Health insurance: A study on perception of agents - customers of public sector life insurance in India with special reference to Karimganj district of Assam

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Abstract

Health insurance industry contributes significantly for the economic development of the country. It contributes not only to GDP of the country but also a tool of social security in the nation. The health insurance policy of the Government emphasises 'equity, integrity and quality in health care'. The importance of a healthy nation and healthy workforce is a key to survival and wellbeing of any economy. This paper examines the perceptions of the customers and agents of public sector life insurance of Karimganj district of Assam with regard to the health insurance. The present research work is carried out with the help of both primary and secondary data. To study the perceptions, a Likert type five-point ranking scale has been developed and Z test has been conducted for testing the null hypothesis. So, it is found that there is no significant difference between the perception of the customers/policy holders and agents of public sector life insurance with regard to health insurance coverage of Karimganj district of Assam.

Keywords: *Health Insurance, Public Sector, Premium, Perception, Assam*

JEL Classification: *G22, I13*

Introduction

Insurance is the backbone of the risk management system of the country. It protects against risk and uncertainty and also to ensure financial safety & security to individuals. The insurance products are very vital ingredients for financial sector and a source of long term financial structure of the country. It plays a key role for stabilisation of financial market in India. Insurance industry helps both individuals and organizations to minimize the risk and uncertainty. Insurance is governed by the Insurance Act 1938 and the Insurance Regulatory and Development Authority Act, 1999 in India. The Insurance business is divided into four categories such as (i) Life Insurance, (ii) Fire Insurance, ((iii) Marine Insurance and (iv) Miscellaneous Insurance.

Health insurance is insurance which covers the whole or a part of the risk of a person incurring medical expenditures, spreading the risk over a large number of individuals. According to the Health Insurance Association of America, health insurance is defined as "coverage that provides for the payments of benefits as a result of sickness or injury. It includes insurance for losses from accident, medical expense, disability, or accidental death and dismemberment. The International Labour Organization defines

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health insurance as the reduction or elimination of the uncertain risk of loss for the individual or household by combining a larger number of similarly exposed individuals or households who are included in a common fund that makes good the loss caused to any one member. The essentials in a health insurance programme are pre-payment and risk pooling. Health insurance is a must due to change in lifestyles. People today suffer from high levels of stress. Long hours at work, little exercise, disregard for a healthy balanced diet, junk food etc. have weakened our immune systems and put us at an increased risk of contracting illnesses. Secondly, rare non-communicable diseases are now common. Obesity, high blood pressure, strokes, and heart attacks, which were earlier considered rare, now affect an increasing number of people of the country. Health insurance schemes have considerable scope of improvement for the country like India by providing appropriate incentives, benefits, facilities and bringing these under the regulatory ambit of the health insurance schemes in India **(Ahuja & Narang, 2005)**.

In the context of public sector life insurance, LIC has started to provide health insurance policies to their regular life insurance policies. Presently, life insurance companies have been issuing health coverage of critical illness or disease to the basic policies. Moreover, the Government introduced a Government-subsidised scheme for the poor people called Jan Arogya Bima Policy (Healthcare Policy for the People) in 1996 and Community-Based Universal Health Insurance Scheme for below the poverty line people. Healthcare policy for the people covers the poor for hospitalisation with 1 per cent to 1.5 per cent premium annually. The Third Party Administrators (TPAs) was introduced in 2002. The policy was changed to a “cashless hospitalization facility” with payments made directly to providers. Cashless hospitalization allowed the TPA to guarantee payment to the hospital. Thus it removes the burden of processing claims from the patient.

Review of literature

Showers & Shotick (1994) examined the impact of selected economic and social factors on the purchase of insurance. The study found that as the family size or age increases, the marginal increase in insurance expenditure diminishes. **Truett and Truett (1990)** showed that age, education, and level of income are key factors which affect the demand for life insurance. The income elasticity of demand for life insurance is much higher in Mexico than in the United States.

Bhattacharya (2005) suggested that the insurers should highlight on Single Premium Policies, Unit Linked Insurance, Pension Market and Health Insurance which can not only help the common people but also motivate them for purchasing insurance product.

Bhat & Jain (2006) studied on the factors affecting the insurance purchase decision and amount of insurance purchase. The study found that Age, coverage of illness, no. of children in the family, perception regarding future health care expenditure and knowledge about health insurance plans have a positive effect on health insurance policy purchase. For purchasing the health insurance product, these factors play vital role like purchase decision.

Panchal (2013) observed that in India people are not purchasing the health insurance policies because of lack of awareness, financial hardship, high premium charges and lack of motivation. Health insurance is an essential part of health care of people because health care expenditure is very high that cannot be maintained by people at any time as and when arises.

Pranav (2013) highlighted that due to the economic reforms, the health insurance or medical insurance sector in India has been growing. With numerous companies offering health insurance policies and with a variety of health insurance plans on the offer it is hard to decide which plan the customer should go for.

Nandi *et al.* (2014) measured the relative performance efficiency of the selected life insurance companies in India using Data Envelopment Analysis (DEA). The results of the study showed that overall life insurers carried life insurance business at an average technical efficiency of 82.6 per cent, pure technical efficiency of 87.5 per cent and scale efficiency of 94.7 per cent. In individual and sector wise performance analysis, Life Insurance Corporation of India performs better as compared to others.

Priya & Srinivasan (2015) suggested that the public must be educated through intensive campaign, similar to life and general insurance. There must be clarity of the diseases covered by the policy, when and how a claim has to be submitted with the insurance company, procedures and documents to be submitted in case of critical illness and hospitalization to the insurance company, etc. In case of health insurance, it is also recommended that an advisor must be available in each and every hospital for providing necessary suggestions to buy suitable personal or family health insurance policy to the people.

Objective of the Study

The objective of the study is to assess the perception of the customers/policy holders and agents of public sector life insurance in Karimganj District of Assam with regard to the health insurance coverage.

Methodology of the Study

The study was carried out with the help of primary data. The requisite data were collected in the form of opinions on health insurance coverage of Public Sector Life Insurance Company from the 50 agents, and 100 customers/policy holders through schedule in Karimganj District of Assam keeping in mind the objective of the study. Further, in order to study the perception of the customers/policy holders and agents of public sector life insurance in Karimganj District of Assam with regard to the health insurance coverage, five-points Likert type scale ranging from '5=Excellent Coverage' of Public Sector Life Insurance to '1=No Coverage' of Public Sector Life Insurance has been developed.

Results and Discussion

Table 1 presents the perception of agents and customers/policy holders of public sector life insurance of Karimganj District of Assam with regard to health insurance coverage. The table shows that 62 per cent of total sample agents admitted that coverage of health insurance of public sector life insurance is "Excellent", while 28 per cent opined that coverage of public sector life insurance regarding health insurance is "Very Good". On the other hand, 8 per cent admitted "Good Coverage" regarding health insurance of public sector life insurance and remaining 02 per cent admitted "Poor Coverage".

From the point of view of customers/policy holders, 64 per cent customers admitted "Excellent Coverage" of public sector life insurance with regard to health insurance, while 12 per cent opined that coverage of health insurance is "Very Good". On the other hand, 22 per cent expressed their views that coverage of health insurance is "Good" and remaining 02 per cent opined "Poor Coverage".

Table 1: Perception of agents and customers/policy holders of public sector life insurance of Karimganj District of Assam with regard to health insurance coverage

Categories of Respondents	***Excellent Coverage***	***Very Good Coverage***	***Good Coverage***	***Poor Coverage***	***No Coverage***	**N (%)**
	5	**4**	**3**	**2**	**1**	
Agents of Public Sector Life Insurance	31 (62)	14 (28)	04 (08)	01 (02)	00 (00)	50 (100)
Customers/Policyholders of Public Sector Life Insurance	64 (64)	12 (12)	22 (22)	02 (02)	00 (00)	100 (100)
N	95 (63.34)	26 (17.33)	26 (17.33)	03 (02)	00 (00)	150 (100)

Source: Filed Survey
Note: Figures in parentheses indicate the percentage of responses

It is worth mentioning that 63.34 per cent of the total respondents admitted "Excellent Coverage" of health insurance of public sector life insurance, while 17.33 per cent replied that coverage of public sector life insurance regarding health insurance is "Very Good". On other hand, 17.33 per cent expressed "Good Coverage" regarding health insurance and remaining 02 per cent admitted "Poor Coverage" of health insurance of public sector life insurance of Karimganj District of Assam. Thus, it is implied from the result that agents and customers/policy holders do not hold different opinions with regard to health insurance coverage in public sector life insurance in the study area because the customers/policy holders agreed with the views expressed by the agents in respect of health insurance coverage of public sector life insurance.

Conclusion

The key opportunity of public sector life insurance is that it can provide benefits to the poor and the weaker section in terms of better coverage and health services at lower costs. Health risk is not only a temporary risk but also a recurrence risk among all classes and age groups of people and also rising day by day with environmental degradation, urbanization, industrialization, changes in lifestyles, occupations and food habits of people of the country. It has been observed that the Central Government and different State

Governments have launched from time to time various health insurance schemes in the country/states such as Employees' State Insurance Scheme, Central Government Health Scheme, Universal Health Insurance Scheme, Voluntary Health Insurance: Rajiv Aarogyasri Scheme, Kalaignar Health Insurance Scheme, Vajapayee Arogyasri Scheme, The Yeshasvini Scheme in Karnataka, Rashtriya Swasthya Bima Yojana, National Health Policy, Janraksha Insurance Scheme, Aam Aadmi Bima Yojana, Janashree Bima Yojana, Atal Amrit Abhiyan, Ayushman Bharat, etc.

The result of the present study concludes that a large number of agents are working in the market, but a very limited number of customers/policy holders are having health insurance. The purchasing of health insurance product may be affected by the factors like awareness, motivation, cost of products, premium of products, claim settlement of products, products variety, maturity value of the products, purchasing capacity of people etc. Thus, it is recommended to strengthen the public sector life insurance with regard to health insurance in India with special reference to Karimganj District of Assam.

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