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Private health insurance companies have upper hand over public insurance companies

14 April 2014 | News | By BioSpectrum Bureau

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Considering that about 65 per cent of people covered by health insurance across India fall under the ambit of private sector, the private insurers have outperformed the public insurance companies covering just 35 per cent of people, according to a study by apex industry body ASSOCHAM.

"However, in terms of premium it is the other way round as public insurance companies account for maximum share of over 61 per cent in premium arising out of health insurance," according to a study titled 'Health Insurance in India: A review,' conducted by The Associated Chambers of Commerce and Industry of India (ASSOCHAM).

In terms of channel-wise distribution towards medical insurance, it is the individual agents that bring in majority of business with 72.9 per cent share, however, direct business is the major contributor in terms of premium collection with about 37 per cent share followed by individual agents (31.6 per cent) and brokers (21.4 per cent), highlighted the study prepared by the ASSOCHAM Economic Research Bureau (AERB).

Referrals constitute a meagre 0.1 per cent in terms of both, the numbers of policies sold as well as the medical insurance premium they collect, added the study.

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"With increased emphasis being laid upon in getting rural areas of the country financially included, there is a large opportunity to tap semi urban and rural markets from the viewpoint of general insurance providers," said Mr Rawat. "However, sparsely spread population, especially outside the metros and Tier-I cities is a serious challenge for the industry as it results in high cost of customer acquisition and operations."

"The general insurance industry would need to ensure that they are able to reach out to the various customer segments in order to capitalise on economic growth and increase penetration," further said Mr Rawat. "Going forward, building distinctive distribution capabilities, both in terms of new, underpenetrated channels (e.g., bancassurance) and developing new models for existing channels (e.g., brokers) will be key to driving growth and profitability in the insurance sector."

Addressing the coverage gap is a huge challenge for the insurance industry owing wing to low public spending on health together with high levels of informal or unorganized labor, a large dispersed rural population, high levels of poverty and lower number of service providers serving the poor, noted the ASSOCHAM study.

The priorities for government for healthcare financing must be such that it covers the basic objectives of affordability, reach and quality of services, it suggested.

In its study, ASSOCHAM has called for an alternative cost sharing mechanism where health insurance is considered as an efficient mechanism through pooling of health care burden so that all sections of the society are able to afford healthcare services.