Executive Summary:

Nearly three decades have passed since the first ever structured standalone health insurance product was introduced in the Indian market. Since then, health insurance business has come a long way to become one of the fastest growing segments of the Indian insurance sector. Today, the market is replete with not only numerous health insurance products covering hospitalization risk in the conventional indemnity based 'mediclaim' mould but also benefit oriented covers like critical illness and hospital cash. One of the main drivers for this increase in choice for the consumers has been the opening up of the insurance industry to private sector competition as a part of the reforms initiated by the Government.

Since then, a large number of private sector insurance companies, mostly joint ventures between Indian companies and reputed global insurance majors having minority stake, have entered the insurance market in India. As of date, a total of 4 standalone health insurers and 21 general insurers are licensed to operate in India. Almost all the general insurance companies also offer health related insurance policies. Specialist insurers like the Export Credit Guarantee Corporation (ECGC) and Agriculture Insurance Company of India (AIC) do not underwrite any health policies.

A typical health insurance policy will have multiple stakeholders including:

- The Insurance Company
- The Insured (Individual or Group)
- Third Party Administrators (TPA's)
- The Medical Establishments
- The Insurance Intermediaries (distribution channels)
- The Regulator

Due to simultaneous interactions between so many independent entities, the health insurance segment becomes unique in as much as tremendous amounts of data is generated during each interaction. The existence of such vast amounts of data facilitates innovations of new products; it also enables collaboration between insurance companies for learning new aspects of the health insurance business by sharing of experience and carrying out of data analytics.

Typical customer segments for Health Insurance in India include:
- Individuals / groups with retail mediclaim insurance
- Individuals / groups with mediclaim insurance purchased by their affinity groups
- Individuals / groups from the underprivileged sections of the society covered by state funded medical schemes

It is obviously critical for the insurance industry to understand these broadly defined customer segments as each of them will exhibit unique traits and impact the bottom line profits of the companies differently. Much can be written about the ever increasing cost of medical expenses and hospitalization charges in present day India. With such skyrocketing medical costs, it is common wisdom that more people will look towards a health insurance product to secure themselves. However, various incontrovertible data points on the severity of adverse financial impact of ill health for the economically weaker sections of the society clearly suggests that it is imperative for health insurance to innovate by focusing on new techniques around data analytics like predictive modelling etc. to improve the products on offer thereby increasing the market penetration and product affordability for the customer. Indian Insurance companies are

not oblivious to the buzz word “Data analytics”. Most of them are enabled with powerful IT systems to capture transactional / aggregate level / claims data. The need therefore, is to come up with novel methods of using this data to incorporate advanced techniques like predictive modelling and simpler approaches like customer segmentation before writing a policy. Not only will data analytics help improve existing business functions but will also help forecast the future better and write more profitable business. Health Insurance fraud is another area where data analytics can play a key role.

Effective implementation of data analysis methodologies can help track fraudulent claims and stringent measure may be taken to punish fraud claimants in order to act as a deterrent for future. Such preventive systems to minimize instances of fraud have already been successfully setup in the US and UK markets. Indian Insurers can study these initiatives in a closer manner and come up with similar preventive arrangements for the local market.

With so much of emphasis being placed on the need for innovation in the health insurance sector, one must not undermine the extent of product innovation that has already taken place in this segment since the inception of the very first health insurance product in the early 1980’s. Quality of service delivery to all stakeholders is also a key determinant in enhancing penetration of health insurance in India. It requires all stakeholders to measure their service standards and identify areas of weaknesses that lie within their domain of service delivery
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In summary, health insurance segment in India has grown by leaps and bounds from a single tailor-made health cover being provided by the PSUs around 30 years back. The tremendous growth in the Indian economy for several years too has had a positive impact on the insurance landscape in general, benefiting all stakeholders in the insurance business. However, with the number of competitors in the market increasing, there is need for insurance companies to think out of the box and make a gradual shift towards more advanced techniques in data analytics that can help take Indian insurance business further into the future.