



Institute of Actuaries of India

Does Bundling of different risks with Health Insurance add value to Low Income People?

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Indian Actuarial Profession
Serving the Cause of Public Interest

Agenda

Health Insurance Growth in India

Who are Low Income People?

Risks and their impact on Low Income People

What is Bundling?

Relevant Regulations

Bundling examples

Value Added Services with Health

Conclusions

Growth of Health Insurance Business



Trend in health insurance(HI) premium over the past five years

(In crores)

Sectors ↓	2011-12	2012-13	2013-14	2014-15	2015-16
Government Sponsored Schemes including RSBY	2,225 (17%)	2,348 (15%)	2,082 (12%)	2,474 (12%)	2,425 (10%)
Group (other than Govt. Business)	5,948 (46%)	7,186 (47%)	8,058 (46%)	8,899 (44%)	11,621 (48%)
Individual Business	4,896 (37%)	5,919 (38%)	7,355 (42%)	8,772 (44%)	10,353 (42%)
Industry Total	13,069	15,453	17,495	20,096	24,448
Annual Growth Rate (In %)	18.5%	18.2%	13.2%	14.9%	21.7%

Growth of Health Insurance Business



Number of Persons covered under Health Insurance over the past five years (In crores)

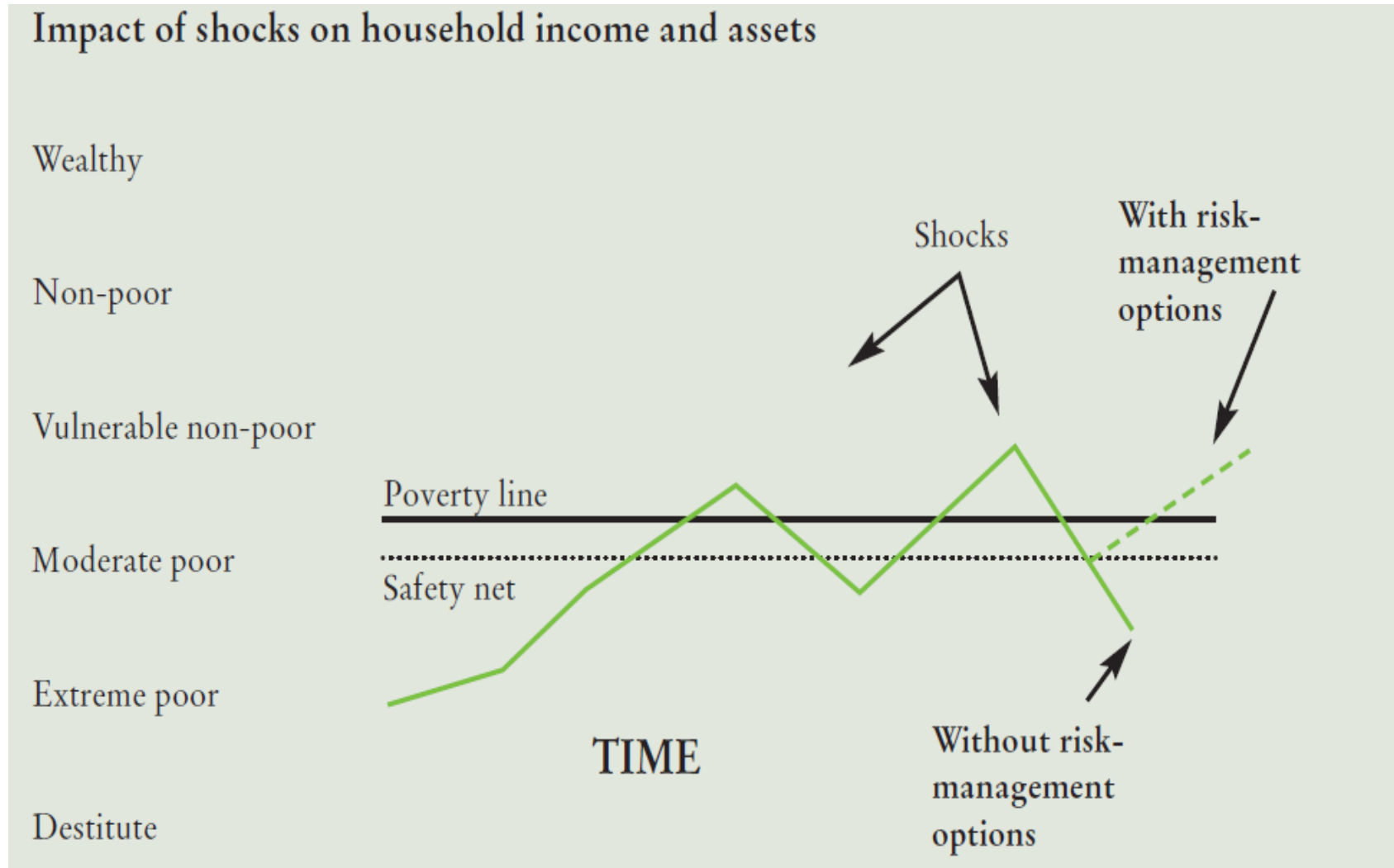
Sectors ↓	2011-12	2012-13	2013-14	2014-15	2015-16
Government Sponsored Schemes including RSBY	16.12 (76%)	14.94(72%)	15.53 (72%)	21.43 (74%)	27.33 (76%)
Group (other than Govt. Business)	3 (14%)	3.43 (17%)	3.37 (15%)	4.83 (17%)	5.70 (16%)
Individual Business	2.06 (10%)	2.36 (11%)	2.72 (13%)	2.54 (9%)	2.87 (8%)
Industry Total	21.18	20.73	21.62	28.80	35.90

Who Are Low Income People?

- In US, those earning less than twice the federal poverty line
- Contentious Issue in India
- International Definition of poverty line given by the World Bank is '\$1.90 per day on Purchasing Power Parity.'
- Spending over Rs 47 in Urban, Rs 30 in Rural are above poverty line.
- Regulatory definition: Person buying policies below a particular sum assured/premium.



Value of Risk Management Options



(Source : Micro-insurance Compendium Volume I, ILO)

Risks faced by Low Income People



Life

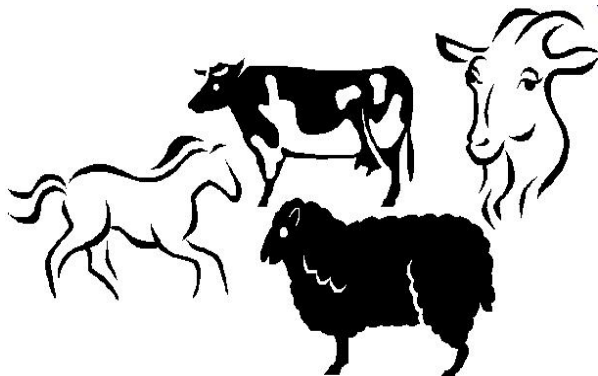


Health



Crops

Livestock



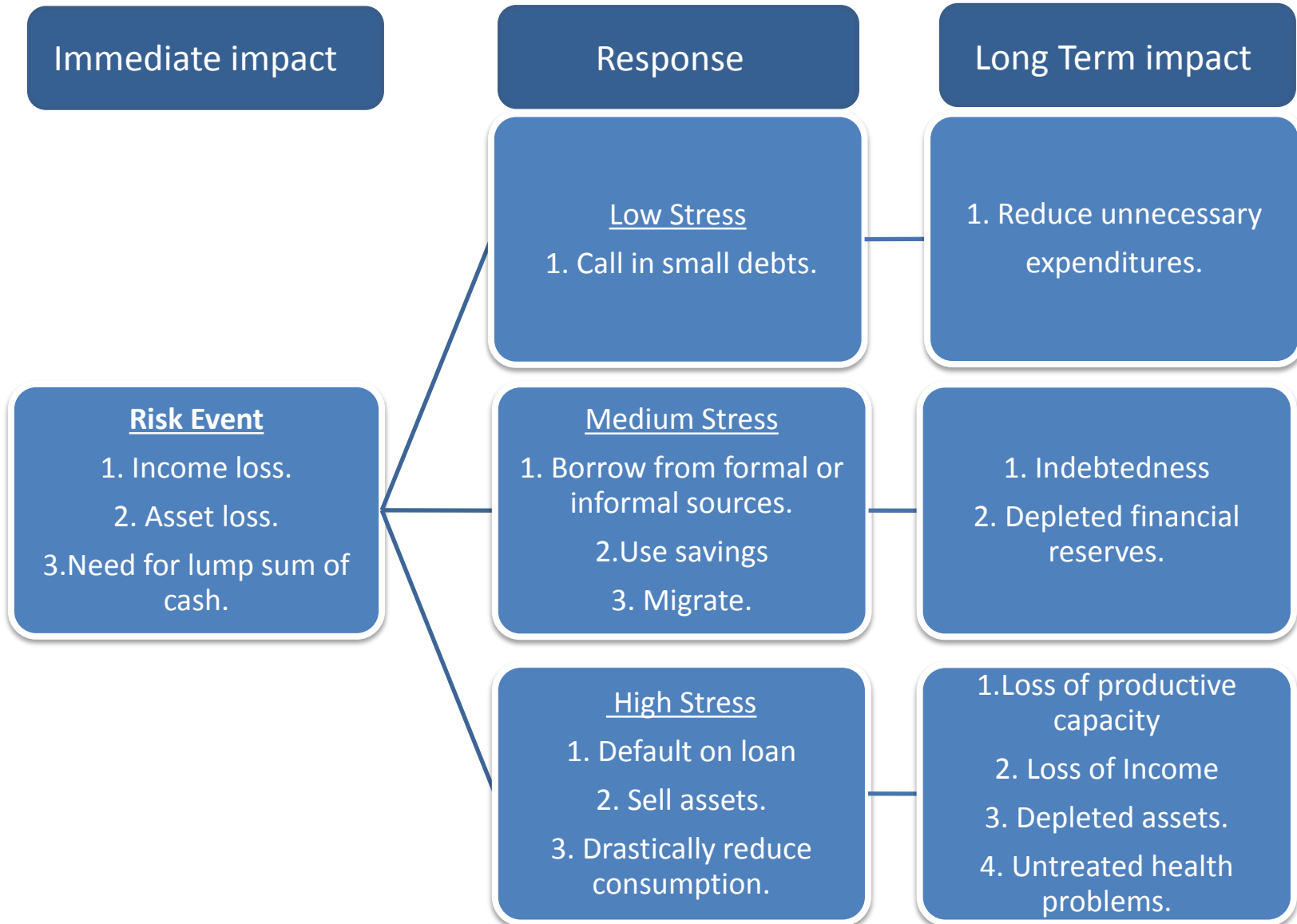
Calamities and disasters



Fire

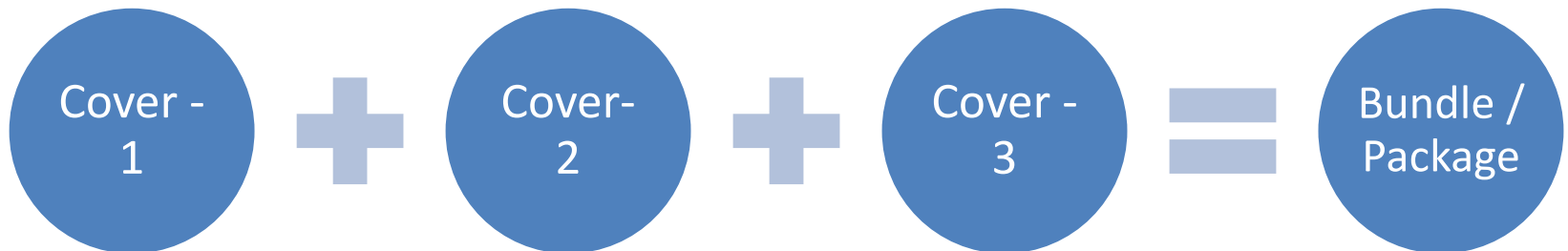


Impact of risks on Low Income People



What is Bundling?

- A number of benefits are all put into one integrated insurance policy.
- Also known as package coverage, basket coverage or combi products



Relevant Regulations

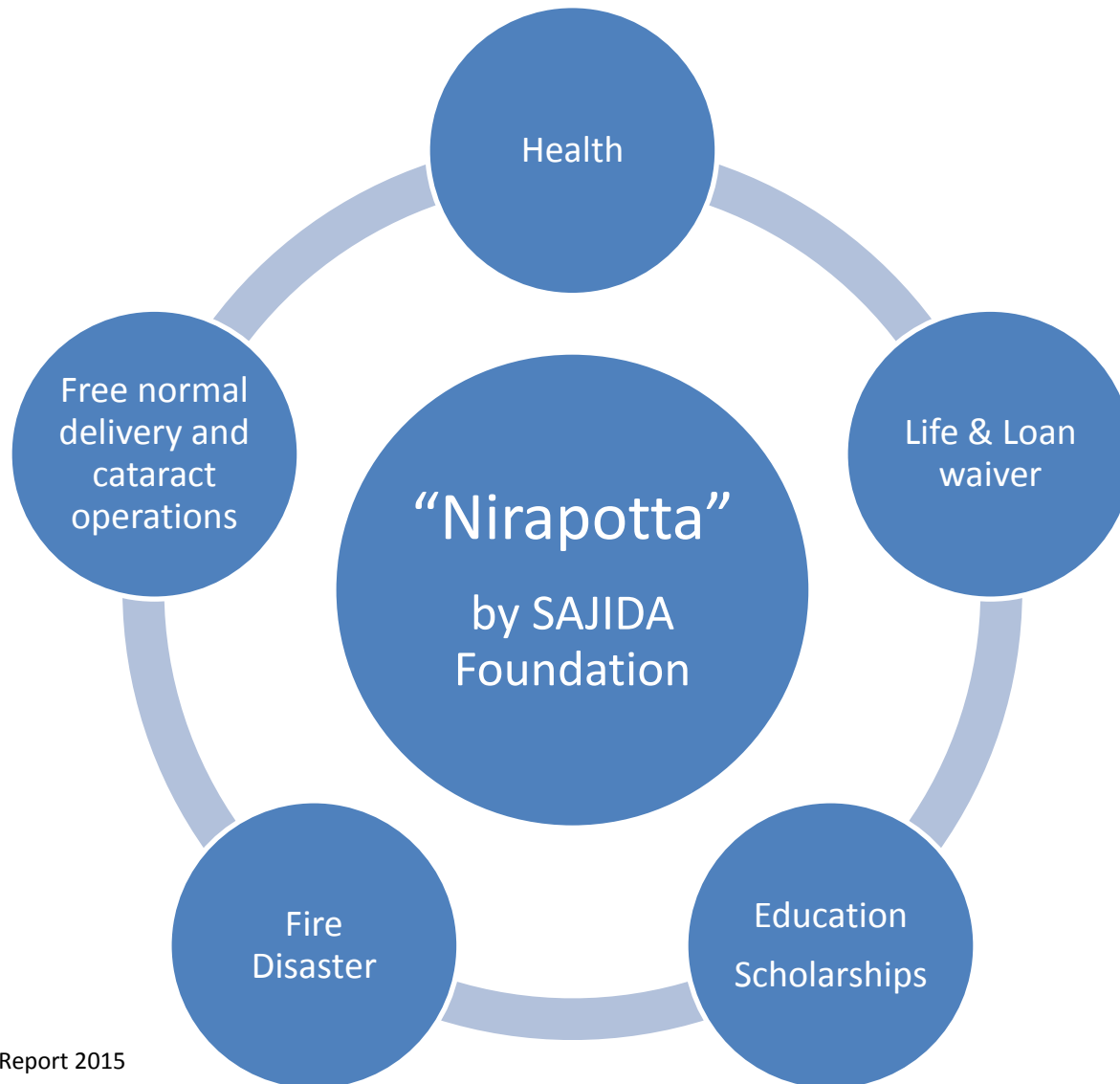
Micro Insurance Regulations, 2015

- New range of institutional intermediaries allowed as Micro-insurance agents
- MI Agents can work with one of each Life/General/Health/AIC
- Cover limits enhanced for each benefit-type
- Additional norms for life micro products; Riders specifically allowed

Scenario after Micro Insurance Regulations 2015

- In FY2015-16, 27 and 52 products offered by respectively by life and non-life insurance companies
- More than 27,000 Micro Insurance Agents as at March 2016
- More than 900,000 Individual policies sold
- Group schemes covered almost 3 Crore lives

Bundling: Example from Bangladesh



A beneficiary



A member of Boalkhali branch of SAJIDA Foundation, Tinku Bhattacharya (32), obtained a loan of 20,000 taka from SAJIDA to support her elder son's grocery shop. Tinku's family includes her husband, Priyotosh Bhattacharya, two sons and two daughters. Unfortunately, within two weeks of the loan sanction, her husband experienced a brain stroke and passed away within 6 months. The distressed family found solace under the umbrella of SAJIDA Foundation, receiving health and death claims in a timely manner and having their SAJIDA loan waived. They used the money to cover funeral costs. Tinku Bhattacharya now dreams that her elder son will prosper in business and her younger children will be well-educated.

Bundling: Example from India

VimoSEWA - Sukhi parivar

Insured	Premium	Life	Health	House and asset	Accidental death
Member	175	10,000	Up to 2,000	Up to 10,000	40,000
Spouse	125	1,000	Up to 2,000		40,000
Child	100	2,500	Up to 2,500		

- Exclusions : Death due to cancer, tuberculosis, Severe heart disease in the first year. HIV/AIDS, addictions and substance-abuse related claims are not covered
- Coverage only at network hospitals
- Asset-related claims are payable for losses occurring due to : fire, earthquake or communal violence.

(Source: VimoSEWA's resurgence: Increasing Outreach and Managing Costs in a voluntary stand-alone microinsurance programme)

VimoSEWA Experience



“We introduced bundled products at a time when these were not well known and yet, when the world started talking about them, we had decided to unbundle our products. Curious are the ways of this world.

- VimoSEWA

(Source: VimoSEWA's resurgence: Increasing Outreach and Managing Costs in a voluntary stand-alone microinsurance programme)

Examples of bundling

Rural Women package Policy - UIIC

Coverage includes

- Personal accident and death
- Hospitalization cover for insured and his family
- Fire Coverage for House and contents

Rural/tribal accident package policy- UIIC

Coverage includes

- Hut and dwellings against fire and allied perils
- Personal Accident
- Hospitalization expenses for 3 major disease only viz. Tuberculosis Leprosy and Cancer.

Value Added Services with Health products

- Services that supplement a product that insures against health risks
- Companies offer mainly IP but OP is more valuable but expensive and lack of data so VAS is one alternative
- IP benefits are intangible, infrequency and can be replaced by support from friends/family.
- VAS makes product more appealing, improves bottom-line.
- ILO Report based on 13 HMI schemes, all voluntary.
- Low income groups expect to get some service as soon as they pay premium






Value Added Services (VAS)

VAS Category	VAS Intervention	Description
Preventative	Health education	Education to prevent illness, promote health
	Health camp	Education, consultation and prescription of medicines
	Health check ups	Check ups for health risks and diseases
Consultations	In-person consultation	Direct physical examination of the patient
	Remote consultation: 1. Dial-a-Doctor	Telephonic contact with a Doctor to give basic diagnosis and medical advice
	2. Assistant using remote doctor and technology-enabled diagnostics	Technology-supported transmission of basic diagnostic information by a medically trained health assistant to a doctor who provides a remote diagnosis.

Value Added Services (VAS)

VAS Category	VAS Intervention	Description
Access to Low-Cost supplies and services	Low-cost medicines	Quality medicines to clients at a discounted Price
	Low-cost clinics	Low-cost consultations, low-cost medicines and low-cost diagnostics
	Low-cost diagnostics	Quality diagnostics to clients at a discounted price
	Emergency medical assistance	GPS technology and incoming call dispatch centre to facilitate appropriate, quick-response access to care

VAS: Client Value

VAS	Popularity	Estimated Benefits
 Health Education	Low	Medium
 Health camps	Low to Medium	Medium
 Check ups	Medium	Medium
 Dial a Doctor	High	High
 Low cost of medicine and diagnostics	Medium	High

VAS : Implementation

Uplifts health talks



- 1.Started in 2008
- 2.36 talks a year
- 3.Cost Rs 17 per person per year

Dial a doctor



- 1.Partnerships - Telecoms and Health Providers
- 2.Used more and more due to advances in mobile technology

Low cost Clinics



- 1.CFW Clinics in Kenya
- 2.Visit to clinic costs US \$ 1.30 compared to US \$4

VAS: Learning

- Need to create understanding and awareness
- Should be offered in phases
- One VAS at a time to get full business value
- Younger clients are the best early adopters of VAS
- Ease of implementation important to achieve scale
- Monitoring KPI and costs for viability



Bundling - advantages and disadvantages

Advantages

- ✓ Comprehensive coverage
- ✓ Low premium to policyholder
- ✓ Reduced expenses
- ✓ Reduced anti selection

Disadvantages

- ✗ Buying benefits that are not necessary
- ✗ Lack of Transparency
- ✗ Increased Complexity

Conclusions

Bundling can be successful if:

1. Sustainable with low premium
2. Customer is educated about the benefits
3. Real needs of the customers are met
4. Better services

Thank You!