A Comparative study on critical Illness Insurance Plans in India

By:
Dr. Chidambra Makker
MBA HM 23 (0736)

Guided by:
Dr. S. D Gupta

Introduction

- Nearly 5.8 million people die every year due to non-communicable conditions (1 out of 4 Indian have risk of dying from non-communicable diseases)
- **Cardiovascular conditions:** > 2.1 million die every year (leading cause of death in India)
- **Cancer:** About 1.6 lakhs diagnosed with cancer in 2019
- **Critical illnesses** are generally characterized by a higher length of stay in hospitals and have increased chances of mortality.
- Mostly 8 to 20 critical illness covered by insurers in India

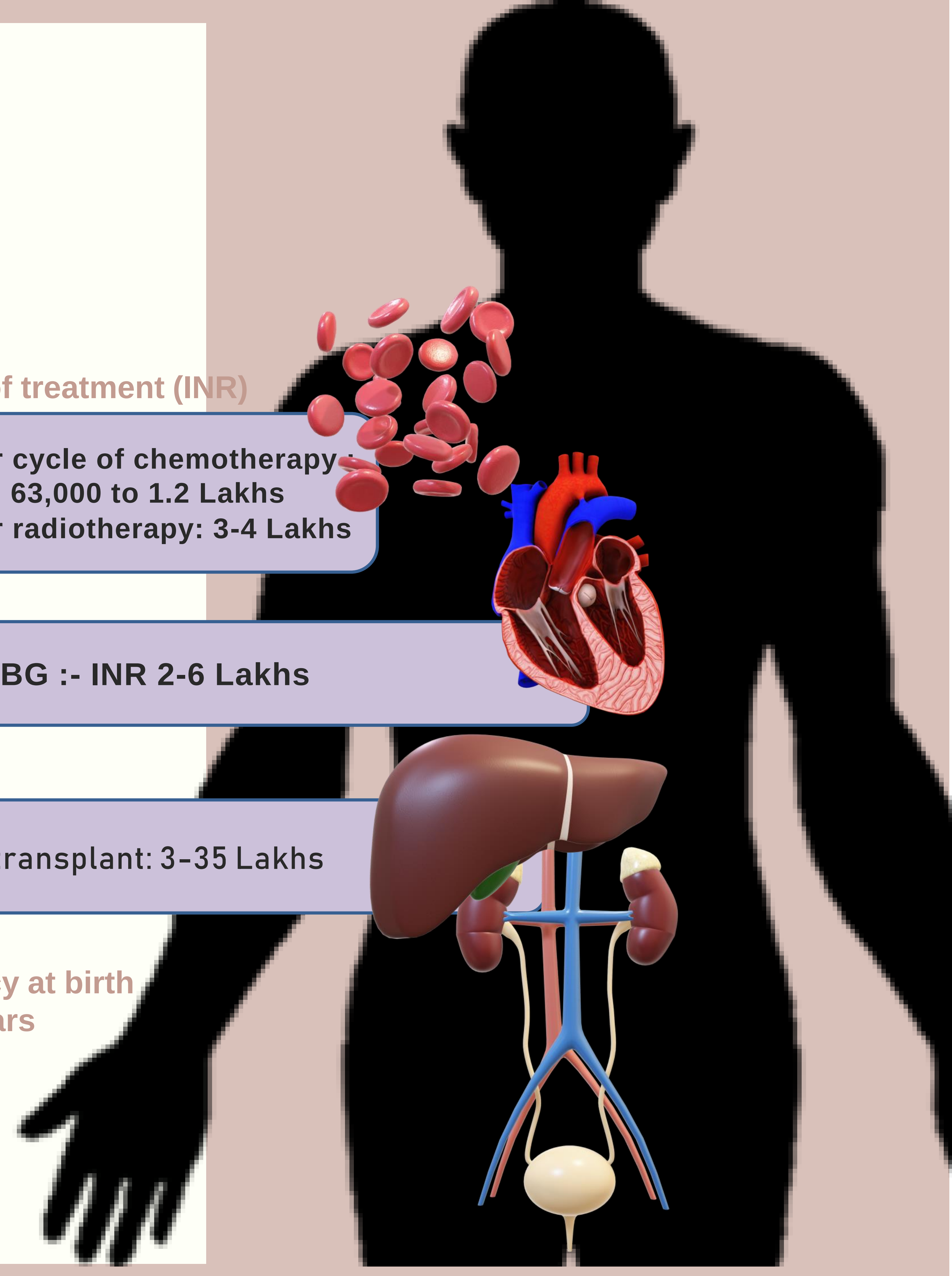
Cost of treatment (INR)

- ❖ **Per cycle of chemotherapy : Rs. 63,000 to 1.2 Lakhs**
- ❖ **Per radiotherapy: 3-4 Lakhs**

- ❖ **CABG :- INR 2-6 Lakhs**

Organ transplant: 3-35 Lakhs

Life expectancy at birth
70.4 Years



- **At present, 70% of health expenses are met by out of pocket spending -> 7% of Indians get pushed below poverty line**
- **Insurance market share of India: about 20%**

objective

- To consolidate 26 insurance policies for critical illnesses by 17 contemporary insurance organizations in India.
- To provide recommendation for critical illness product with respect to Indian market.

Literature review

Overview of Indian Insurance Market

Indian Insurance (70 companies)

- Life Insurance (24)
- General (Non-life) Insurance (27)
- Reinsurers (12)
- Standalone (7)

Private Insurers (62)

Public Insurers (Public sector Units) (8)

Figure 1.1: Life insurance segment- share of public and private in 2019 (%)

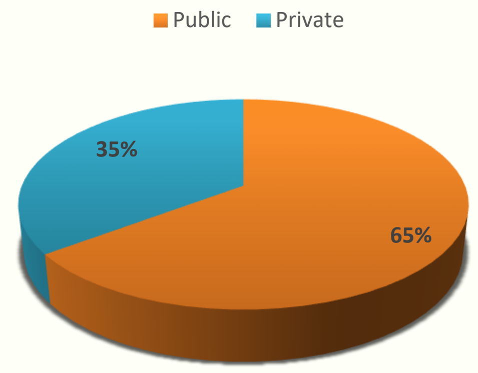
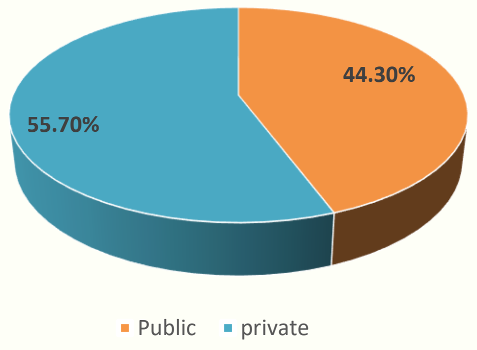


Figure 1.2: General insurance segment- share of public and private Upto April 2019 (%)



- Gross written premium (2019):- INR 5,78,000 Cr. (USD 82.8 billion)
  - **GWP of Life Insurance :** INR 4,08,000 Cr.(USD 58.5 billion)
  - **GWP of Non-life insurance:** INR 1,69,000 Cr. (USD 24.3 billion)

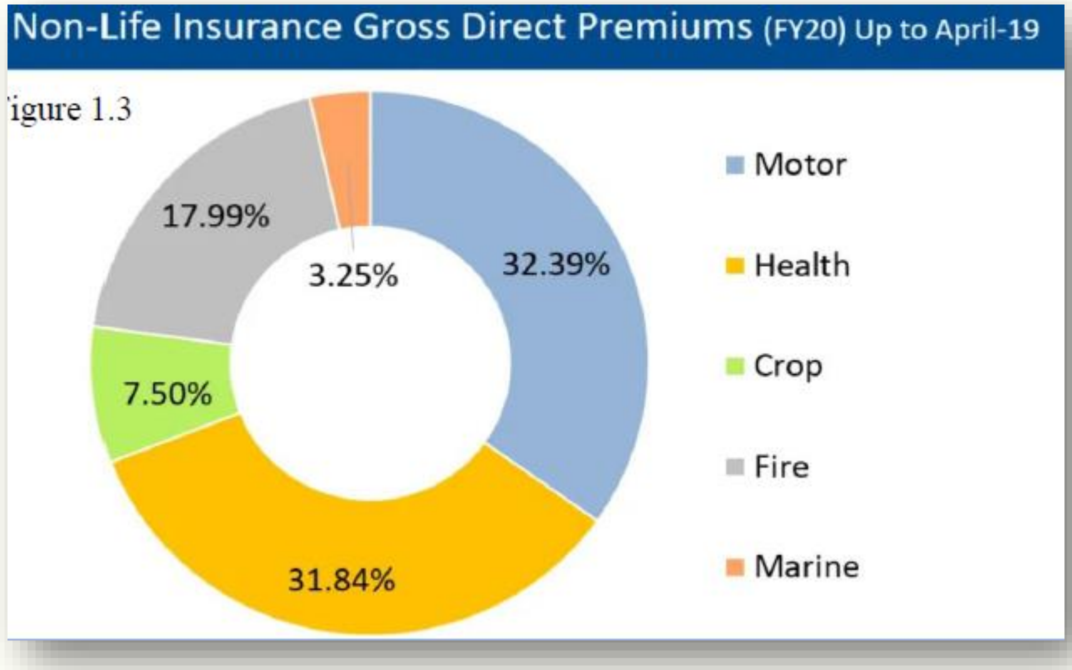
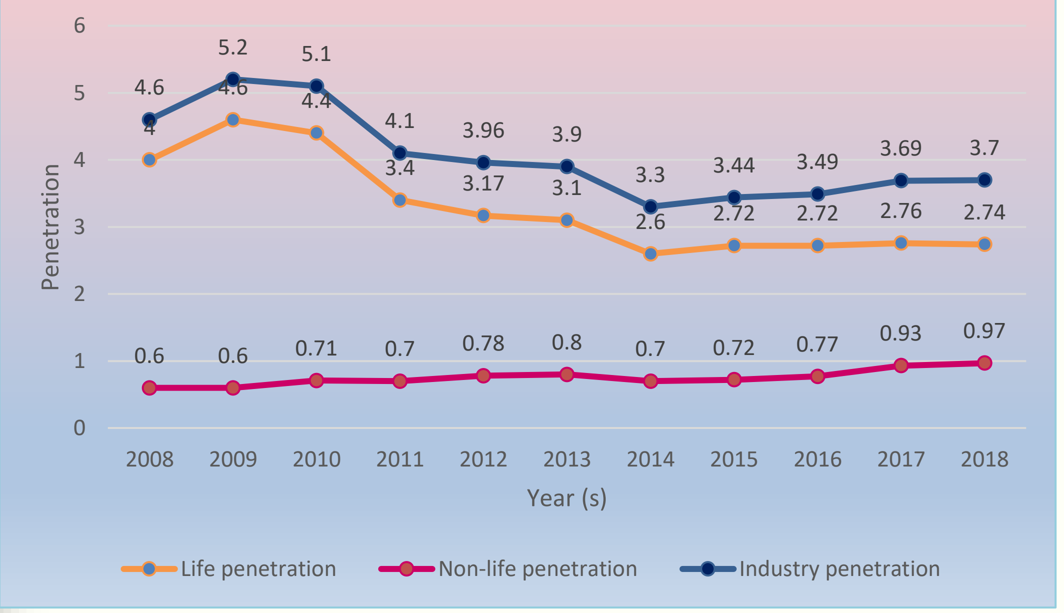
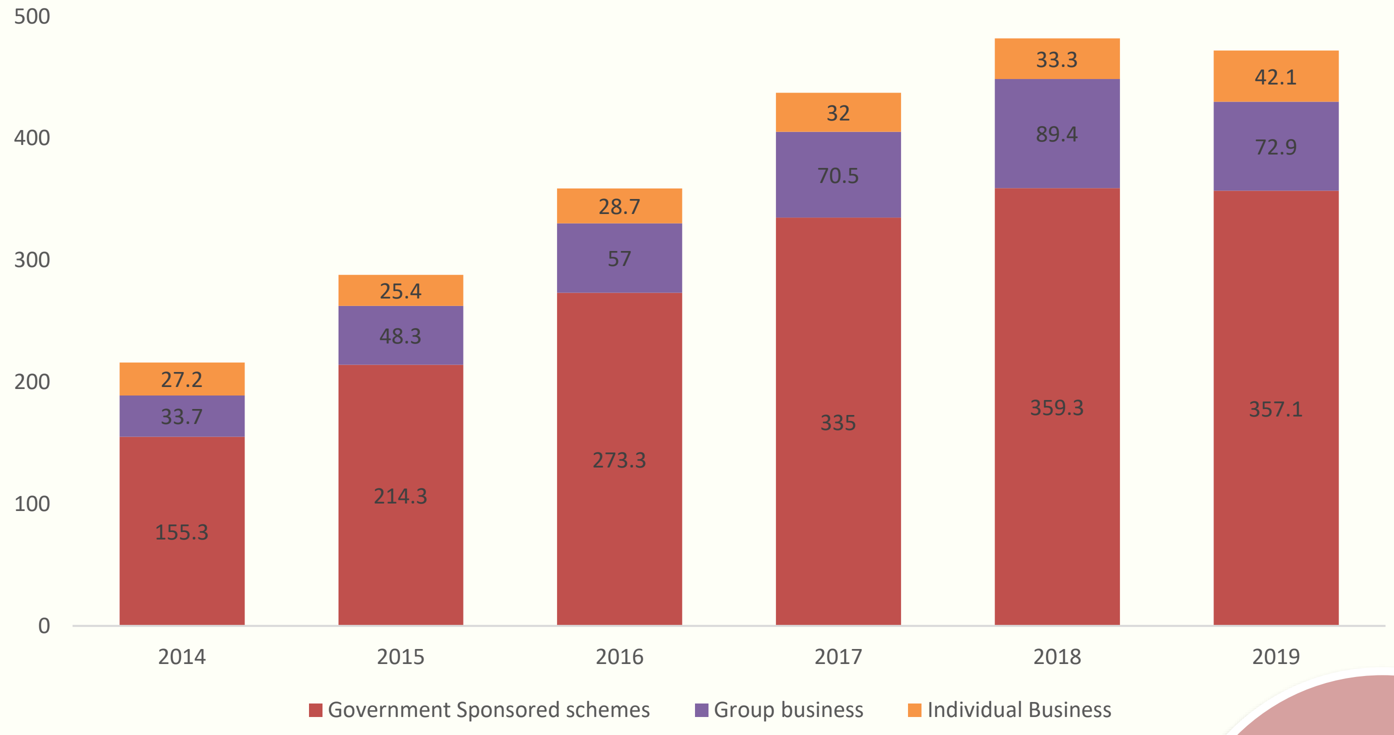


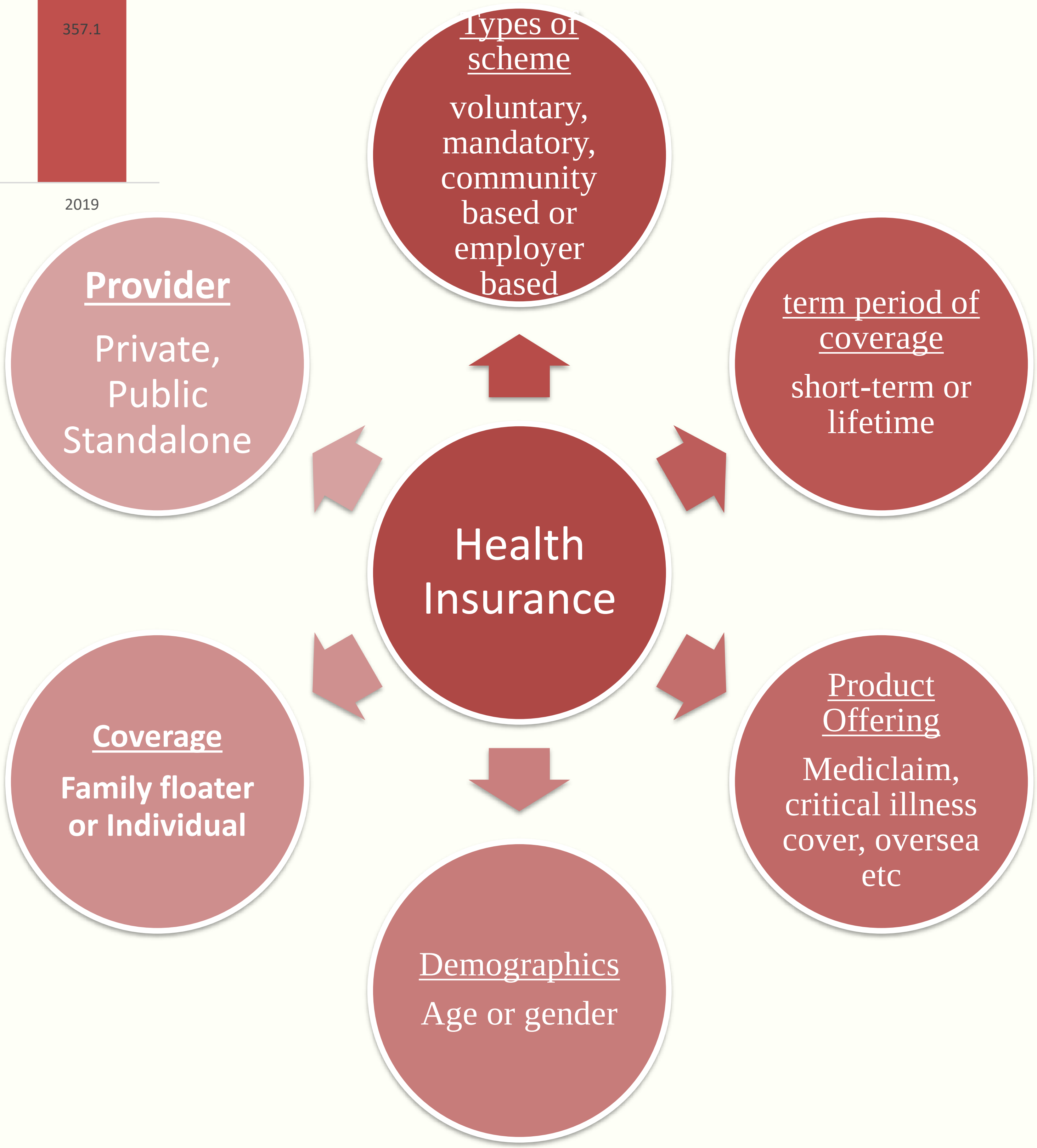
Figure 1.4: Insurance Penetration in India (2008-2018)

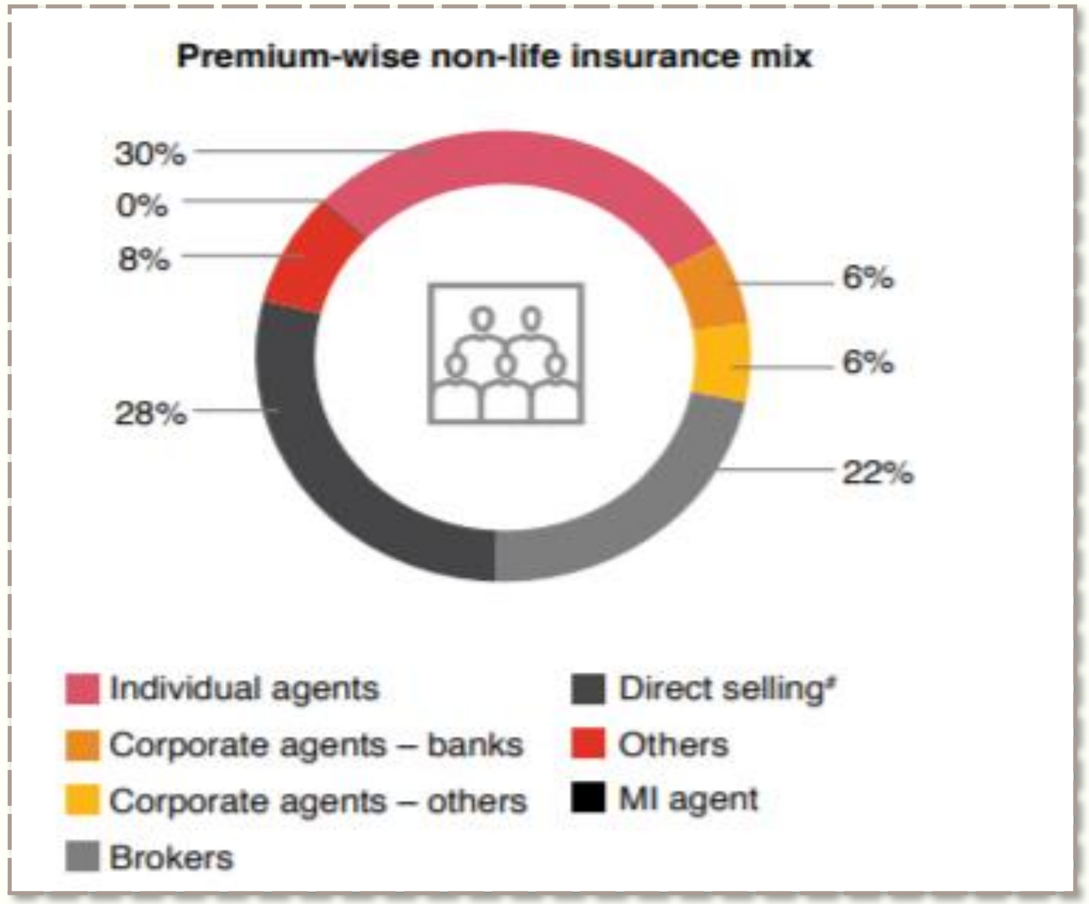


- In 2018, the insurance industry penetration accounted for 3.7 % with 2.74% of life insurance and 0.97% of non-life insurance.
- Reduction of Insurance industry penetration by 2.15% over a period of 10 years
- The health insurance grew at a Compound Annual Growth rate (CAGR) of 28%



- **In 2019, it was forecasted that the health insurance market is going to grow with a CAGR of 19% until the year 2024.**





Distribution of Health Insurance

Incurred claim Ratios of private and Public Health Insurers

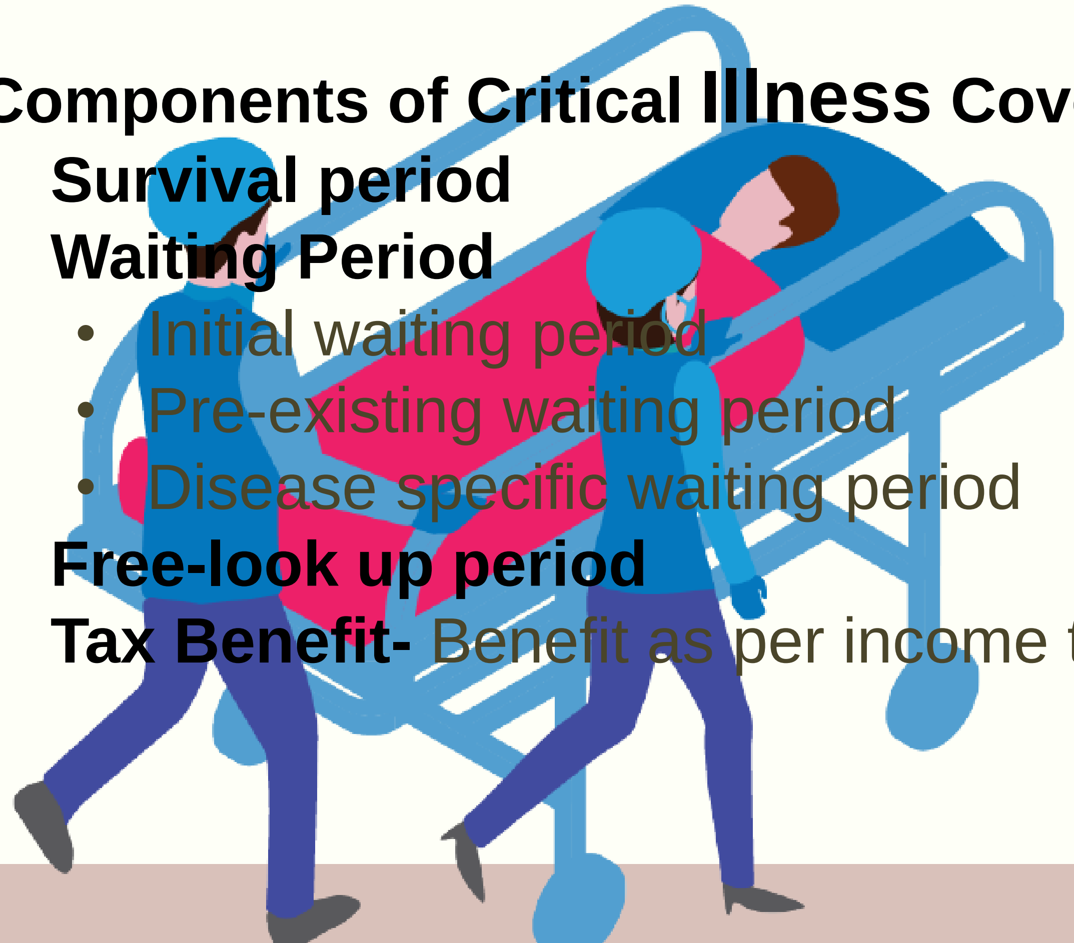
Insurance Company	Net Earned Premium in Crores b	Claims Incurred in Crores a	Incurred Claim Ratio Year 2016-17 in % a/b
Public sector			
National	4021	5105.82	126.98
New India	6129.59	6309.68	102.94
Oriental	3109.63	3676.4	118.23
United	4575.93	6338.24	138.51
Total	**17836.15**	**21430.14**	**120.15**
Private Sector			
Bajaj Allianz	1015.03	796.76	78.5
ICICI Lombard	1335.34	1204.7	90.22
Reliance	333.31	328.29	98.49
Bharti AXA	81.62	62.75	76.88
TATA AIG	343.94	196.74	57.2
Future Generali	174.31	137.59	78.93
HDFC Ergo	517.36	262.61	50.76
Cholamandalam	271.95	108.97	40.07
L&T	222.53	92.29	41.47
IFFCO Lombard	513.26	535.34	104.3
Kotak Mahindra	3.52	1.81	51.42
Liberty Videocon	73.4	54.58	74.36
Magma	1.63	2.95	180.98
Raheja QBE	0.9	0.11	122.22
Royal Sundaram	226.22	140.46	62.09
SBI	548.34	293	53.43
Shriram	2.23	0.86	38.57
Universal Sompo	13731	11681	85.07
Total	**19395.08**	**15900.81**	**74.6**

Source: Yadnya Investment Academy Incurred Claim Ratio and Claim settlement Ratio- Health Insurance in India | ICR Vs CSR. February 8, 2018.

Critical Illness Insurance

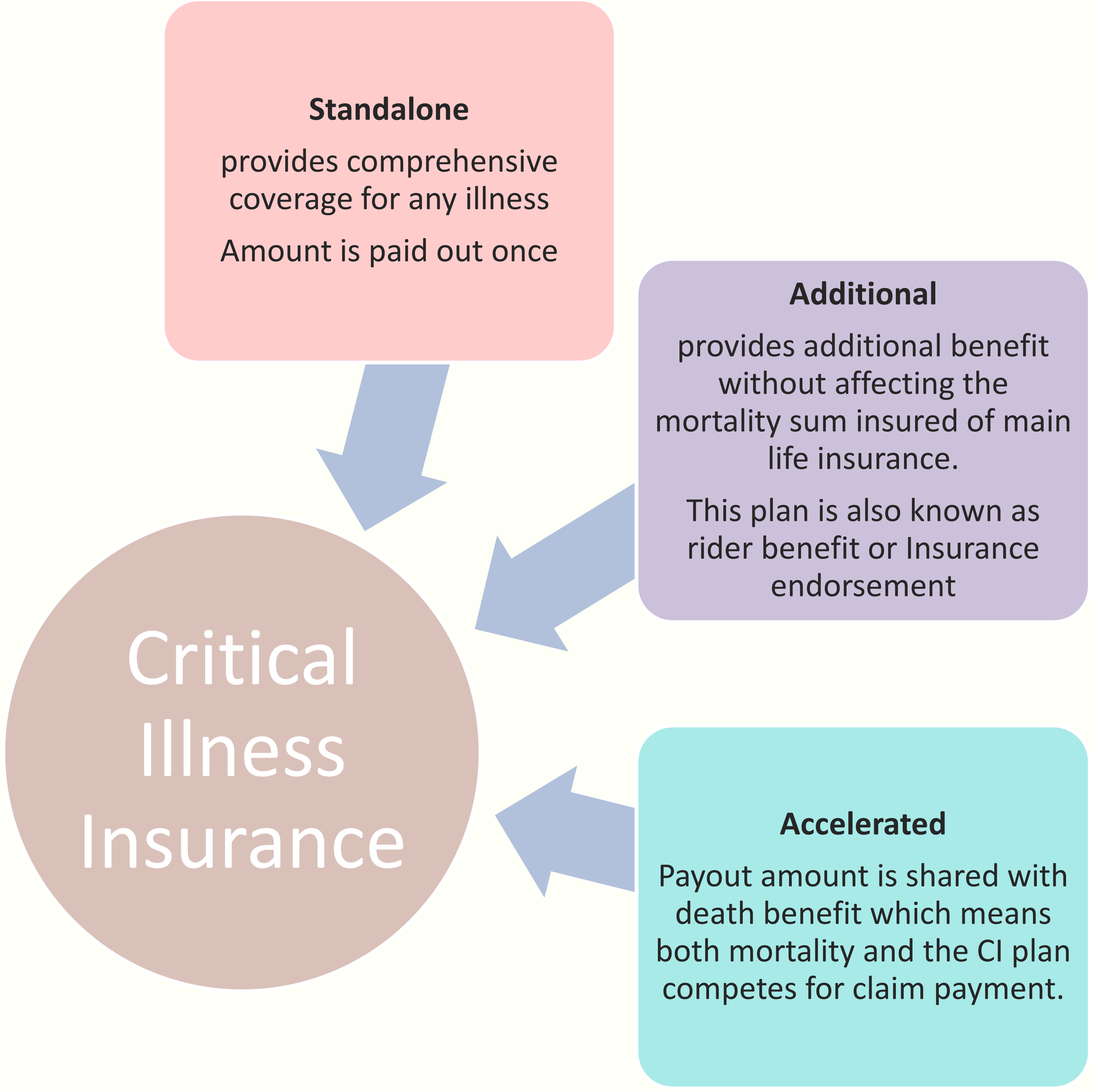
- Critical illness (CI) insurance also known as dread disease policy is an insurance product where the insurer provides a lump sum cash payment if the policyholder (insured) is diagnosed with one of the specific illnesses mentioned on a predetermined list in the insurance policy.

- The global critical illness market in 2018 accounted for a value of USD 24.93 billion and is expected to grow at a CAGR of 15.35% between the year 2019 to 2025.
- There is 8% penetration of critical illness cover out of overall health insurance market.



Components of Critical Illness Cover

- **Survival period**
- **Waiting Period**
  - Initial waiting period
  - Pre-existing waiting period
  - Disease specific waiting period
- **Free-look up period**
- **Tax Benefit-** Benefit as per income tax act 1961



Certain Benefits of Critical illness

- **Premium waiver:** Premium is waived for few months on diagnosis of illness
- **Buy-back option:** Sold in combination with accelerated Critical illness
- **Reinstatement of Critical illness cover:** Is used when policyholder claimed in past for a critical illness and in later years suffer from another critical illness which is not related to previous one.

Target Population

Provides cover:

- Individuals – with/ without dependents
- Homemaker
- Employed or self employed
- Breadwinner pursuing loan and mortgage

Distribution channels

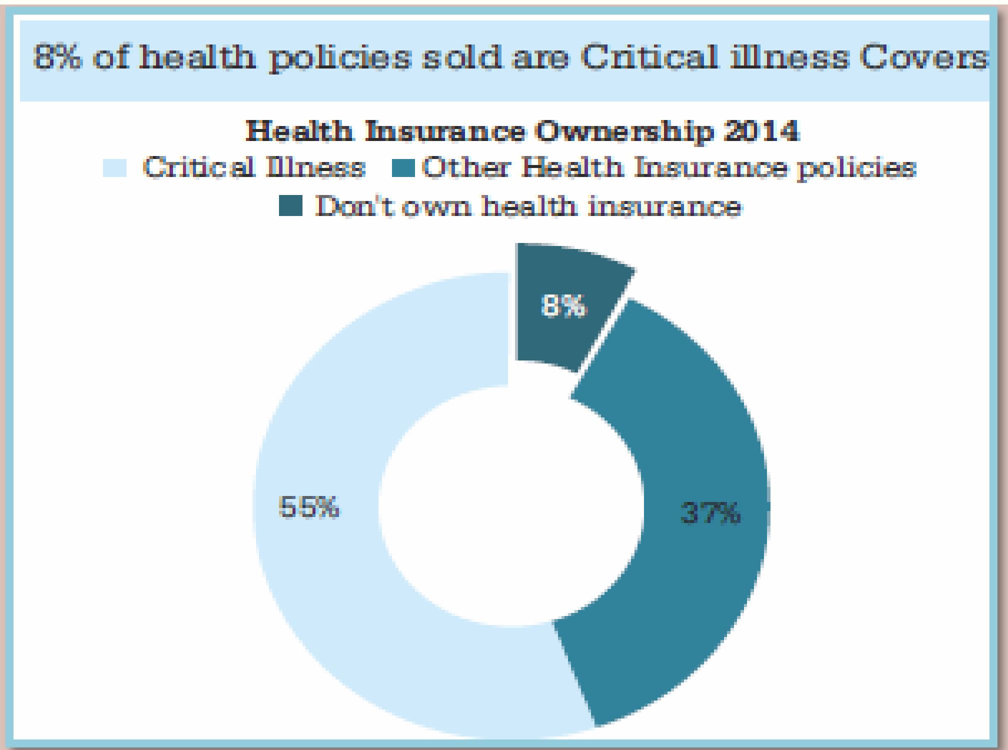
- **Bancassurance**
- **Aggregator Model**
- **Brokers and Agents**
- **Mortgage Insurance**

Drivers for future growth

Literacy Rate & Awareness

- Lack of awareness about health conditions, insurance and Insurance plans.
- Literacy rate of India: 74.6%
- Literacy rates:
  - Delhi: 86.34%
  - Mumbai: 89.73%
  - Kolkata: 86.31%
  - Hyderabad: 82.96%
  - Ahmedabad: 89.62%

America’s Literacy: 99%, China’s Literacy: 96.8%



Increase Burden of health conditions

- Every one in ten are estimated to suffer from Chronic Kidney Disorder (CKD)
- Around 1.75 Lakh individuals every year suffer from stage five Chronic Kidney Disorder
- About 1.6 lakh people were diagnosed with cancer in 2019
- More than 2.1 million people die every year due to cardiovascular 18 conditions,
- In 2014 under critical illness insurance, around 24 lakh claims payment were done for kidney failure followed by for cancer of amount INR 20 lakhs.

- The disease burden in India is increasing Year on year basis hence, best way to secure life is by transferring risk

Demographics and Population

- 2nd most populous country in world
- Population density: 464 per sq. km

Medical & Healthcare Inflation

- Retail inflation: 7.14%
- Higher inflation rate for CPI 14% as compared to urban area with inflation rate 8%

Digitalization

- India has 3rd largest smartphone market
- About 1,026.37 million active mobile users of internet are present

Challenges in selling Critical illness Insurance

Lack of understanding regarding the product- The brokers and agent contributes the major chunk for selling health insurance products; however, when it comes to selling CI to customers, they lack awareness about various diseases and are unable to explain difference between many health conditions due to which are unable to convince the customers

Seen as tax-saving benefit and not a necessity

Limited trust

High cost of insurance

Complexity of purchase process

Methodology

Study Design

Descriptive Cross-Sectional study

Data Collection

Secondary data collected between the year 2010 to 2020 from:

15-20 articles

7-8 reports

4-5 research paper

17 insurance organization-brochures, policy wordings

IRDAI Report

Certain websites.

Sample Size

26 Critical illness insurance plans provided by 17 Indian insurance organizations.

Sampling Technique, Data type

Sampling Technique

Convenience non-probability sampling

Data Type

Mixed (qualitative and quantitative)

Study plans

Private

- Bajaj Allianz Critical Illness Enhance security
- Tata AIG Critical care plan
- HDFC Ergo Critical illness policy
  - Silver
  - Gold
  - Platinum
- ICICI Lombard Critical care
- Go digit
- Bharti Axa
- SBI Health Purna Suraksha Scheme
- Royal Sundaram
  - Lifeline classic
  - Lifeline Supreme
  - Lifeline Elite

Standalone

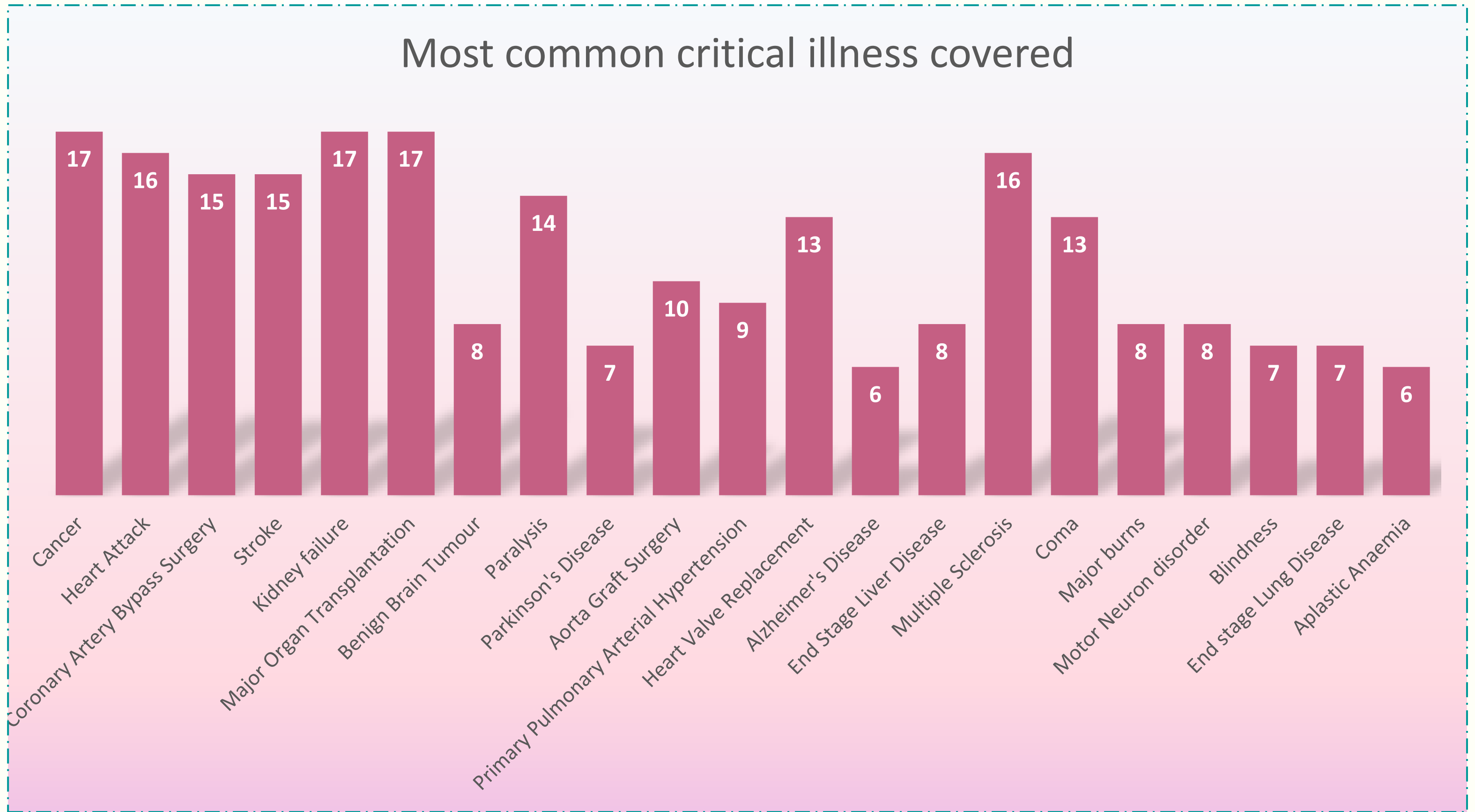
- Reliance
- Star Health
- Aditya Birla Insurance Co. Ltd
  - Activ Secure Plan 1
  - Activ Secure Plan 2
  - Activ Secure Plan 3
- Manipal Cigna
  - Basic
  - Enhanced
- Religare assure plan

Public sector Units

- New India
- National Insurance
  - Plan A
  - Plan B
- United India

Major critical illnesses provided by insurers

	Cancer	Heart Attack	Coronary Artery Bypass Surgery	Stroke	Kidney failure	Major Organ Transplantation	Benign Brain Tumour	Paralysis	Parkinson's Disease	Aorta Graft Surgery	Primary Pulmonary Arterial Hypertension	Heart Valve Replacement	Alzheimer's Disease	End Stage Liver Disease	Multiple Sclerosis	Coma	Major burns	Motor Neuron disorder	Blindness	End stage Lung Disease	Aplastic Anaemia
Bajaj	✓	✓	✓	✓	✓	✓	✗	✓	✗	✓	✓	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗
HDFC Ergo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✗	✗
Tata AIG	✓	✓	✓	✓	✓	✓	✗	✓	✗	✗	✗	✗	✗	✗	✓	✓	✓	✗	✓	✗	✗
Star Health	✓	✓	✗	✗	✓	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗
Reliance	✓	✗	✗	✗	✓	✓	✗	✗	✗	✓	✗	✓	✗	✗	✓	✓	✓	✗	✓	✗	✗
Aditya Birla	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ICICI	✓	✓	✓	✓	✓	✓	✗	✓	✗	✗	✗	✓	✗	✗	✓	✗	✗	✗	✗	✗	✗
Religare	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Manipal Cigna	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓
Royal Sundaram	✓	✓	✓	✓	✓	✓	✗	✓	✗	✗	✗	✓	✗	✗	✓	✓	✗	✗	✗	✗	✗
Bharti AXA	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✓	✓	✗	✓	✓	✓	✓	✗	✗	✓	✓
Cholamandalam	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗	✗	✗	✓	✗	✗	✓	✗	✗	✗
SBI	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
United India	✓	✓	✓	✓	✓	✓	✗	✓	✗	✗	✗	✓	✗	✗	✓	✓	✗	✓	✗	✗	✗
National Insurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
New India	✓	✓	✓	✓	✓	✓	✗	✓	✗	✗	✗	✓	✗	✗	✓	✓	✗	✓	✗	✗	✗
Godigit	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✗	✓	✓	✓	✗	✓	✗	✓	✗
Total	17	16	15	15	17	17	8	14	7	10	9	13	6	8	16	13	8	8	7	7	6



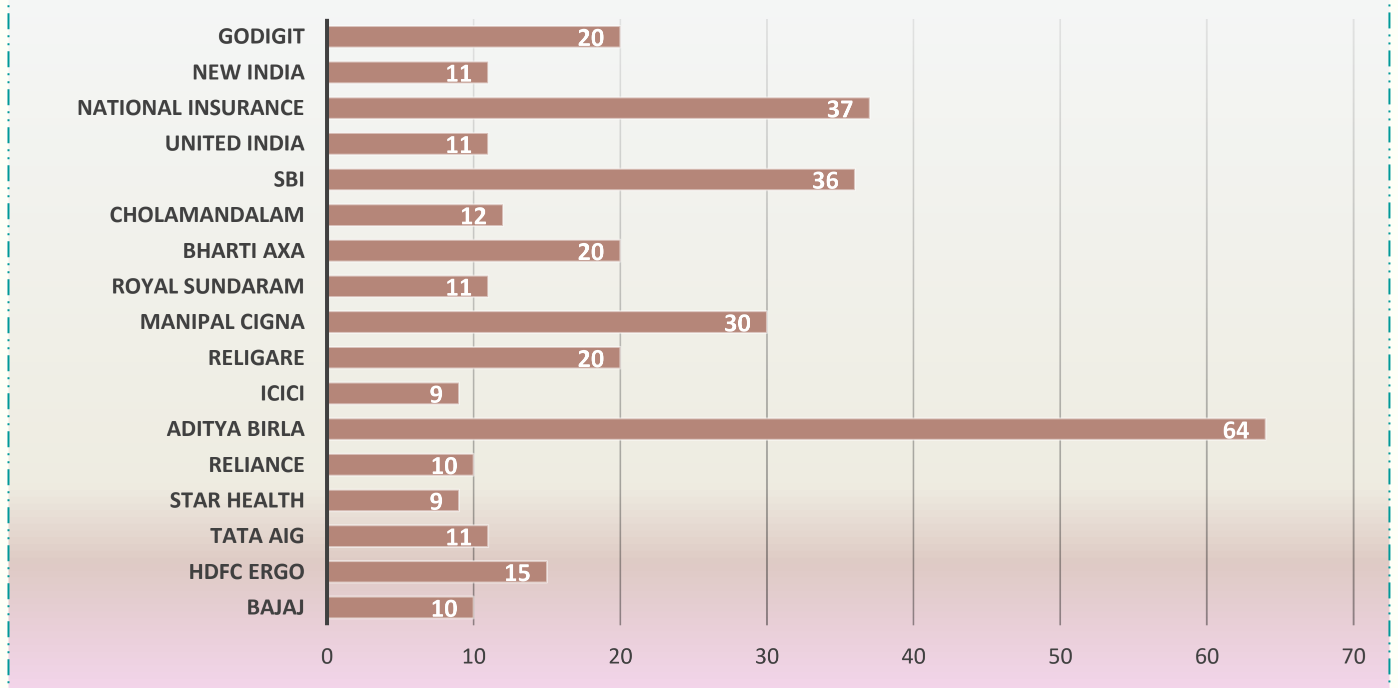


Figure 1.10: Total covers Provided by insurance companies

Certain Plan details

Standalone

- **Manipal Cigna- Basic and Enhanced:**
  - 25% Lumpsum
  - 75% + 10% - Monthly paid as salary for 60 months
  - Wellness plan available
- **Religare:**
  - 10% child education cover if critical illness leads to unfortunate death
  - Up to 100% sum insure on personal accident
- **Aditya Birla- Activ Secure Plan 1, 2 and 3:**
  - 100% lumpsum on diagnosis
  - Wellness couch available
- **Star Health:**
  - For non-allopathic treatment: 25% of Sum Insured (Up to INR 25,000)

PSUs

- **National Insurance- Plan A and Plan B:**
  - 20% of sum Insured for open chest CABG
- **New India:**
  - Rider on health insurance
  - ICU charges up to 2% of sum insured
  - Hospitalization expenses covered

Private

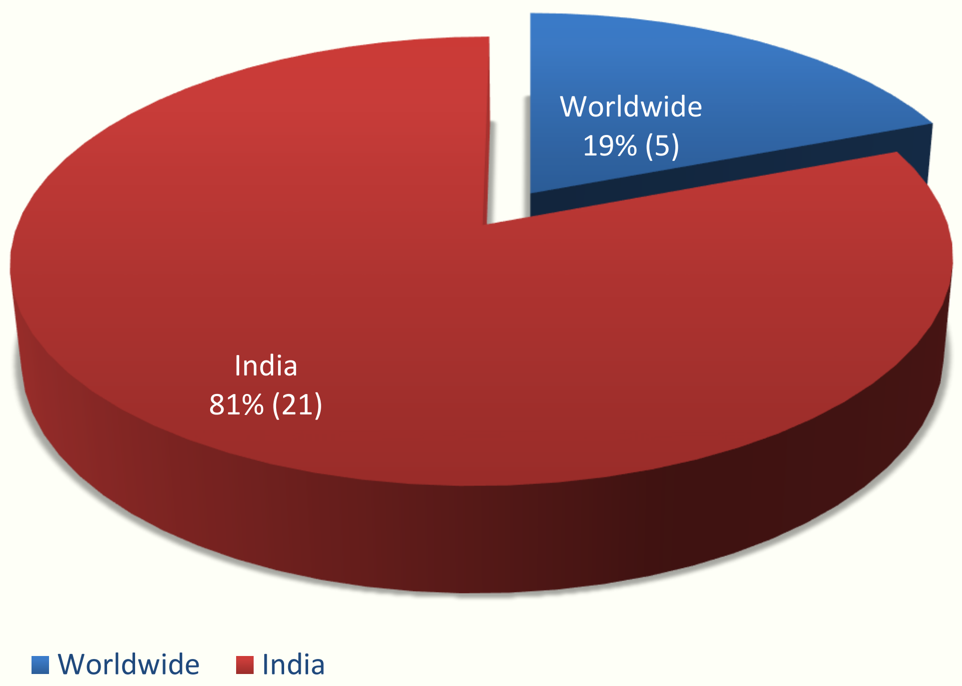
- **SBI Critical Illness- Purna Suraksha Scheme:**
  - 20% covers critical illness
  - 80% Life insurance
  - Is Rider on life plan
- **Bharti Axa**
  - Is rider on health insurance
  - Covers pre and post hospitalization expenses
  - 2% of sum insured for physiotherapy available
  - INR 1,000 to 2,000 provided for carriage of mortal remains
  - Children education benefit: INR 5,000
- **Royal Sundaram- 3 plans: Lifeline Classic, supreme & elite**
  - Rider on health insurance
  - AYUSH treatment covered
  - INR 2,500 (Classic); INR 5,000 (supreme); INR 7500 (Elite) for vaccination for animal bite
  - Ambulance cover : INR 3,000 (Lifeline classic plan); INR 5,000 (Lifeline supreme and Elite)
  - Worldwide cover- Lifeline supreme and Elite
  - Deductible of $1000 per claim for elite and supreme plan
  - Only for Lifeline Elite:
    - Annual check-up
    - Worldwide emergency hospitalization – up to 50% sum insure (not more than 20 lakhs)
    - Organ donor treatment available (up to sum Insured)

- **Bajaj Allianz- Critical illness Extended security:**
  - Worldwide cover with deductible for each claim
- **ICICI Lombard:**
  - Pre and post hospitalization covered with Critical illness.

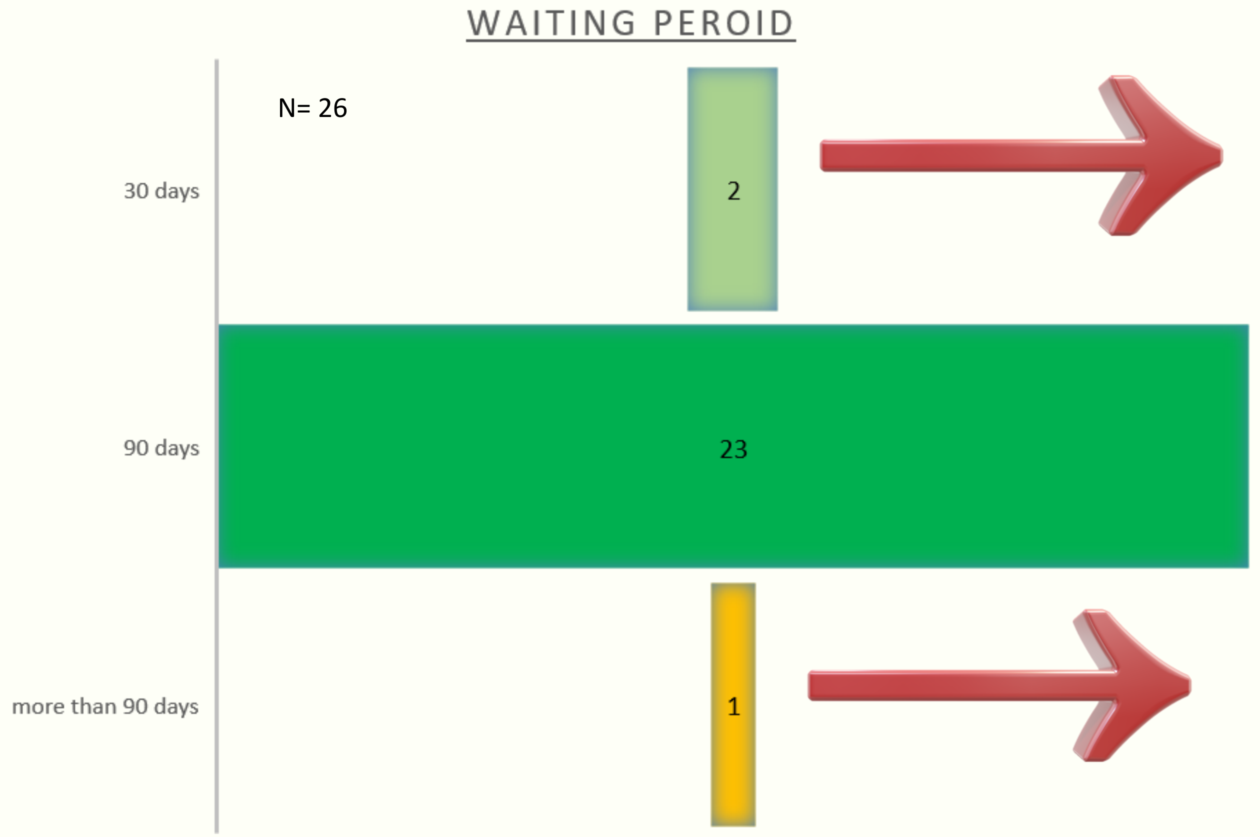
- **Go digit**
  - AYUSH treatment covered

Area of coverage provided by Indian insurance industry

N= 26



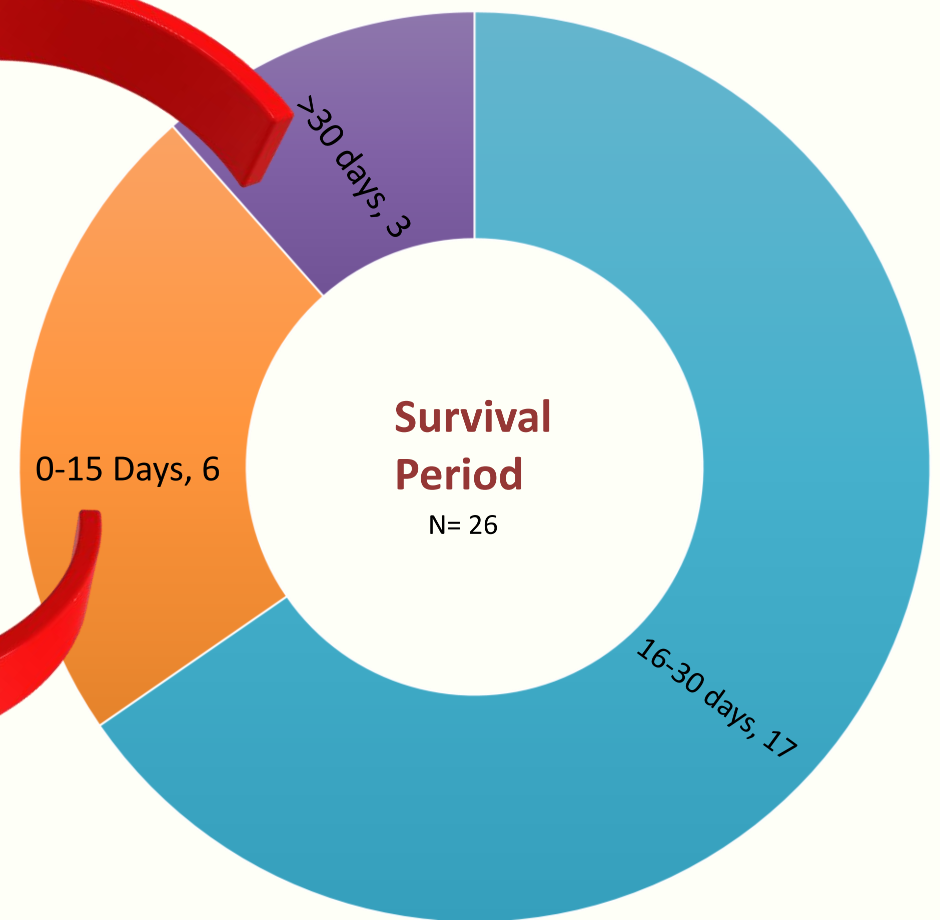
Worldwide
- Manipal Cigna basic
- Manipal Cigna Enhanced
- Bajaj Allianz Extended security
- Royal Sundaram Lifeline supreme
- Royal Sundaram Lifeline Elite



- GoDigit
- Reliance

- New India

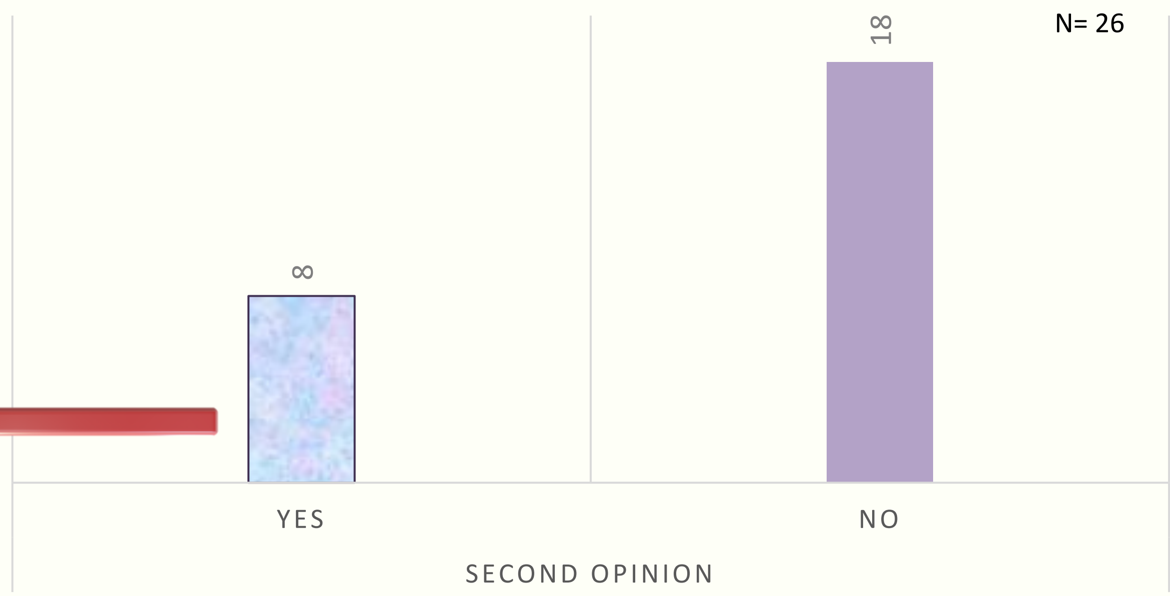
- National Insurance
- Lifeline classic
- Lifeline Supreme



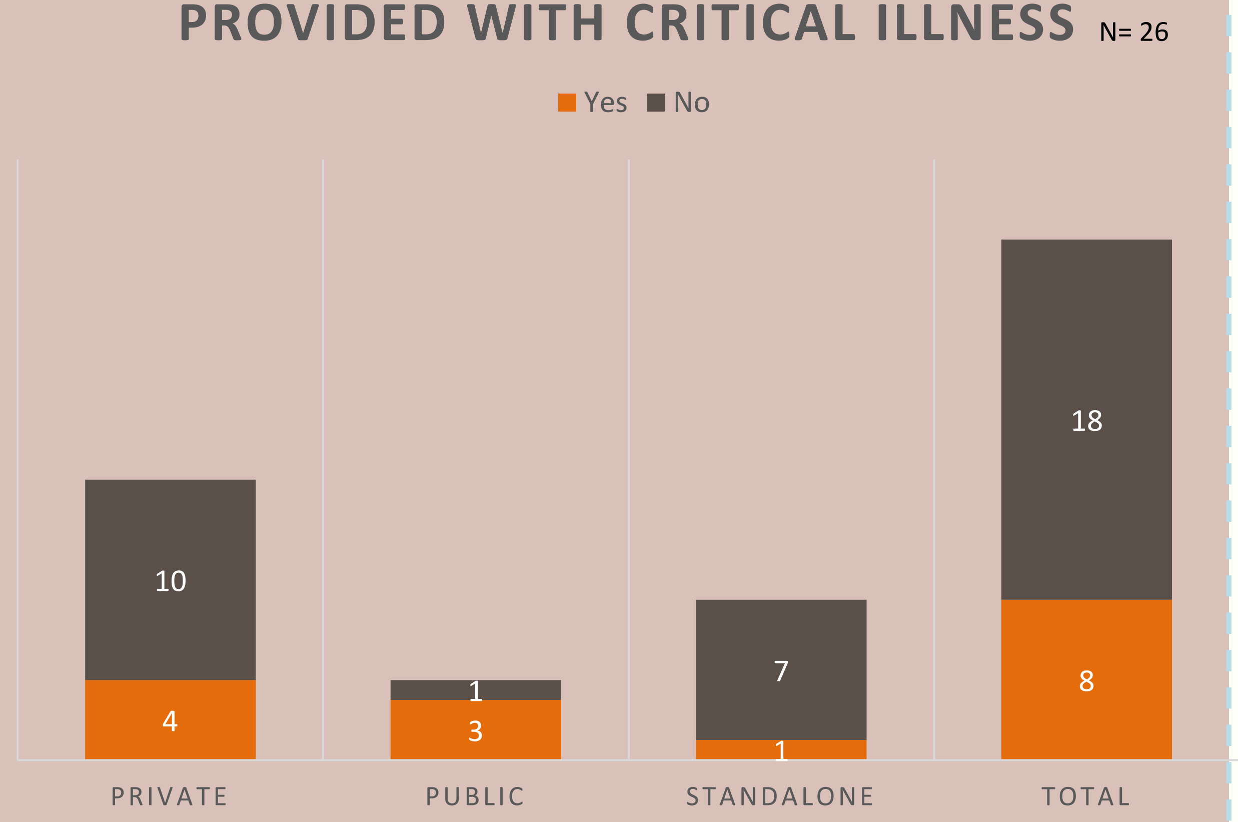
- Aditya Birla Plan 1
- Aditya Birla Plan 2
- Aditya Birla Plan 3
- SBI
- Religare
- ICICI

Provides second opinion
- Manipal Cigna basic
- Manipal Cigna Enhanced
- Aditya Birla Plan 1
- Aditya Birla Plan 2
- Aditya Birla Plan 3
- Tata AIG
- Royal Sundaram Lifeline supreme
- Royal Sundaram Lifeline Elite

FIGURE 1.14: SECOND OPINION OFFERED WITH CI BY COMPANIES



PRE-EXISTING CONDITION COVERAGE PROVIDED WITH CRITICAL ILLNESS

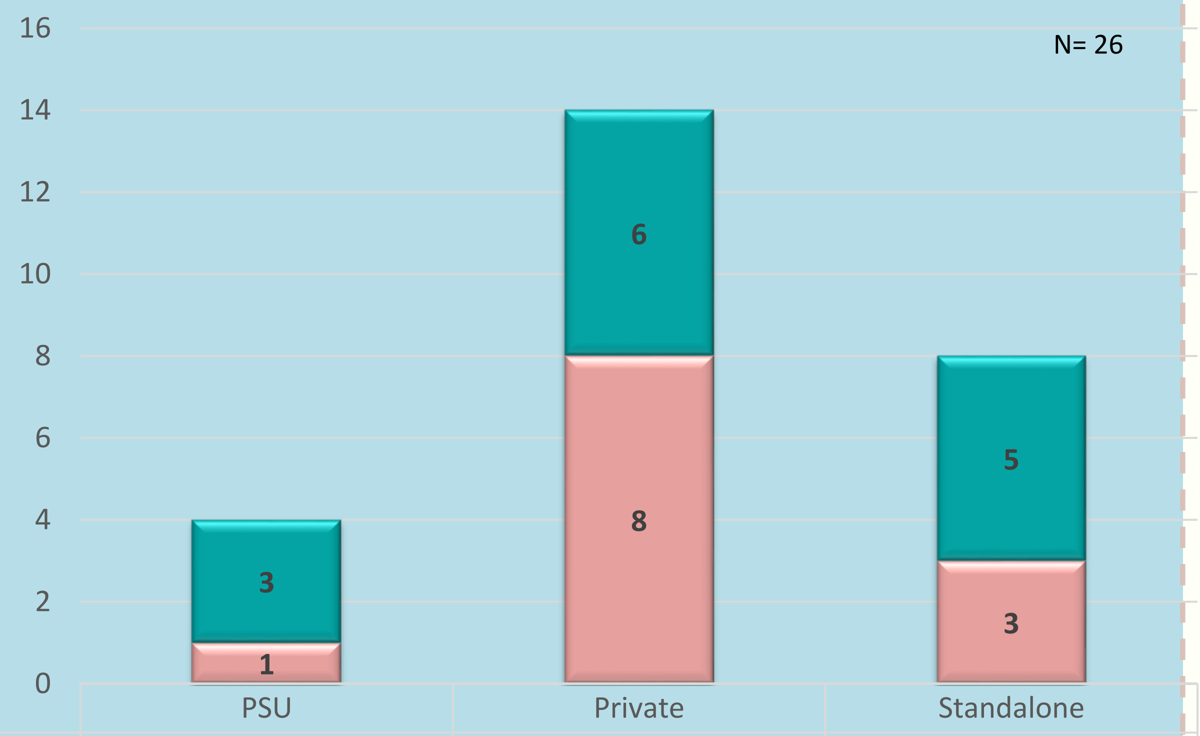


- **Provides Pre-existing cover**
- Royal Sundaram Classic
- Royal Sundaram Supreme
- Royal Sundaram Elite
- Bharti AXA
- Star Health
- New India
- National Insurance Plan A
- National Insurance Plan B

Provides Family Floater

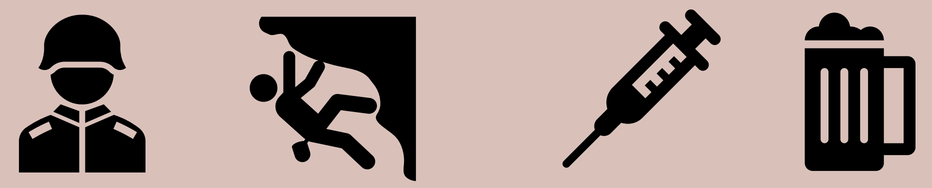
- Royal Sundaram Classic
- Royal Sundaram Supreme
- Royal Sundaram Elite
- Bharti AXA
- Aditya Birla Activ Secure Plan 1
- Aditya Birla Activ Secure Plan 2
- Aditya Birla Activ Secure Plan 3
- Manipal Cigna Basic
- Manipal Cigna Advance
- Tata AIG
- Go digit
- New India
- National Insurance Plan A
- National Insurance Plan B

Figure 1.16: Coverage Type



	PSU	Private	Standalone
Family floater	3	6	5
Individual	1	8	3

Common Exclusions



- Conditions arising from:-
- Suicide / self- injuries
- Dangerous activities/ sports
- War, terrorist activity, invasion, industrial action, strike, civil war
- Failure to take medical treatment
- Intake of liquor and (or) drugs
- HIV AIDS, any other sexually transmitted diseases
- Congenital disorders

Result

- Sum insure provided by PSU (Public sector units) begins with 1 Lakh to 75 Lakhs
- Highest amount of benefit is provided by Manipal Cigna with 3 Crore.
- Minimum 8 to maximum 64 critical illness coverages are provided by various insurance companies having median and mode as 11.
- Activ secure 2 provided by Aditya Birla Health Insurance company Ltd. Provides coverage 64 critical illnesses and plan 2 provides cover 50 critical illness (second highest).
- National Insurance provides coverage for 37 critical illness; highest of all PSUs and attains third highest Sum Insure among the 26 packages observed.
- Discrimination towards HIV AIDs patients is noticed as none of the insurance organization provides cover for them.
- Diabetes Mellitus like pre-existing conditions cost high amount hence, mostly pre-existing conditions not covered; though, myriad companies cover previous health conditions post 2 years completion of policy term and at higher premium.
- Overall only 8 plans provide coverage of any pre-existing conditions.
- The waiting time of most of the plan (23 plans) have 90 minutes and only 2 companies provide waiting period of 30 days. New India is the only company which has waiting period of 2-4 years.
- Mostly Critical illness insurance are for treatment in India and only 5 plans provides world wide coverage.
- United Insurance has the cheapest premium when considered coverage of 10 Lakh at the age interval of 36-40 years, with less survival period and waiting time as compared to other PSUs but, the plan could be bought only when individual achieves 21 years of age and is not available for full family coverage. Generally policies having family coverage also provides for individuals; although, 12 out of 26 plans are only obtainable by individuals.
- 17 plans provide survival period between and equal to 16 to 30 days, 6 offers survival period less than 16 days. Only 2 plan out of 27 has survival period more than 30 days.
- 14 plans out of 26 provide cover on family floater

Discussion

- To my knowledge, this is the **first broader comparative study** between several critical illness plans available in the Indian market; however, not limited to 26 plans.
- The **limitation** faced in the study is due to the limited availability of data.
- The study does not have any means of comparing insurance companies; albeit wishes to **explore what parameters** can be considered before preparing a new critical illness service for the Indian market and how the product could be outstanding in ways of future innovations.
- As major illness does not denounce before originating in our life hence, it is important to have a policy that caters to these chronic conditions in the prospective time.
- In a **price-sensitive** country like India, fewer plans are provided at a cheaper price; however, the coverage and benefits tend to decrease mostly on the same underwritten price.
- Before developing any Critical illness service, it is highly recommended to overview the needs of an **attractive segment of the age group 36- 40 years**.
- It was discussed in a paper written by Asghari M and Babu H. on 'Service Quality Gap and its Impact on the performance of Indian Health Insurance Companies', where 600 respondents were provided a questionnaire to determine their awareness of health insurance. Only 13% of the sample were aware of and preferred critical illness plans.
- CI is upsold and cross-sell without explaining the benefits of the package.
- Lack of awareness regarding the presence of this type of service, benefits in the future run is not explained properly.
- **Digital distribution** seems to be more promising for the growth of the critical illness market and promoting worldwide coverage for the plan could be intriguing for all.

- Henceforth, recommend to identify various awareness methods and to determine new ideas of distribution.