sense of responsibility in utilisation of such services, quite often they are not followed due to lack of general awareness.

He said, "Additionally, factors such as ever-increasing lifestyle disorders, occupational health risks, under-use of preventive care management and

medical inflation are some factors that further drive up claim costs year on year resulting in adverse claim experience for the insurers."

Industry sources feel that high ICR is not a characteristic of a specific class of corporates. It mainly depends on the approach of the insureds towards group health insurance and active collaboration with insurance companies to control the high ICR.

ICR despite remaining over 100 consistently has shown a downward trend during 2017-18 and 2018-19. According to an analysis, this downward trend in ICR is a result of insurers pricing risk better.

Mr Adidamu said, "Pricing of group health insurance policies is mainly experience-driven considering few assumptions based on utilisation of certain services by the insured members of the corporate client.

"While a large number of corporates jointly work with insurers to address the high ICR levels, there are some who realise its value when high ICR may eventually lead to increase in premium, higher co-payments and in certain cases reduced coverage," he said.

Health awareness drives can help

Analysis of the prevailing claim trends and claims experience of a corporate client can provide insights about the most common ailments associated with the demography of the corporate. Based on this information, insurers can propose a 'wellness calendar' to the corporates which typically targets health-related issues of insured members.

Insurers' suggestions can include activities like health-risk assessment, health camps including preventive health check-ups, awareness drives,

cessation programmes and nutrition sessions. Additionally, this data enables the insurer to offer various preventive disease management programmes focused on specific groups within the organisation.

According to an industry study majority of the claims from group health insurance policies are related to employees' parents' treatments or for maternity procedures. Wellness programmes may not be able to achieve much on both these fronts.

Mr Adidamu said, "By leveraging technology, insurers have been able to increase the level of engagement with insured through mobile apps which have various wellness features. Insured members can set their health goals, monitor their progress, and can also avail various health related services on such platforms, creating a healthy living culture amongst corporates."

A gradual process

"While various wellness programmes including preventive disease management are being rolled out by various corporate clients which are quite beneficial, it would be difficult instantly to gauge their impact on ICR," Mr Adidamu said.

"It is a gradual process which takes time to generate results and reflect on ICR. We are hoping that if the corporates liaison well with insurer and stick to one insurer for a longer period it may lead to improvement in ICR," he said.

If insurers can analyse data on how many of the group health insurance claims are related to treatment of non-communicable or lifestyle diseases of the employees alone (and not their dependents), this will ensure more targeted offering of wellness and good health awareness programmes. ■