

A Study on Marketing Strategies of Health Insurance Companies in Nagpur region

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Introduction

The Indian Health Insurance industry is one of the most prolific ones in the world, with a large untapped potential for public and private insurers alike. Indian Health Insurance market has seen rapid expansion during the past couple of years, it remains largely underpenetrated due to various shortcomings that need to be addressed. We have identified some of the critical shortcomings including low awareness, non-coverage of out patient care & existing disease, inefficient cost management, lack of a credit bureau for insurance sector, and weak retail distribution model. The health insurance market in India however still remains mostly untapped and provides huge growth potential. It is also expected, that the health insurance premium will increase to more than double during 2010-11 and 2013-14. There are already news of companies like Cigna Health and Warren Buffett's Hathway Insurance coming to India. In terms of potential, the rural and sub-urban regions will be that target areas for public and private sectors. It is because millions of households still exist without the minimum health coverage, largely healthcare services. It is without the minimum health coverage, largely healthcare services. It is expected that the insurance companies would resort to innovative products, with low premiums and better access to lure the rural population out of their constraints, and avail the benefits of a health insurance.

At the global front, Indian healthcare cost is comparatively very low compared to other nations like the US, Canada, the UK, Japan and Russia. The health insurance industry in India constitutes a lot of players operating in it, but it still holds a lot of potential for new companies. The foreign insurance companies are not operating independently in India and are present in the form of joint ventures. The foreign companies looking to operate in

India would need to go through proper channels rather than resort to makeshift arrangement.

Health Insurance in a narrow sense would be ‘an individual or group purchasing health care coverage in advance by paying a fee called premium.’ In its broader sense, it would be any arrangement that helps to defer, delay, reduce or altogether avoid payment for health care incurred by individuals and households. Given the appropriateness of this definition in the Indian context, this is the definition we would adopt the health insurance market in India is very limited covering about 10% of the total population. The existing schemes can be categorized as:

1. Voluntary health insurance schemes or private-for-profit schemes;
2. Employer-based schemes;
3. Insurance offered by NGOs/community based health insurance, and
4. Mandatory health insurance schemes or government run schemes (namely ESIS, CGHS).

Health Insurance in India:

The year 1999 marked the beginning of a new era for health insurance in the Indian context. With the passing of the Insurance Regulatory Development Authority Bill (IRDA) the insurance sector was opened to private and foreign participation, thereby paving the way for the entry of private health insurance companies. The Bill also facilitated the establishment of an authority to protect the interests of the insurance holders by regulating promoting and ensuring orderly growth of the insurance industry. The bill allows foreign promoters to hold paid up capital of up to 26 percent in an Indian company and required them to have a capital of Rs. 100 Cr. along with a business plan to begin its operations. Currently, a few companies such as Bajaj Alliance, ICICI, Royal Sundaram, and Cholamandalam among others are offering health insurance schemes.

TPA

With the entry of Third party administrators under the IRDA Regulations Act, 2001, the health insurance industry is taking a new turn towards ‘Managed Care’ TPAs are licensed by Insurance Regulatory Development Authority (IRDA) to act as a Third Party Facilitator Between Insured & Insurer. The job of TPA’s is to maintain a database of policy holders and issue identity cards with unique identification numbers to them. They also handle all the policy-related issues, including claim Settlements for the

policy holders. The TPA's are expected to provide value-added services to the consumers. With the advent of TPA, the insurance companies aim at ensuring higher efficiency, standardization of charges, greater awareness and penetration of health insurance to a larger section of the people.

Portability

Portability notification issued by IRDA on 10th February, 2011. Health insurance portability allow any health insurance customer to shift from his existing insurer to any other insurer he deems to be better than his current one. In other words health insurance portability will allow the customer to switch to a different health insurer with benefits from previous insurer being carried forward. Waiting period for pre - existing diseases is portable i.e. time spent with previous insurer for pre-existing disease will be considered. Initial 30 days of waiting period when no cover is provided will be waived off in case you switch to another health insurer. At least same sum assured (with bonus) will be given by new insurer.

Key Player

Public Sector Health Insurance Companies: (1) National Insurance (2) New India (3) United India (4) Oriental.

Private Sector: (1) Bajaj Allianz (2) Bharti AXA (3) Cholamandalam (4) Future Generali (5) HDFC Ergo (6) ICICI Lombard (7) Iffco Tokio (8) Max Bupa (9) Reliance (10) Royal Sudaram

Standalone Health Insurance Companies

1. Star Health & Allied Insurance
2. Apollo Munich Health Insurance

Health Insurance Marketing Strategies Overview

India as country is under insured in the urban as well as the rural areas. Only 35 percent of the 250 million insurable populations are insured. To increase the penetration levels insurance companies will need to look at newer segments especially the relatively untapped rural market rather than fighting for a share in the same pie in the urban markets. Thus, insurance companies have lot of opportunities to penetrate in Urban and Rural India. In this research study no. of suggestion will be find out for segmentation, pricing and retention strategies that will help health insurance companies to get more customers and keep their current customers longer.

Review of the Literature

The old and related literatures are reviewed to get the in-depth Understanding of the research topic. Following are the some of the reviewed studies:

Chakravarthi (2006) reported that health insurance schemes are more complex and because of various demand and supply side imperfections there are inherent problems in the health insurance market. He also says that most of the perspective population is unaware of the pros and cons of the different schemes of health insurance.

Ratna and Sarkar (2007) reported that rural population treat health as an important aspect and are interested in a health insurance scheme. They reported that High costs of hospitalization and surgery in not posing financial risks for poor households. They also reported that Poor rural people are able to take judicious decisions regarding the composition of a health insurance benefit packages.

Vinod and Saharan (2007) reported those general publics are slowly becoming aware about the benefits of the health insurance and its importance in today's world. They say that the premium level and index of growth of health insurance business is continuously rising up in India. They also reported that public sector players are declining with their market share in health portfolio whereas the private sector players are on the rise in their contribution level.

Pradip and Parthi (2007) reported that Competition is yet to reach the pricing arena in health insurance. The oligopoly nature of market has turned to restrict the free play of market forces through product differential. They also report that health insurance has positioned itself today as one of the throbbing classes of insurance in non-life insurance sector in India.

Charkravarti (2006) reported that below poverty line population are not capable of paying a health insurance premium and the insurance agents are not properly informed about the policy. He says that general public takes financial help from the neighbours /community to bear the financial burden of medical expenses.

Wouter Langenhoff (2008) reported that health insurance industry, tend to focus on quality of service level and keep a close eye on switching costs. In these industries, switching costs are an important aspect of customer retention and therefore important for companies to think about. Other key part of customer retention is customer satisfaction since service is the main thing health insurers have to sell, this is a very important aspect of their business.

Mothersbaugh & Beatty (2000) reported that especially in service industries, like for instance health insurance industry, retention of current customers is very important.

Berry (1983) reported that with increased competition and costs of attracting new customers rising, companies are focusing more and more on customer retention.

Mahal (2003) assessed the potential impact of the entry of private players in the health insurance market on the size of insurance market and on the distribution of public health subsidies on health care provision in India. The analysis suggested that with the relaxing entry conditions, the health insurance market will likely to be much larger than the existing business of General Insurance Companies of India and this increased size have many equity-enhancing effects that include reduced use of public sector hospitalization facilities by the upper income group.

Alireza Miremadi (2011) reported that there is an association between the market research and survey with flurry of media. The insurance companies believed that market researcher and survey help advertising manager of insurance companies to choose best combination of media to absorb more prospective customer.

Sekhri and Savedoff (2004) Provided an overview of private health insurance coverage around the world and how its wide spread has become and intended to encourage policymakers to pay attention to private coverage and the role it can does, play in health care system.

Mr. Santosha (2009) research reported that to increase the penetration levels insurance companies will need to look at newer segments especially the relatively untapped rural market rather than fighting for a share in the same pie in the urban markets. In health insurance in urban marker is penetrated by private and public sector companies. In rural areas due lack of awareness in the minds or rural customers companies have not concentrated on this segment.

Objective of the Study

The main objective of the study is to understand the present marketing strategies adopted by private and public sector health insurance companies in Nagpur region.

1. The main objective of the research study is to identify the reasons behind low penetration of health insurance schemes in Maharashtra, specifically in Nagpur region.

2. To identify the factor for lower level of consumer awareness about health insurance products and their benefits. Also recommend the suitable suggestions for increase awareness in the urban, sub urban as well as in the rural consumer.
3. To study on problem of weak retail distribution model and find out recommendations for enhancing strong retail distribution system.
4. To study on problem of transparency and find out the suitable suggestions for building trust, confidence a favourable image among customers. Also find out suggestion for improving the service quality of health insurance companies.
5. To focus on problems faced by the health insurance companies like retention of customers, product differentiation and pricing. Also evaluate and find out experts suggestions to build strong marketing strategies for health insurance companies.
6. Identify the factors which are prohibiting the purchase of health insurance policies.

Scope of the Study

The scope of the study is surveying of Urban. Semi-urban and rural consumers in Nagpur Region of Maharashtra State. It attempts to throw lights on health insurance companies' services. Study also attempts throw lights on present marketing strategies followed by public and private insurance payers in Nagpur Region. The schemes from 2000 onwards will be studied.

Methodology and Research Design

The study is basically based on both primary and secondary data. The primary data will be collected through the personal interviews using instrument as questionnaire and several structured and unstructured interviews will also be conducted to elicit first-hand information with the theme of research work. Data will be obtained from different health insurance policy holders and non-policy holders of Nagpur Region.

However, secondary data will be collected from various sources like journals, books, manuals, reports, magazines, business newspapers, and visit to the Health Insurance Companies and the concerned institutions. Data collected both from primary and secondary source will be interpreted with the help of statistical devices.

Research Methodology

Sample Design

It is an appropriate approach to get a list of potential respondent who participated. Our study is a more accurate and fastest way and convenience sampling method was used. The list of 10 Health Insurance Companies plan to visit by researcher is given below: (1) National Insurance (2) New India (3) Bajaj Allianz (4) Future Generali (5) HDFC Ergo (6) ICICI Lombard (7) Iffco Tokio (8) Max Bupa (9) Reliance (10) Star Health & Allied Insurance

Sample Size

Our research study decided to distribute the 100 questionnaires for consumer of Health Insurance Companies in Nagpur Region to achieve objective of research. I have collected 100 questionnaire for each Health Insurance Company to obtain its response in Nagpur Region.

Sample size – 100

Tools: Statistics Tool, Questionnaire.

Pilot Testing

After designing the two sets of questionnaire for Life Insurance Company, our research decide to conduct the pilot testing for questionnaires. Our research carried out the pilot testing study to see whether the questionnaires can obtain the results which our study required to meet their objectives:

Research Design

The study design adopted is descriptive research design. The study will be conducted at Nagpur Region of Maharashtra State.

Impact of the Study

All policy holders of different health insurance and non-policy holders of health insurance in Nagpur region are population for this study. The non-Policy holders will also be considered to find out whether they will be potential customers and have any idea about health insurance policy schemes. The literature on the health insurance scheme shall be studied in depth and various feedbacks from customers regarding their awareness, service quality shall be analyzed. Visits to public sector and private health insurance companies shall be made and knowledge of the existing schemes & marketing strategies data collected successfully. Also collect customer

related data such as policy holder's records, customer feedback form, and sales performance data shall be conducted with the customers. Customer based data of health insurance companies gathered through surveys & the impact of health insurance schemes will be evaluated. After the evaluation process, suggestive measure to improve the marketing strategies of health insurance companies will be devised.

Fact Finding of the Study

After the detailed analysis of health insurance marketing strategies and on the outcome of the survey, impact of strategies increase penetration of health insurance schemes & also enhance consumer awareness levelling Maharashtra and specifically in Nagpur region shall be assessed. Impact of insufficient data availability and data sharing will be assessed and measures for improvement will be suggested at the end of this research study. The impact of survey analysis will help health insurance companies to overcome problem of transparency and fine out the suitable suggestions for building trust, confidence, a favourable image among customers. Measures for improving the service quality of health insurance companies suggested Survey analysis report also gives suitable measures for improving customer. Retention, product differentiation and pricing solution to the health insurance companies.

Conclusion of the Study:

- (1) Product & pricing innovation.
- (2) Technology
- (3) Channel innovation.
- (4) Consumer awareness & market Penetration.
- (5) Data sharing & information exchange.
- (6) Healthy Vibrant India.

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