

Effectiveness of Health Insurance - An Empirical Study in Mysore City

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Abstract

Health insurance, as a general insurance product, is becoming very popular in the present day fast track knowledge world. People around are getting no time and labor to muster the money to cover the risk of health disorders. Hence health insurers are pitching in with the customized products. The insured are becoming relieved persons and they specialize in their own task, thus contributing positively to the national economy. The study major thrust area like product innovation service delivery and customer relationship management. The survey is conducted in the city of Mysore by taking 158 respondents and three hypotheses, viz health insurance business in Mysore city is effective, health insurance has significant positive assessment from highly educated persons and income and perceptions towards are positively correlated are proved by using statistical tools.

Keywords: Health Insurance, Insurable Interest, Claim Settlement, Customer Relationship Management, Premia

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1. Introduction

Health Insurance as a general insurance covers the risk of losses due to health disorders. With regard to health insurance presently there is oligopoly market where public sector and private sector insurance companies are doing the business. These insurers are collaborating with other agencies for expansion of market which is very vast. The present generation is more conscious about fitness and health, hence, wellness industries is booming. Svetha (2010) asserts that the growth in the sale of health insurance policies of the insurers after liberalization of the insurance sector and the increased health-consciousness of our population has virtually changed the face of Indian insurance industry accompanied by some related challenges. With the advancement of technology and lifestyles getting speedily adapted to fast rack, the risks to the health of human being are keeping high momentum. On one hand economies are becoming buoyant and the other hand people in gainful occupations are showing much consciousness on health risk coverage. It is at this juncture the health insurance policies are finding their apt places. There are different types of insurance policies customized to diversified needs of people. Some insurers have tie up with banks, co-operatives and Government for promotion of the health insurance policies. The bankassurance, Yashaswini Health Insurance launched in 2002 in the state of Karnataka through public-private partnership and Atal Bihari Vajpayee Arogyashree are prominent success schemes worked out by insurers to expand their market. Easy purchase of policy, ease in payment of premium and simplified procedure for settlement of claims and most importantly touching human spirit in marketing are the hallmarks of health insurance business. With the health index is moving up constantly and health care service network becoming stable, number of claims are gradually decreasing; in turn health insurers are making good profits. As

per 2011 census India's total population was 124 billion. Life expectancy at birth male/female expected 64/68 years.

In Mysore city 10 private insurance companies are operating along with 5 public sector companies. As per 2011 census Mysore city population was 9.65 Lakhs. In this city majority population belong to bourgeois class. Majority of households under this class are much scared about health related risks and they are inclined to get that risk covered. All the insurers are making promotional strategies to penetrate into this market. Apart from mass media advertisement they are effectively using social media to make inroads into the market. Informal communication channels are triggered off actively to en cash the fear psychosis of prospective customers. As long as bringing the customers into their fold insurers are champion motivators. However, while getting exit from the contractual relationship, there is perceived reluctance on their part. Individuals, who to take up these policies perceive differently about the nature of policies, the service mechanism and accepting the insurers as philosophical advisors. Therefore insurers need to have customized marketing strategies to thrive better.

2. Review of Literature

Ajay Mahal (2002) in his article on "Assessing Private Health Insurance in India – Potential Impacts and Regulatory Issues" asserts that the entry of private health insurance companies in India is likely to have an impact on the costs of health care, equity in the financing of care and the quality and cost-effectiveness of such care. However, he mentions that an informed consumer and a well-implemented insurance regulation regime in many cases eliminate some of the bad outcomes.

Mark S. Dorfman (2002) in his book on "Introduction to Risk Management and Insurance" reviews the salient features of the insurance industry and also the role played by the private enterprise. The different types of insurance intermediaries are also discussed at length with suitable illustrations incorporated wherever necessary.

Malabika Deo (2005) in her article on "Bancassurance – A Win-Win Solution for Banks and Insurers" states that competition in bancassurance is going to be immense with big players in both the banking and the insurance sector eager to embrace this new concept. She opines that banks with more than 60,000 branches provide an ideal ground for easy access to the customers for the foreign players.

Jaya Prakash Rai, T. (2005) in his thesis on "Attitude and Behaviour of Life Insurance Policyholders: A Study with Reference to Dakshina Kannada District" conducts an empirical study to know the attitude and behavioural patterns of the selected insurance customers of the District. He suggests that customer expectations towards different attitudinal factors are to be properly analysed to formulate a suitable and a necessary marketing strategy for each and every insurer.

3. Statement of the Problem

Health insurance, in all its positive strides acts as a friend in need, however, its negative side gets unfolded when it comes to settlement of claims and other service related issues. On one hand the social media directly contributes to the growth of this market, on the other hand it is the same social media which dispels the growth momentum, when grumblers start working against the system. Further the oligopoly market has created stiff competition among few strong and sturdy players. The buoyant marketing research wings of insurers are working reluctantly towards product renovation and market penetration. In the process few players are lagging behind and their service packages are also not becoming acceptable. To that extent their customers are deprived of the good opportunities available with other companies. Though it is impracticable to expect all the players in the market posting same growth rate and updating quality of service with demand side becoming knowledge

society which patronizes better players only, the mediocre and poorly managed insurance companies are struggling hard to sustain growth.

4. Scope of the Study

The study is conducted to appraise the effectiveness of health insurance in Mysore city. The study is conducted by taking respondents from different classes of society.

5. Objectives of the Study

- 1) To study the effectiveness of health insurance practices by public and private insurance companies in Mysore city.
- 2) To identify the mismatch between customer preferences and company offers in health insurance market in Mysore city.
- 3) To suggest remedies for making health insurance more buoyant in Mysore city

6. Hypotheses of the Study

H1: Health insurance business in Mysore city is effective.

H2: Health insurance has significant positive assessment from highly educated persons.

H3: There is a significant difference between awareness of health insurance and earnings in Mysore city

7. Research Methodology

This study used the descriptive and exploratory research design. Analysis of Secondary data combined with shared thoughts of researcher's, academic peers, social leaders and experts in financial services has given solid base for descriptive analysis. The perception analysis is made to explore the effectiveness of health insurance. Pilot tested structured questionnaire was administered to 243 respondents selected under simple random sampling method. 188 responses were collected of which 158 were used. The response percentage is 65.

Statistical Tools Used

The data collected from various sources were analyzed by applying appropriate mathematical and statistical techniques along with percentage analysis. Analysis of test by descriptive test and chi – square test and percentage analysis are used with the help of SPSS 20.

8. Limitations of the Study

- The study relies on primary data, which could be biased and this study sample size only 158 respondents, hence the primary data may not be true representative of universe.
- The Likert's scale of measurement used is not claimed to be true reflection of perceptions.

Demographic Profile of respondents: Table 1 depicts the demographic profile of respondents

Highlights of demographics:

- Average age of respondents is 35
- Sex ratio is 2:1
- Majority 37.97 % of respondents are from professionals group followed by 31.01 % business class and 27.85 % from salaried class
- Majority 37.97 % have professional education, followed by general graduates forming 31.65 %
- Average monthly income is Rs. 45,000

Table 1: Profile of the Respondents

Sl. No.	Contents	No. of Respondents	Percentage
1	Age		
	18 – 25	12	07.60
	26 – 35	34	21.52
	36 – 45	43	27.22
	46 – 55	40	25.32
	56 & above	19	12.04
2	Gender		
	Male	104	65.82
	Female	54	34.18
3	Occupation		
	Business	49	31.01
	Salaried class (Public & Private)	44	27.85
	Professionals	60	37.97
	Student	05	03.16
4	Education		
	PUC	08	05.06
	Professional	60	37.97
	Graduate	50	31.65
	Post Graduate & above	40	25.32
5	Monthly Income		
	Less than 20,000	32	20.25
	20,001 – 30,000	16	10.13
	30,001 – 50,000	30	18.99
	50,001 & above	80	50.63

Source: Primary data- Field Survey

Source of information about Health Insurance

The study of demographic profile also included a probe into source of information about health insurance. Relevant data is enshrined in table 2

Table 2- Source of Information			
Sl. No.	Source of Information	f	%
1	News Paper	12	07.60
2	Television	18	11.40
3	Internet	10	06.30
4	Insurance Advisors	40	25.33
5	Family / Friends / Neighbors	78	49.37
	Total	158	100.00

Source: Primary Data- Survey

The table 2 clearly highlights the source of information about health insurance. The majority 49.37% of the respondents are taking health insurance policy under the reference by the family members, friends and neighbors. 25.33% of the respondents are referred by the insurance advisors or agents and remaining respondents are taking health insurance policy by the reference of newspaper, television and internet.

Patronage Pattern:

Health insurance is marketed by public sector companies and private sector companies. Patronage pattern of respondents between public and private insurers is enumerated in table 3.

Table 3- Patronage pattern			
Sl. No.	Type of Insurance Company	f	%
1	Public	88	55.70
2	Private	70	44.30
	Total	158	100.00
Source: Primary Data – Survey			

Table 3 elucidates that majority of 55.7% respondents prefer public sector insurance companies, and remaining 44.3% patronage private sector.

Purpose of taking policy

Health insurance, no doubt, is risk coverage for health disorders; however in few cases individuals go with health insurance policies for tax purpose or a matter of social concern towards others in whom they have insurable interest. Table 4 illustrates the details of purposes for which health insurance is taken by respondents

Table 4: Purpose of taking Health Insurance Policy			
Sl. No.	Type of Insurance	f	%
1	Covering Medical Expenses	48	30.78
2	Tax Purpose	20	12.66
3	Individual and Family Interest	90	56.96
	Total	158	100.00
Source: Primary Data – Survey			

Table 4 stated the perceived purpose of taking health insurance policy. Majority of 57% of the respondents are taking policy of individual and family interest. 31% of the respondents are more cautious of covering medical expenses and 13% of the respondents for the purpose of tax reduction.

Perception analysis

Perceptions of respondents about health insurance products, awareness, service quality, CRM were collected in a measured scale using Liker’s method. The statements given are:

Perceptual Analysis Statements

- S 1: Awareness about implications of health insurance is good.
- S 2: There are customized health insurance policies to reach every segment of the market.
- S 3: Health insurers are promoting the business in a customer friendly way
- S 4: Health insurance premium are not felt to be too high.
- S 5: Establishing the contractual relationship between the insurers is a simple task.

S6: Service delivery mechanism in health insurance companies is always customer friendly.

S 7: Renewal of health insurance policies is simple and easy.

S 8: Procedure for making claims is not cumbersome.

S 9: CRM in insurance companies is satisfactory

S 10: Claim settlement is satisfied.

Table No.5: Benefits of taking Health Insurance Policy

	SA	%	A	%	M	%	D	%	SD	%
S1	87	55.06	51	32.28	17	10.76	02	01.27	01	0.63
S2	75	47.47	65	41.12	14	08.86	02	01.27	02	01.27
S3	80	50.63	60	37.97	15	09.49	03	01.90	00	00.00
S4	60	37.97	90	56.96	05	03.16	02	01.27	01	0.63
S5	74	46.84	74	46.84	04	02.53	03	01.90	03	01.90
S6	90	56.96	60	37.97	07	04.43	02	01.27	00	0.00
S7	100	63.29	57	36.08	01	06.63	00	0.00	00	0.00
S8	55	34.81	70	44.30	15	09.49	10	06.33	08	05.06
S9	95	60.13	55	34.81	08	05.06	00	0.00	00	0.00
S10	80	50.63	60	37.97	07	04.43	08	05.06	03	01.90

Source: Primary Data – Field Survey

Note: SA: Strongly Agree, A: Agree, M: Moderate, D: Disagree, SD: Strongly Disagree

High lights of perception analysis

- 87% of the respondents reveal that awareness about implications of health insurance is good.
- 88% of the respondents reveal that there are customized health insurance policies to reach every segment of the market.
- 88% of the respondents reveal that health insurers are promoting the business in a customer friendly way
- 95% of the respondents reveal that health insurance premium is not felt to be too high.
- 94% of the respondents reveal that establishing the contractual relationship between the insurers is a simple task.
- 95% of the respondents reveal that service delivery mechanism in health insurance companies is always customer friendly.
- 99% of the respondents reveal that renewal of health insurance policies is simple and easy.
- 78% of the respondents reveal that procedure for making claims is not cumbersome.
- 94% of the respondents reveal that CRM in insurance companies is satisfactory
- 88% of the respondents reveal that claim settlement is satisfied.

Hypotheses Testing

H1: Health insurance business in Mysore city is effective.

Table No. 6: Mean observed and expected values on the effectiveness of health insurance business and results of one sample 't' test

N	Observed Mean	Std. Deviation	Expected	Difference	t value	P value
158	69.13	6.553	62.5	6.63	23.434	0.000

As far as the scores are considered, the observed mean for effectiveness of health insurance business was 69.13 as against the expected value of 62.5. Further, one sample t-test revealed a significant difference between observed and expected values (t=23.434; P=0.000) indicating that mean observed values were higher than expected ones and effectiveness of health insurance business

in Mysore city were much better than expected. Hence this hypothesis is proved.

H2: Health insurance has significant positive assessment from highly educated persons. Table 7: Mean scores on health insurance has significant positive assessment from highly educated persons and results of One-way ANOVA

Education	Mean	S.D	'F' Value	'P' Value
Professional	60	5.12	45.014	0.000
Graduate	50	4.98		
Post Graduate & above	40	7.40		

Note: Mean values with different superscripts are significantly different from each other as indicated by Duncan's Multiple Range Test (DMRT) (Alpha=0.05). P-Probability

According to table No. 7, it revealed a significant difference in the mean education level of the respondents. F value of 45.014 was found to be significant at 0.000 level. The mean education level of respondents' scores for professional, graduate and post graduate were 60, 50 and 40 respectively. Further, Duncan's multiple range tests revealed that each mean difference was significantly different from each other. A general observation is that health insurance business was effectively increased.

H3: There is a significant difference between awareness of health insurance and earning of the respondents in Mysore city.

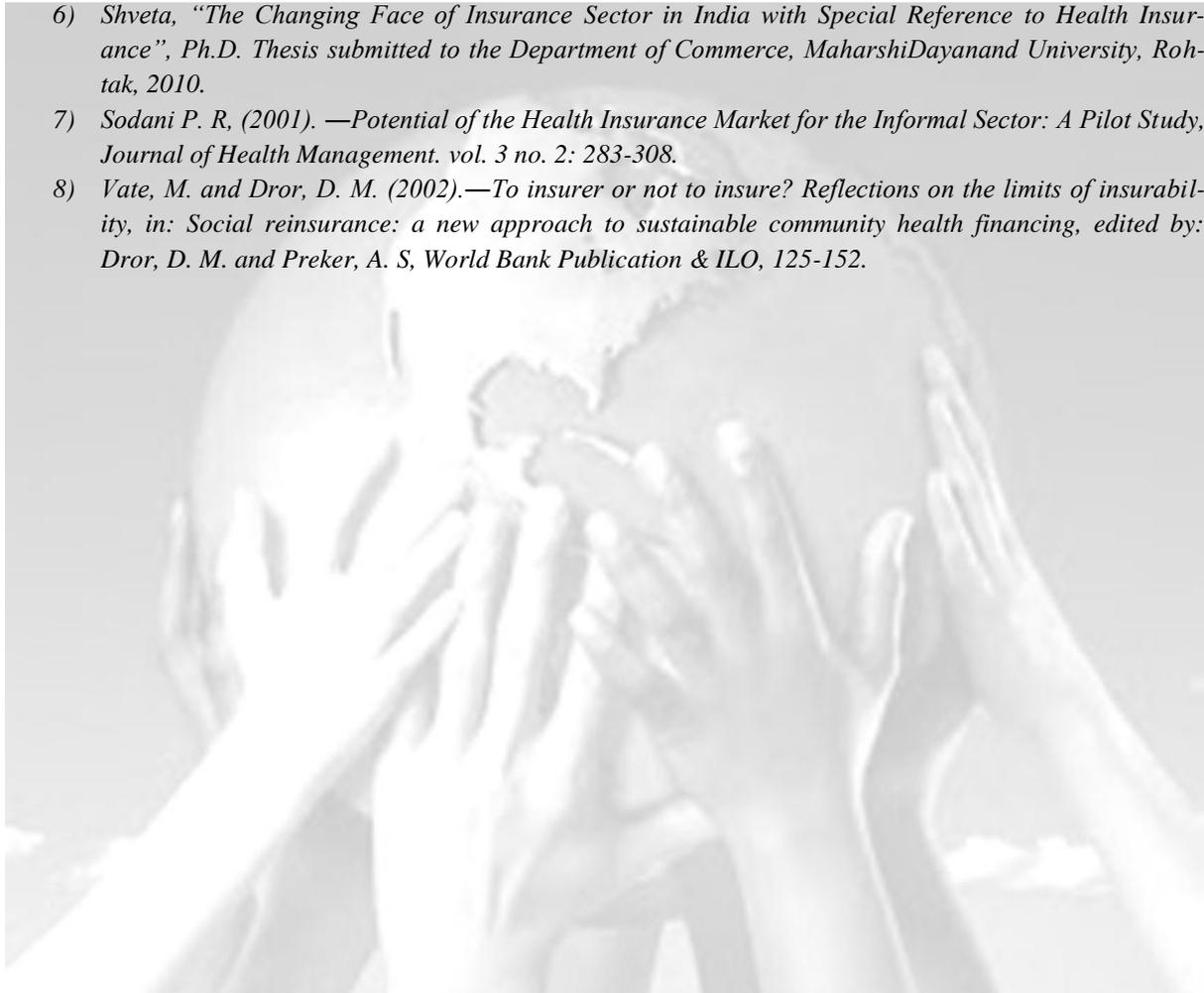
The study revealed that 20.25% of the respondents are earning an income up to Rs.20000, 10.13% of the respondents are earning Rs.20001-Rs.30000, 19% of the respondents are earning an income Rs.30,001-Rs.50,000 and 51% of the respondents are earning an income Rs.50,000 and above of monthly income. The result of chi-square- test ($\chi^2=0.72$, $P=0.6977$, $df=2$, Cramer's $V=0.0577$) revealed that there is a significant difference between awareness of health insurance and earning of the respondents in Mysore city.

9. Conclusion

An empirical study on effectiveness health insurance explored the perception of respondents about product planning, innovations, service delivery and customer relationship management. The present study tested positively the hypotheses that in the income and positive perceptions: Education and positive assessment and overall effectiveness of health insurance policies in Mysore. The health insurance is becoming popular with the notable inclination on the part of knowledge society towards wellness society. Health care as a part of wellness industry is gaining momentum owing to the catalysts role played by the insurers. There effective functioning has made people are health conscious and facilitating such people in covering their health risks through insurance. Thus insurers are act as useful social agent who plugs the vacuum of loss of money and competence. To make the health insurance sector are bout the researchers are offered certain suggestions. Positive beyond the implantation and same would certain bolster the image of insurers and courage of insured.

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