

**CUSTOMERS' AWARENESS AND WILLINGNESS TO PAY FOR
HEALTH INSURANCE: AN EMPIRICAL STUDY OF SOLAN
TOWN IN HIMACHAL PRADESH**

PROJECT REPORT

BY

RAJESH KUMAR

(H-2012-MBA-037)

Submitted in partial fulfillment of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

(2012-2014)



DEPARTMENT OF BUSINESS MANAGEMENT

COLLEGE OF HORTICULTURE

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**Singh Parmar University of Horticulture and Forestry
Nauni, Solan-173230, Himachal Pradesh**

2014

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**Dr. Yashwant Singh Parmar University of Horticulture and Forestry
Nauni, Solan-173230, Himachal Pradesh**

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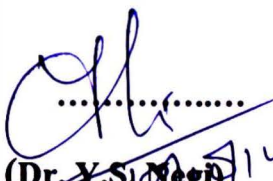
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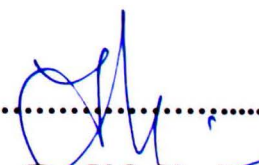
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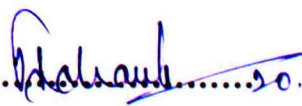
This is to certify that the project entitled “**Customers’ Awareness and Willingness to Pay for Health Insurance: An empirical study of Solan Town in Himachal Pradesh**” has been submitted to the Department of Business Management, College of Horticulture, Dr. Y.S. Parmar University of Horticulture and Forestry, Nauni, Solan in Himachal Pradesh by Rajesh Kumar (H-2012-MBA-037) in partial fulfillment of the requirements of the degree of Master of Business Administration of this University. The project has been approved by the examination committee after conducting an oral examination in collaboration with the external examiner.


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Project Advisor


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18/10/2014
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Head of the Department


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CERTIFICATE - III

This is to certify that all modifications suggested by the external examiner have been incorporated in the project entitled, **“Customers’ Awareness and Willingness to Pay for Health Insurance: An empirical study of Solan town in Himachal Pradesh”** which has been submitted to Department of Business Management, College of Horticulture, Dr. Y.S. Parmar University of Horticulture and Forestry, Nauni, Solan Himachal Pradesh by Rajesh Kumar (H-2012-MBA-037) in partial fulfillment of the requirements of the degree of Master of Business Administration of this University.

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Project Advisor

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(Dr. Y.S. Negi) 18/10/14

Head of the Department

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Needless to say errors and omissions are solely mine.

Date:

Place: Nauni, Solan


Rajesh Kumar

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CHAPTER-1

INTRODUCTION

CHAPTER - 1

INTRODUCTION

Life is full of risks. Being a social animal and risk averse, man always tries to reduce risk. An old method of sharing of risk through economic cooperation led to the development of the concept of 'insurance'.

Insurance may be described as a social device to reduce or eliminate risk of loss of life or property. Insurance is a collective bearing of risk. Insurance spread the risks and losses of few people among large number of people as people prefer small fixed liability instead of big uncertain and changing liability. Insurance is a scheme of economic cooperation by which member of a community share unavoidable risks. The risks which can be insured against include fire, death, accidents and burglary. The members of the community subscribe to a common pool or fund which is collected by the insurer to indemnify the losses arising out of risks. Insurance cannot prevent the occurrence of risk but it provides for the losses of risk. It is a scheme which covers large risks by paying small amount of capital.

Insurance industry occupies a prominent place among the various financial services that operate in the world. Because of growing complexity of life, trade and commerce, individuals as well as business firms are turning to insurance to manage various risks. Thus it is necessary to have complete knowledge about the meaning of insurance and the purpose it serves to individual or an organization. Insurance is a mechanism which provides financial protection against a loss arising out of an uncertain event. A person can avail this protection by paying premium to an insurance company. Every individual in this world is subject to unforeseen and uncalled hazards or dangers, which may make him and his family vulnerable. Thus Insurance helps a person not only to survive at this point of time but also to recover his loss and continue his life normally, which would otherwise be absurd (*Pateria et.al, 2012*).

Insurance is a contract where one party takes responsibility of risk of another party in exchange of some fixed fee. As per the contract the first party, which is taking the responsibility of risk of another party, promises to pay a fixed amount of money to second party, either at the end of fixed period or at the happening of some event. The insurance provides protection against

financial losses resulting from a variety of perils. By purchasing insurance policies, individuals and businesses can receive reimbursement for losses due to car accidents, theft of property and fire & storm damage; medical expenses; loss of income due to disability or death. Insurance means a collective bearing of risk. Insurance, whether life or non-life, provides people with security and assurance, that, they will be compensated with in the event of a calamity or a peril. It also helps the businessmen or individuals protect themselves from catastrophic losses and anticipate potential risk problems. Insurance is a contract between an insurance policy holder and an insurer where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") upon the happening or non-happening of a particular event. The policy holder typically pays a premium, either regularly or as a lump sum. The advantage for the policy owner is "peace of mind", in knowing that the casualty or the peril insured against will not result in a financial hardship to the loved ones.

Insurance is a practice by which a company provides a guarantee of compensation for specified losses, damages, illness and death in return of payment made by the client. Further insurance is a form of risk management primarily used to hedge against the risk of contingent, and uncertain loss. Insurance is the major segment of the market. The insurance business is unique in the sense that it is rewarded for managing the risk of other parties. Thus insurance is type of service for risk management used to hedge against the risk of possible loss (*Saini and Mokolobate, 2011*).

In India insurance sector is not playing a crucial role within the financial system but also in risk coverage of the poor people investment. So we can say that insurance industry is one of the driving forces for the economic development of the country and is considered to be the backbone of the countries risk management system. It not only benefits the nation's growth, but also primarily aims at sharing the risk of the insurance holders (*Chandra and Reddy, 2011*). So we can say that insurance is a defensive measure used against future conditional losses to hedge the possible risk of the future. Insurance give us protection against the possible chance of generating uncertain losses. It eliminates worries and miseries of losses or destruction of poverty and death (*Kumar and Patil, 2012*).

Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to offset the risk of a contingent, uncertain loss. An insurer, or insurance carrier, is a company selling the insurance; the insured, or policyholder, a person or an entity buying the insurance policy. The amount to be charged for a certain amount of insurance coverage is called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice.

1.1 Insurance contract

The insurance contract is a legal document that spells out the coverage, features, conditions and limitations of an insurance policy. It is important that you read the contract and ask questions if you don't understand the coverage. You don't want to pay for the insurance and then find out that what you thought was covered isn't included.

Terminology used in insurance contract

Declarations: The declarations section provides information about the property or life to be insured. Declarations are usually found on the first page of the policy. The name, age, address, physical description of the property of the insured is example of declarations.

Definitions: The definition section of the policy is analogous to the glossary in your text. The definition section clearly defines what key terms in the contract mean. For example, many policies now use personal pronouns to refer to the insured and the insurer. An "occurrence" and an "accident" can be interpreted in different ways, so these terms are specifically defined in the policy. If an insured is unclear as to how to interpret a word or phrase, he or she may refer to this section.

Insuring agreement: The insuring agreement summarizes all the promises of the insurer. The insuring agreement can take one of two forms: named-perils coverage or all-risk coverage. Named-perils, as the phrase implies, provides coverage for only those perils specifically named in the policy. All-risk coverage is broader, insuring all perils except those specifically excluded. All-risk coverage is typically more expensive than named-perils coverage because the scope of the coverage provided is broader.

Exclusions: The exclusions section complements the insuring agreement. This section lists specific perils, losses, and property that are not covered by the policy. Exclusions are used for several reasons, including: (a) the peril may not be commercially insurable; (b) extraordinary hazards may be present; (c) the coverage may be available under another policy; (d) moral hazard and claims problems; and (e) the coverage may be unnecessary for the insured. Some examples of commonly excluded losses include: intentional injury, losses attributable to nuclear energy or war, losses exceeding a specified dollar value, and suicide during the first year of a life insurance policy.

Conditions: The condition section of an insurance contract qualifies or places limits upon the insurer's promise to perform. For example, the insurer promises to indemnify a covered loss is conditional upon the insured's timely notification of loss. In fire insurance, the insurer promises to provide payment after a loss is conditional upon "no material increase in hazard." Thus, if you start manufacturing fireworks in a residence, the insurer could avoid liability if the fireworks started a fire.

Miscellaneous provisions: Finally, miscellaneous provisions may be inserted in the policy. These provisions pertain to such subjects as assignment of the policy, cancellation procedures, how disputes regarding the amount of the loss will be settled, and other items of interest between the insured and the insurer.

1.2 Characteristics of Insurance

For any insurance contract, there are always two parties. One, whose insurance is done known as insured, other who does the insurance known as insurer. Insurance is based on utmost good faith. Utmost good faith means that insured will provide all the information related to insurance to the insurer. For instance, if a person takes the health insurance policy and if he is suffering with T.B. he must disclose this fact to insurance company. In the same manner, insurance company should also disclose all the terms and conditions related to insurance policy to the insured. Insurance is based on cooperative system. There are various insured that can be considered as members of the cooperative. They all contribute some amount of money and create a big fund. Any member suffered some loss is compensated from this fund. Insurance

provides security against risk of any kind. Insurance is a contract under which responsibility of risk is transferred from one party to another party. The insurance companies take the responsibility of risk only if some fee is paid by insured to insurance company. This fee is known as insurance premium. Life insurance contains both the elements of security as well as investment. Rest of insurance contracts contain only security element.

1.3 Importance of insurance

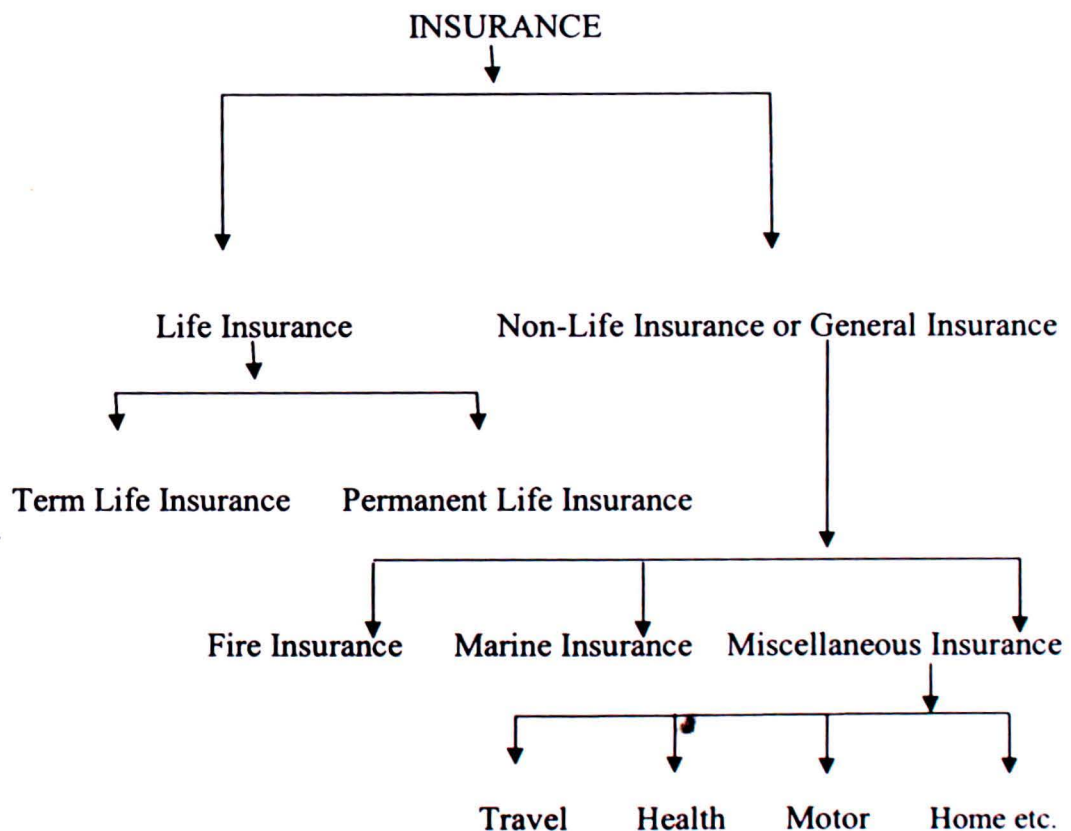
With the growth of a country's economy, there is an increase in the facilitating role played by the financial services sector. Financial services play a supportive role in the basic activity of production. Insurance frees individuals and industries from the worries of unforeseen losses and uncertainties. Importances of insurance are following:

1. **To Provide Protection:** Insurance provides protection. The protection can be either protection for life or protection for property.
2. **Investment Elements:** An insurance contract, not only provides protection but also helps in investment. A policy holder pays insurance premium to company on a regular time interval. At the expiry of policy, policy holder gets this premium back along with bonus earned on this policy.
3. **Distribution of risk:** Through insurance the risk of one person can be distributed among many people. The policy holder pays premium. The amount of policy is accumulated in the form of one larger fund. Whenever any policy holder incurs loss, he is compensated from this fund. In this manner risk is distributed among many members.
4. **Loan facility:** Bank, financial institution and even insurance companies can easily extend the loan facility to policy holders. The possibility of turning these loans into bad debts is very low as the money can be realized from the insurance policy to borrowers.
5. **Encouragement to saving:** Under the insurance contract every policy holder has to pay premium on insurance policy. If premium is not paid, chances of penalty or cancellation of policy increases. Hence, every policy holder tries to save money to pay the premium on time.
6. **Helpful in economic development of the country:** Insurance is helpful in economic development of the country. Insurance companies collect huge amount in the form of

premium. This amount is then given to industrial sector of all the country as a loan. With the help of this loan, the industrial sector grows and development of a country takes place.

7. **More Employment:** Insurance provides employment to many people. Thousands of people work as marketing agents of insurance companies and earn bread and butter for their families.
8. **Rebate in Income Tax:** Policy holder can avail the deduction of premium while calculating his chargeable to tax under the income tax provisions.

1.4 Types of insurance



Life Insurance is a contract between insurance policy holder and an insurer, where the insurer promises to pay the designated beneficiary a sum of money upon the death of the insured person. Thus it permanently protects client family with financial crisis. Life insurance industry provides various plans to protect the client family from various uncertain losses like family protection plan, child education plan, saving plan, retirement plan etc.

Non- Life insurance is called general insurance. General insurance provides a short-term coverage, usually for a period of one year. It includes automobile insurance, home insurance, fire insurance, health insurance, travel insurance etc. Motor vehicles insurance is compulsory in India and the motor insurance portfolio constitutes around 40% of the total gross premium collected by general insurance industry. The government nationalized the general insurance business on January 1, 1973, by passing the General Insurance Business Act, 1972. Prior to nationalization, the general insurance business was concentrated in urban areas catering to the need of trade and industry. Four public sector general insurance companies are The Oriental Insurance Company Limited, The New India Assurance Company Limited, The National Insurance Company Limited and The United India Insurance Company Limited.

1.5 Health Insurance

Health is an important constituent of human resource development. Good health is real wealth of society. It not only increases human efficiency but also decreases private and public expenditure on sickness and diseases. Health insurance is a type of insurance that pays for medical expenses in exchange of premium paid by client. Health insurance is assurance against the risk of incurring medical expenses among individual by estimating the overall risk of health care expenses among the target group, an insurer can develop a routine finance structure such as monthly premium or payroll tax to that money is available to pay for the health care benefit specified in the insurance agreement. Without proper health insurance an illness or an accident can wipe you out financially and put your family in debt for years. Health insurance services help reduce infant mortality rate, check crud death rate, keep diseases under control and raise life expectancy. Health insurance is fast emerging as an important mechanism to finance health care needs of the people. The need for an insurance system that works on the basic principle of pooling of risks of unexpected costs of persons falling ill and needing hospitalization by charging premium from a wider population base of the same community. There is growing evidence that the level of health care spending in India – currently at over 6 per cent of its total GDP – is considerably higher than that in many other developing countries (*Yellaiah, 2012*).

The term health insurance is type of insurance that covers the medical expenses of the policy holders. It is also known as medical insurance and mediclaim. Life is unpredictable, insurance can make it safe and secure from bearing huge financial losses. Health insurance is fast

emerging as an important mechanism to finance health care needs of the people. In the present scenario the annual expenditure on health in India is amount \$ 7.00 in rural and \$ 10.00 in urban areas per person (*Kasirajan, 2012*).

Health insurance is a contract between insurance company and an individual where insurance company provides guarantee of compensation for an illness or accident. Health insurance protects client and their dependents against the financial constraints arising on account of medical emergency. Health insurance is available to both individual and groups. However, premium for individual policy is costlier than that of group policy. In India more than 80 % of health care expenditure is borne by an individual that is health care financing is mainly in the form of out of pocket which gradually pushes them into a various circle of poverty. In such situation health insurance is widely recognized and preferable mechanism to finance the health care expenditure of the individuals (*Bawa and Ruchita, 2011*).

Health insurance reduces the out of pocket expenditure of the customer and an insured patient can walk into a health facility without the fear of financial burden. Direct out-of-pocket payments can push families into indebtedness or poverty. Health insurance protects the patient from the burden of raising funds at the time of illness. Lack of health insurance promotes deferment in seeking care, non-compliance of the treatment regime and result in overall poor health outcome (*Amponsah, 2009*). Health insurance also reduces the financial stress of the customers by giving them guarantee of compensations.

Today, health insurance is a basic need. Few families can afford the cost of even one single hospital stay. So, medical insurance represents good, logical planning for most of us. It also makes good health care possible for families that otherwise couldn't afford it

1.6 Types of health insurance

Health insurance can be categorized into three types as per the customer needs which are mentioned below:

1. Basic coverage
2. Major medical
3. Other Types

1. **Basic coverage** includes hospital, surgical, and general medical expenses. Each type of basic insurance covers different health care expenses. The benefits paid are limited to a certain amount.

Hospitalization—Covers daily and miscellaneous expenses when a person is in the hospital. Daily expenses include room and board and nursing charges. Miscellaneous expenses cover services such as X rays, drugs, lab examinations, dressings, and physical therapy.

Surgical Expense— Covers fees for operations performed in or out of the hospital. Some policies pay only a maximum amount, which is based on a “relative value table.” However, if you have a preferred policy, it will pay according to the usual, customary, and reasonable expense. Surgeons charge different rates. Your policy should pay the rates charged in your community.

General Medical— covers any doctor’s visits in or out of the hospital that do not involve surgery. Diagnostic and laboratory tests may also be included. A general medical policy is limited. Find out how much it pays per visit, how many visits it covers, and whether the policy covers house calls and office visits.

2. **Major medical and comprehensive insurance** offers broad coverage and high maximum benefits. There is usually a deductible paid by the insured.

Major medical - Pays a major share of treatment costs. Basically, it is designed to cover the huge expense of a catastrophic illness. It includes hospital, surgical, and other medical treatment not covered by basic policies. A major medical policy normally covers a percentage (70 to 90) of all expenses after you pay a deductible. The deductible is the amount of medical expenses you must pay before your insurance company starts paying. The remaining 10 to 30 percent of the expenses are paid by you. This is commonly called coinsurance, because you help pay the bill. This should encourage you to keep costs at a minimum. A policy may feature a “stop-loss” provision that limits the amount you have to pay. For example, your policy may state that after you’ve paid \$1,500 of your own (out-of-pocket) money the insurer will pay the rest of your bill. On the other hand, a

policy may cover only a limited amount of your expenses each year. In some policies, a part of the benefits is reinstated if the patient goes 6 to 12 months without a recurrence of the particular illness. Most health insurance policies include a deductible. It may be any amount, from \$100 to \$1,000. The higher the deductible, the less you pay in premiums. So, if you can't afford the health insurance you'd like, it would be wise to buy a major medical policy with high deductible and low premium payments. This would at least cover you for a serious illness or accident. And the money you'd save on premiums could be used for minor health care.

3. Other type includes:

Group or Individual Policy: Many people buy health insurance through a group plan offered by their employers. You can also buy an individual policy from an insurance company. Employers offer group coverage to their employees as a fringe benefit. Premiums under a group plan are usually lower than those for individual coverage. And the employer may pay all or part of the premium. With individual health insurance policies, you have the opportunity to choose the benefits you want. Premiums will be based on your age, sex, and physical condition, as well as the amount of coverage you choose. Shopping around for cost and value is very important with health insurance. Costs for almost identical policies may vary as much as 50 percent from one major insurance company to another.

Managed Care Plans: In recent years we have seen a major movement to managed-care-type plans. The goal of these plans, which are offered by many different insurance companies, is to cut costs by negotiating with physicians and hospitals a reduced charge for services rendered. These plans are more commonly known as Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and Point of Service plans (POSs). As managed care continues to evolve, we will see many variations of these managed care plans.

Health Maintenance Organizations (HMOs): HMOs negotiate with major employers to take care of all their health care needs—from surgery to minor care. But the employers must use the HMO's doctors, hospitals, and clinics. The employer or individual enrolls as

a member of the HMO by paying a fee. This fee covers all medical expenses—from office visits to long-term hospitalization. HMO charges are extremely low, making it possible for members to get minor care without having to put it off. Delaying minor care can eventually result in a need for major care, which is much more expensive.

Preferred Provider Organizations (PPOs): PPOs are similar to HMOs from the standpoint of negotiated charges. The main difference is that you can choose the physician you want to see. There are member and nonmember physicians and hospitals. If you choose a member provider, then your out-of-pocket expenses will be less than if you choose a nonmember provider.

Point of Service Plans (POSSs): These plans allow an insured to choose his or her primary physician. This physician will have agreed to discounted fees for services rendered. The insured then would have to see this physician for all ailments first in order to receive the highest discount. If the insured decides to see a specialist on his or her own, the out-of-pocket expenses will be greater.

1.7 Things related to health insurance

Premium: This is paid by the policy holder to the policy provider. It is usually paid on a monthly or on quarterly basis. It is dependent on the deductible and the co-payments.

Deductible: This amount is paid by the policy holder as well. For example, a policy holder of a plan might need to at least pay about \$500 in a year, before the health insurer providers cover the expenses of the medical cure. It might take several visits before one reach the full amount of the deductible. After that limit is reached, the insurance company starts paying for the particular care.

Co-payment: This amount is paid by the policy holder as well. This is paid before the insurance provider starts paying the expenses of the service. For example, the policy holder is required to pay \$60 dollar to the doctor or when they are obtaining prescription. This co-payment will be done each time they acquire the service.

Co-insurance: Besides paying for the co-payment, an insurer may be also required to pay a certain amount of money as co-insurance. This is a percentage of the total cost of the policy holder. For example an insurer is required to pay 30% as co-insurance. At this stage if they undergo any surgery they will pay 30 % of the cost while the insurance company will pay 70 percent. It is over and above the cost of the co-payment.

Exclusions: All different services under the medical service which are not covered under any single insurance policy are exclusion. At this stage, the insurer has to pay the full cost of the service.

Coverage limits: Certain insurance companies pay for a particular service only to a particular dollar amount. The excess charge is paid by the policy holder. Certain companies even engage this limitation to the annual charge coverage or to lifetime charge coverage. The beneficiaries are not paid if the service charge exceeds the mentioned limit.

Out-of-pocket maximums: This is similar to coverage limit, but in this case the insurer's out of the pocket limits ends, instead of the insurance provider's limits. Insurance company pays the remaining charge.

Capitation: Capitation is the amount paid by the policy holder to the policy provider in exchange of which the policy provider agrees to cover all the expenses of the insurer's member.

1.8 Reasons for health insurance

A health insurance insures you against several illnesses and guarantees. The cover ensures you are taken care of by compassionate and competent doctors at the best hospitals. It thus safeguards your peace of mind, eliminates all worries about treatment expenses, and allows you to focus your energy on more important things, like healing.

Reason 1: Lifestyles have changed: Indians today suffer from high level of stress. Long hours at work, little exercise, disregard for a healthy balanced diet and a consequent dependence on junk food have weakened our immune systems and put us at an increased risk of contracting illness.

Reason 2: Rare non-communicable diseases now common: Obesity, high blood pressure, strokes and heart attacks, which were earlier considered rare, now affect an increasing number of urban Indian-almost every day.

Shocking truths

- 18% of the urban population suffers from hypertension, which leads to renal failure, stroke and cardio vascular diseases
- 30% of the population suffers heart attacks before age 40
- 66% of deaths today are due to cardio vascular diseases
- Almost 3.5 million Indians suffer from diabetes
- Cardiovascular diseases (CVDs) like heart disease and stroke are the main causes of death and disability

Reason 3: Medical care is unbelievably expensive: Medical breakthroughs have resulted in cures for dreaded diseases. These cures, however, are available only to a select few. High operating expenses- therapy for breast cancer costs as much as Rs. 2 lakh for 3 days – have restricted treatment to the richest. In fact, even among the affluent groups, 20% need to sell their valuable assets so they can accumulate the required amount for their medication.

Reason 4: Indirect costs add to the financial burden: indirect sources of expenses- travel, boarding and lodging, and even temporary loss of income-account for as much as 35% of the overall cost of treatment. Most often, we overlook this fact when planning for medical expenses.

Reason 5: Incomplete financial planning: most of us have insured our home, vehicle, child's education and even our retirement years. Ironically however, we have not insured our health. We ignore the fact that illnesses strike without warning- and seriously impact our finances and eat in to our savings in the absence of a good health cover.

1.9 Details of insurance companies providing health insurance plans

Table 1.9.1: Life insurance companies providing health insurance plans

S. No.	Company's Name	Health Insurance Plan
1.	Life Insurance Corporation of India	<ul style="list-style-type: none"> • Health Protection Plus • Health Plus
2.	Aviva Life Insurance	<ul style="list-style-type: none"> • Aviva Health Plus • Aviva Lifeshield Plus • Protection Riders
3.	Birla Sun Life Insurance	<ul style="list-style-type: none"> • BSLI Universal Health • BSLI Health Plan
4.	Bajaj Allianz Life Insurance Co Ltd	<ul style="list-style-type: none"> • Family Care First • Care First • Health Care
5.	Bharti AXA Life Insurance Co Ltd	<ul style="list-style-type: none"> • Easy Health • Swasthya Sanjeevani (Group)
6.	Future Generali India Life Insurance Company Limited	<ul style="list-style-type: none"> • Future Sanjeevani (Riders) • Riders
7.	HDFC Standard Life Insurance Company Ltd.	<ul style="list-style-type: none"> • HDFC Critical Care Plan • HDFC Surgicare Plan
8.	ICICI Prudential Life Insurance Co. Ltd.	<ol style="list-style-type: none"> 1. Comprehensive Health Coverage <ul style="list-style-type: none"> • Health Saver 2. Hospitalization Coverage <ul style="list-style-type: none"> • Medi Assure-(Family Floater) • Hospital Care 3. Critical Illness Coverage <ul style="list-style-type: none"> • Crisis Cover 4. Cancer Coverage <ul style="list-style-type: none"> • Cancer Care

		5. Diabetes Coverage <ul style="list-style-type: none"> • Diabetes Care Active
9.	IDBI Fortis Life Insurance Co.Ltd.	Health Insurance Plan
10.	Max New York Life Insurance Co. Ltd.	<ul style="list-style-type: none"> • LifeLine Mediacash • LifeLine Mediacash Plus Plan • LifeLine Wellness Plan • LifeLine Wellness Plus Plan • LifeLine-Safety Net Plan • LifeLine Health Family Plan
11.	MetLife India Insurance Co. Ltd.	Met Health Care
12.	SBI Life Insurance Co. Ltd.	SBI Life-Group Criti9
13.	Star Union Dai-ichi Life Insurance Co. Ltd.	<ul style="list-style-type: none"> • Critical Illness Benefit Rider • Accidental Death and Total & Permanent Disability Benefit Ride
14.	TATA AIG Life Insurance Co. Ltd.	Tata AIG Life Insurance Company Limited 1. Health Plans <ul style="list-style-type: none"> • Tata AIG Life Group Health Plus • Tata AIG Life Health First • Tata AIG Life Health Investor • Tata AIG Life Health Protector • Tata AIG Life Hospi CashBack • Tata AIG Life Invest Assure Care • Tata AIG Life Invest Assure Health

Table 1.9.2: Health insurance companies providing health insurance plans

S. No.	Company's Name	Health Insurance Plan
1.	Apollo Munich Insurance Co Ltd	1. Easy Health Insurance: <ul style="list-style-type: none"> • Easy Health – Individual • Easy Health – Family Floater 2. Personal Accident Insurance: <ul style="list-style-type: none"> • Individual Personal Accident Plan 3. Easy Travel Insurance: <ul style="list-style-type: none"> • Easy Travel – Individual • Easy Travel – Family • Easy Travel Senior Citizen
2.	Max-Bupa Health Insurance Co Ltd	<ul style="list-style-type: none"> • Heart Beat Platinum Health Plan • Heart Beat Gold Health Plan • Heart Beat Silver Health Plan
3.	Star Health and Allied Insurance Co. Ltd.	1. Health <ul style="list-style-type: none"> • True value • Medi Classic • Medi Premier • Diabetes • Family Health Optima • Senior Citizens Red Carpet • Super Surplus • Star Netplus • Star Gain Insurance 2. Travel <ul style="list-style-type: none"> • Individual • Family • Student 3. Accident <ul style="list-style-type: none"> • Accident Care 4. Students <ul style="list-style-type: none"> • Student Care

Table 1.9.3: General insurance companies providing health insurance plans

S. No.	Company's Name	Health Insurance Plan
1.	Bajaj Allianz General Insurance Co. Ltd	<ul style="list-style-type: none"> • Critical Illness • E-Opinion • Family Floater HG • Health Ensure • Health Guard • Hospital Cash • Insta Insure • Personal Guard • Sankat Mochan • Silver Package • Tax Gain
2.	Bharti Axa General Insurance Co. Ltd.	<ul style="list-style-type: none"> • Smart Health Insurance Policy • Smart Health essential Insurance Policy • Smart Health Critical Insurance • Policy Smart Health High Deductibles Insurance Policy
3.	Cholamandlam MS General Insurance Co. Ltd	<ul style="list-style-type: none"> • Individual Health • Family Health • Health Claims
4.	Future Generali India Insurance Co.Ltd.	<ul style="list-style-type: none"> • Group Health Policy • Group Personal Health Policy
5.	HDFC Ergo General Insurance Co Ltd	<ul style="list-style-type: none"> • Health Suraksha • Critical Illness • Accident Protection Plan- Hospital Cash
6.	ICICI Lombard General Insurance Co. Ltd.	1. Health Insurance <ul style="list-style-type: none"> • Hospitalization Cover (Family

		<p>Floater)</p> <ul style="list-style-type: none"> • Health Advantage Plus • Personal Accident • Critical Care • Compare Plan • Health Renewal • Health Claim <p>2. Overseas Travel Insurance</p> <ul style="list-style-type: none"> • Individual Overseas Travel I • Annual Multi Trip Insurance • Travel Guide <p>3. Student Health Insurance</p> <ul style="list-style-type: none"> • Plus Plan • Gold Plan • Bronze Plan
7.	IFFCO Tokio General Insurance Co. Ltd.	<ul style="list-style-type: none"> • Individual Medishield
8.	National Insurance Co Ltd	<ul style="list-style-type: none"> • Personal Accident Policy • Critical Illness Policy • NRI Accident Policy • Traffic Accident Policy • Mediclaim Policy • Star national Swasthya Bima Policy • Parivar-Mediclaim for Family • Vidyarthi-Mediclaim for Students • UCO Medi+Care Bima Policy • Varistha Mediclaim for Senior Citizens • BOI National Swasthya Bima

		<ul style="list-style-type: none"> • Baroda Health Policy (Health cum Accident Policy)
9.	Reliance General Insurance Co. Ltd.	<p>1. Health</p> <ul style="list-style-type: none"> • Reliance Healthwise • Individual Mediclaim • Reliance Critical Illness <p>2. Travel</p> <ul style="list-style-type: none"> • Individual & Family
10.	Shriram General Insurance Company Limited	<ul style="list-style-type: none"> • Householder Umbrella Insurance • Personal Accident Insurance • Shopkeeper Umbrella Insurance • Sri Suraksha Insurance
11.	Tata AIG General Insurance Co Ltd	<p>1. Accident & Health</p> <ul style="list-style-type: none"> • Accident Guard • Secured Future Plan • Hospital Care • Maharaksha • Healthcare+ • Criticare <p>2. Travel</p> <ul style="list-style-type: none"> • Travel Guard • Student Guard • Asia Travel Guard • Domestic Travel Guard <p>3. Corporate Accident And Health</p> <ul style="list-style-type: none"> • Group Personal Accident • Group Multi Guard • Voluntary Employee Benefits

12.	The New India Assurance Co. Ltd.	<ul style="list-style-type: none"> • Individual Mediciclaim • Personal Accident • Overseas Mediciclaim
13.	The Oriental Insurance Co. Ltd.	<p>1. Rural Insurance Policies</p> <ul style="list-style-type: none"> • Bhagyasree Child Welfare Policy • Janta Personal Accident Policy • Universal Health Insurance Scheme <p>2. Popular Policies</p> <ul style="list-style-type: none"> • Comprehensive Health Insurance Scheme • Group Medicalaim Policy • Individual Mediciclaim Policy • Swasthya Bima Policy • Universal health Insurance Scheme • Happy Family Floater
14.	United India Insurance Co. Ltd.	<p>1. Policy</p> <ul style="list-style-type: none"> • Family Medicare • Gold • Platinum • Senior Citizens • Super Top Up <p>2. Prospectus</p> <ul style="list-style-type: none"> • Family Medicare • Gold • Platinum • Senior Citizen

		<ul style="list-style-type: none"> • Super Top Up 3. Travel Policies <ul style="list-style-type: none"> • Baggage Policy • Suhana Safar Policy • Marga Bandhu Policy
15.	Universal Sampo General Insurance Co. Ltd.	<ul style="list-style-type: none"> • Individual Health Insurance Policy • Group Health Insurance Policy • Individual Personal Accident Policy

CHAPTER-2

RESEARCH DESIGN

CHAPTER - 2

RESEARCH DESIGN

Present chapter comprises of review of literature, need of the study, objectives, research methodology and sample profile.

2.1 Review of Literature

Review of literature deals with a brief review of the work done in the past on the subject concerned. Review of the past research helps, besides demarking the limitation of the work done, in classifying the concept and formulating the methodology of the study. So an attempt has been made to review various research work carried out in the past.

Majumder (1990) measured activities of the public and private health care sectors in India, Brazil and South Africa; and examined how different factors in the demand and supply side economics of health care contribute to the changing scenario of the health sector in these countries. He found that aged women were more likely to utilize public health facilities relative to younger one. In addition to this he also pointed out that preference for health care varies sharply with education i.e. as education increases, likelihood of utilization of public health facilities decrease sharply. The study revealed that in India 59% of the respondents utilized private health facilities. Furthermore it was observed that people with higher economic status prefer private health facilities more as compare to the people from low status.

Sodani (2005) investigated that 52.3% respondents preferred private health insurance schemes because of quality and easy access. The study revealed that only 15% people were aware of health insurance. Further he pointed out that 49% people were not willing to buy because of its expensiveness. The survey finding showed that 97% people prefer those schemes which could provide better quality at lower cost. The result showed that majority of the household's preferred hospitalization to be included in the health insurance plan. The overall survey finding indicated that the household were willing to pay on an average Rs. 253 per person per year.

Bhat and Jain (2006) indentified and analyzed the factors affecting demand for health insurance. It indicated various factors that affected health insurance purchase decision some of which were

awareness & knowledge about health insurance, income of household, health expenditure and expectations about health expenditure. The study revealed that the number of children in family is another significant factor which affected the demand for health insurance. The author suggested that if more people are made aware about health insurance and its benefits, then there is higher probability that more people will buy health insurance policy.

Dror (2006) examined the customer's willingness to pay for health insurance. He found that most of the Indians were willing to pay 1.35 % of income or more for health insurance and most people preferred a holistic benefit package at basic coverage over high coverage only in rare events. The study revealed that the need of poor and their demand for health insurance was dependent on the local conditions. The survey finding also indicated that the majority of population was willing to pay Rs.559 per year as insurance premium. Moreover it was further focused that there is a myth that poor people, who were often illiterate & innumerate were unable to make judicious decision regarding the composition of health insurance and its benefits package.

Reshmi et.al. (2007) examined the customer awareness towards health insurance. The awareness of health insurance was found to be 64%. The study revealed that around 45% came to know about health insurance from T.V. media. Further, he pointed out that most of middle and low socio-economic group preferred government health insurance schemes. The survey finding also indicated that most of the people were willing to pay Rs.697.00 per year as insurance premium. Author suggested that government should come out with a policy, where the public can be made to contribute to a health insurance schemes to ensure unnecessary out of pocket expenditure and also better utilization of health care facilities.

Sambo and Dong (2008) briefed the client satisfaction and factors which influence their behavior with health insurance. The study revealed that the people lived in city are less satisfied. Further, he pointed out that the respondent of longer length of enrollment is more satisfied. The study put forth those respondents who have low degree of knowledge or awareness are less satisfied with health insurance policies. They tried to explain that client awareness is most prominent factor which influences client behavior toward health insurance. Author concluded that the client satisfaction rate with health insurance schemes is somewhat low.

Amponsah (2009) reported that women of 30-34 year age were more aware about the health insurance. The study revealed that marital status had a significantly positive effect on the demand for health insurance. The survey finding also indicated that the lack of money/funds was the main reason for not participating in health insurance. Further he pointed out that the most prominent source of information for health insurance was television. It was observed that supply side had a greater impact on demand of health insurance. The study explained that the usual problem of long queues, congestion, inadequate medical staff and pharmacies without drugs in public health facilities made companies sponsored health schemes a better option.

Onwujekwe et.al. (2010) examined socio economic status and geographic differences in willingness of respondents to pay for community based health insurance. They found that less than 40% of the total respondents were willing to pay for community based health insurance membership for themselves and other household member. The study found that the average respondents were willing to pay as a monthly premium from themselves ranged from 250 Naira (US \$1.7) in rural community to 343 Naira (US \$2.9) in an urban community. The survey finding also indicated that higher the socio-economic status group, the higher stated WTP amount. Similarly, the urbanities stated higher WTP compared with pre-urban and rural dwellers. Moreover it was further focused that male and people with higher education stated higher WTP value than females and those with less education.

Bawa and Ruchita (2011) studied the awareness and willingness of peoples with respect to paying for health insurance. Author also identified and analyzed the various factors which acted as barriers for subscription of health insurance. He found that people of 30-40 year age were more aware about the health insurance and from nuclear family. Further, he pointed out that the most prominent source of information for health insurance was television. The study revealed that the lack of funds and lack of awareness were main hurdles in subscription of health insurance. Furthermore, it was observed that most of non health insurance holders were not ready to buy and imposed condition to buy that was "if comprehensive coverage provided with least cost".

Singh and Lall (2011) examined people awareness towards insurance policies, purpose of investment and influencing factors for choose insurance policies. The study found that people of 23-25 year age were more aware about insurance policies. The survey finding also indicated that

the main purpose of investment was risk cover. The study revealed that the maximum numbers of respondent had term insurance policies and endowment plans. Moreover it was further focused that insurance company which provided quality services and insurance agents were main media for connecting with insurance company. Overall finding suggested that insurance plan should be more feasible and policy should be more transparent.

Taqi and Suthar (2011) reported that people in the age group of 30-40 years and highly educated had comparatively greater awareness regarding health insurance. They found that only 19.4% people were aware and had subscribed health insurance schemes, while 71.9% people were aware but had not subscribed any health insurance plan. The survey finding also indicated that the most prominent source of information for health insurance was television. Moreover, it was further focused that low salary or non availability of funds was the major hurdles in the subscription of health insurance. It was observed that 11.9% respondents were ready to buy health insurance if comprehensive coverage was provided with least cost.

Kasirajan (2012) examined behavior of customers toward health insurance, types of health insurance preferred and sources of information about the health insurance. He found that in present scenario the annual expenditure on the health in India amount to about \$7.00 in rural areas and \$10.00 in urban areas per person, majority of care being provided by the private sector. Further, he pointed out that the people of 35-44 year age were more aware about the health insurance. The study revealed that the most prominent source of information for health insurance was family & friends. Furthermore, it was observed that most of respondents preferred government health insurance schemes. Author suggested that government should come out with a clear cut policy, where the public has to compulsorily buy health insurance schemes to ensure unnecessary out-of-pocket expenditure and better utilization of their health care facilities. Author also suggested that if private insurance players want to venture in the market, they should try to win the trust of customers.

Maddhukumar and Gaikwad (2012) investigated the individual awareness, willingness to join and pay for health insurance. The study also attempted to examine the factors which acted as barriers for subscription of health insurance. The study revealed that only 31% individuals were willing to pay Rupees 500 per year as insurance premium. It was observed that the main barrier for the subscription of health insurance was low income or uncertainty of income. Further, he

pointed out that 75% health insurance companies were situated in the urban areas where only 1/3 of total population was living. It was noticed that the most prominent source of information for health insurance was television and majority of people prefer govt. health insurance schemes. The study suggested that in order to develop health insurance for poor in big way, healthcare provisions need to be strengthened and streamlined as well as coordination among multiple agencies is needed.

Yellaiah (2012) studied customer's awareness toward health insurance. He found that the people of 31-40 year age were more aware about health insurance. The study revealed that the most prominent source of information for health insurance was newspapers. It was noted that the male respondents were much aware as compare to female respondents. The survey finding also indicated that the joint families were less willing to pay for health insurance as compare to the nuclear families. Furthermore it was observed that private employees were much aware about health insurance. Overall finding suggested that the health insurance companies should come out with clear cut policies details, as many of the respondent had vague ideas about various benefits and risk involved in a policies and companies should design their policies according to the customer perception, accessibility, availability and affordability.

Oyekale and Adeyeye (2012) examined the rural household's awareness and willingness to pay for the national health insurance schemes. The authors found that 54.55% of respondents had heard about national health insurance schemes, while 45.45% were not aware at all. Further they pointed out that 71.82% of the respondents were willing to pay for the health insurance schemes, while 28.2% were not willing to pay. Furthermore it was observed that most of respondent preferred that plan which provided better general hospitalization facilities. Author suggested that more effort should be put in place to sensitize awareness of national health insurance schemes through media and social agents especially the farmer's who may not have access to television or radio.

Yellaiah and Ramakrishna (2012) investigated the determinants of demand for health insurance. He found that occupation, income, health expenditure and awareness on health insurance scheme had played vital role in determining of health insurance schemes. The study revealed that females were less insured compared to male and reason for this was lack of awareness and low income. Besides this nuclear families were more interested in health insurance as compare to the

joint families. The survey finding showed that private employees were more interested in health insurance. In contrast to this 50% respondents felt that health insurance was too expensive. Author suggested that government should come forward in introducing and widening the schemes such as Arogyasri along with the coverage of health insurance. Author also suggested that government and NGO's actively encourage, participate and spend on promoting the awareness of health insurance particularly among women and uneducated peoples.

Kansra and Pathania (2012) studied awareness regarding health insurance and the factors affecting demand for health insurance. The study revealed that people of 25-35 year age were more aware about health insurance. They found that (85% people were aware about health insurance and rest 15% were unaware and only 11.5% had health insurance policy. Further he pointed out that the most prominent source of information for health insurance was television. Furthermore it was observed that preference of investments; complex claim process and lack of comprehensive coverage were major hurdles in the subscription of health insurance.

2.2 Need of study

Socio-economic development and health of community are related with each other in such a way that it is impossible to achieve one without other i.e. one cannot be achieved in isolation. No doubt, the economic development in India is gaining momentum over the last few decades because of the government initiatives in public health care facilities, yet its health system is at crossroad today. This study is needed to examine the various barriers in subscription of health insurance. This study will be important for health insurance companies to know about the customer awareness and willingness to pay for health insurance. This study will also be important for government for making clear cut policy regarding health insurance. This study will also attract potential insurees' attention toward health insurance services.

2.3 Objectives of the study

Present study has been conducted with the following objectives:

- To study the awareness regarding health insurance and source of information for it.
- To study various factors which act as barriers in subscription of health insurance.
- To examine the willingness to pay for health insurance.

2.4 Research Methodology

Research methodology is a scientific and systematic way of collecting data of a specific topic for research projects. It includes defining the problem, identifying the objectives, choosing the appropriate method to solve the problem, and at the end interpreting, concluding and suggesting solutions based on the hypothesis formulated.

2.4.1 Area of Study

This study has been conducted among the people of the Solan town in Himachal Pradesh.

2.4.2 Sample size

The sample of present study comprises of 98 respondents of Solan town in Himachal Pradesh.

2.4.3 Data Collection

For the present study, primary data have been collected with the help of questionnaires.

- **Primary data**

Primary data with respect to customers’ awareness and willingness to pay for health insurance were collected with the help of well structured questionnaire prepared after conducting exhaustive study. The questionnaire was divided into two parts. Part – 1 was designed to seek information on demographical variables such as name, age, educational qualification, income etc. Part – 2 was designed to seek information on customers’ awareness regarding health insurance, to study the various factors which act as barriers in subscription of health insurance and to find the customers’ willingness to pay for health insurance.

2.4.4 Data analysis

Data collected from the respondents were classified & tabulated as per requirement of the study. The data have been analyzed using statistical tools including percentage analysis, and mean.

2.4.5 Percentage Analysis

Percentage method refers to a special kind of ratio which is used in making comparison between two or more series of data. The formula used in percentage method is:

$$P = \frac{X}{Y} \times 100$$

Where X= Number of respondents falling in a specific category to be measured.

Y= Total number of respondents

2.4.6 Mean

Mean also known as arithmetic average, is the most common measure of central tendency & can be defined as the value which we get by dividing the total of values of various given items in a series by the total number of items.

$$\bar{X} = \frac{\sum x_i}{n}$$

Where \bar{X} = the symbol used for mean

\sum = Symbol for summation

X_i = value of the i^{th} item

n = total number of items

2.5 SAMPLE PROFILE

In the present study an attempt has been made to study “Customers’ Awareness and Willingness to Pay for Health Insurance: An empirical study of Solan town in Himachal Pradesh”. The data have been collected through questionnaires from a sample of 98 respondents of Solan town (Himachal Pradesh). The profile of respondents with respect to gender, age, marital status, educational qualification, occupation, and income, type of family and family size is discussed hereunder:

2.5.1 Sample profile with respect to gender

Gender	Response	
	Respondents (No.)	Percentage
Male	71	72.4
Female	27	27.6
Total	98	100.00

Table 2.5.1 presents the percentage distribution of the respondents with respect to gender. The respondents are largely male which shows their high concern about health, while female participants’ response indeed is low but encouraging.

2.5.2 Classifications of respondents with respect to age:

Age group (years)	Response	
	Respondents (No.)	Percentage
20-30	14	14.3
30-40	46	46.9
40-50	25	25.5
50-60	13	13.3
Total	98	100.00

Table 2.5.2 and the figures show age-wise Classification of the respondents. Perusal of the data reveals that a large proportion of participants are from the age group of (30-40 & 40-50 years). That means most of them are holding the insurance policy, amongst the total number of respondents. This suggests that they are very conscious, and careful about their health and also about planning in safeguarding against unforeseen health related expenditures.

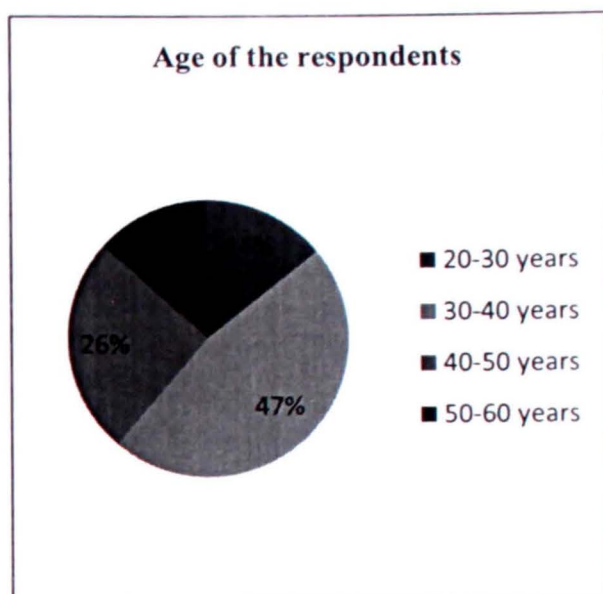


Figure 1

2.5.3 Profile of the respondents with respect to marital status:

Marital status	Response	
	Respondents (No.)	Percentage
Single	18	18.4
Married	80	81.6
Total	98	100.00

The respective profile of the respondents (table 2.5.3) is telling about the marital status of the respondents. Here, majority of the participators are married. That is enough to say that marriage too influences people and make them think more seriously about the health of spouse, children and them as well.

2.5.4 Sample profile with respect to educational qualification:

Educational qualification	Response	
	Respondents (No.)	Percentage
No formal Edu	5	5.1
Up to matric	13	13.3
10+2	22	22.4
Graduate	38	38.8
PG	20	20.4
Total	98	100.00

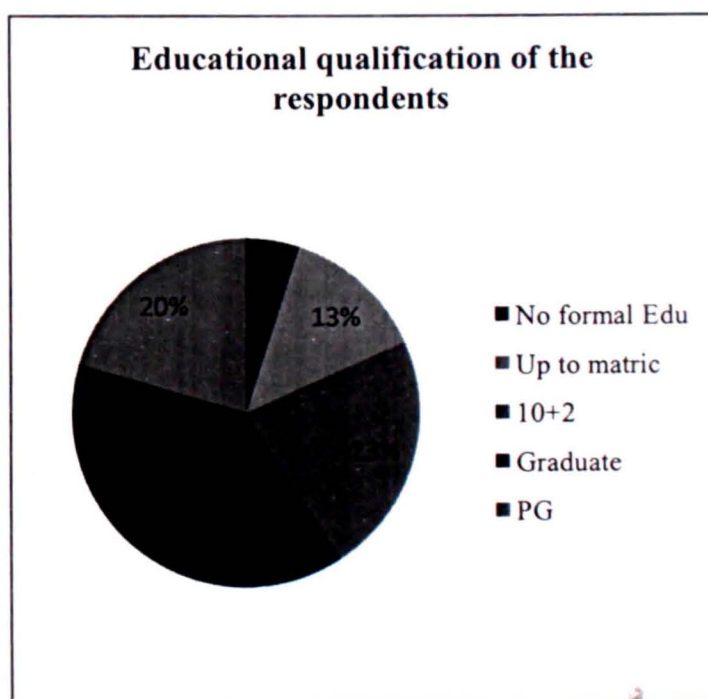


Figure 2

Education is one of the important factors that helps a person to take well-informed decision. The tabulated and graphical representation of the respondents Table 2.5.4 reveals that almost all the correspondents are formally educated. The importance of education at present is known to nearly all of us. Hence, it goes to show that education surely has had its impact in respondents' thinking to health relating issues, problems that exist or that they may face in future. And it has encouraged them to discover various means through which they can tackle these hurdles and

avail themselves of the facilities provided to them by public or private institutions for meeting health related emergencies.

2.5.5 Sample profile with respect to occupation:

Types of employment	Response	
	Respondents (No.)	Percentage
Government	34	34.7
Private	34	34.7
Own business	11	11.2
Professional	6	6.1
Any other	13	13.3
Total	98	100.00

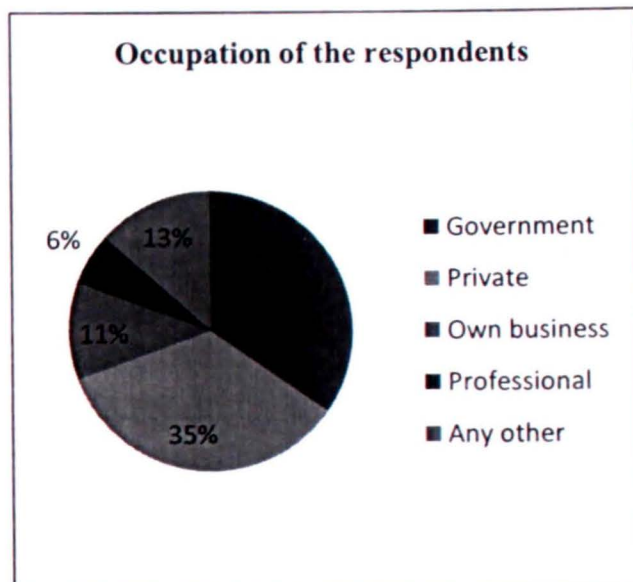


Figure 3

Tables 2.5.5 illustrates that out of the total respondents, those are in the government and private sector employment constituted 34.7 per cent each. About 11 per cent respondents were having their own business and about 6 per cent were the professionals. Respondents from other occupations constituted about 13 per cent of the total respondents. This distribution shows that people from different walks of life are subscribing to health insurance.

2.5.6 Sample profile with respect to total annual household income:

Income in(Rs.)	Response	
	Respondents (No.)	Percentage
Below 1lakh	2	2.0
1-3lakh	32	32.7
3-5lakh	53	54.1
Above 5lakh	11	11.2
Total	98	100.00

Income-wise distribution of the respondents gives a strong feeling that income makes a difference in taking up health insurance. It is noted that respondents in income group of Rs. 3-5 lakh formed more than half (54%) of the total respondents. Only 2 per cent of the respondents were from income group of below Rs. 1 lakh. However, the encouraging result is that the demand for health insurance is there among all income groups. It may be worth-while to ponder as to how more of low income group people can be brought into the health insurance fold.

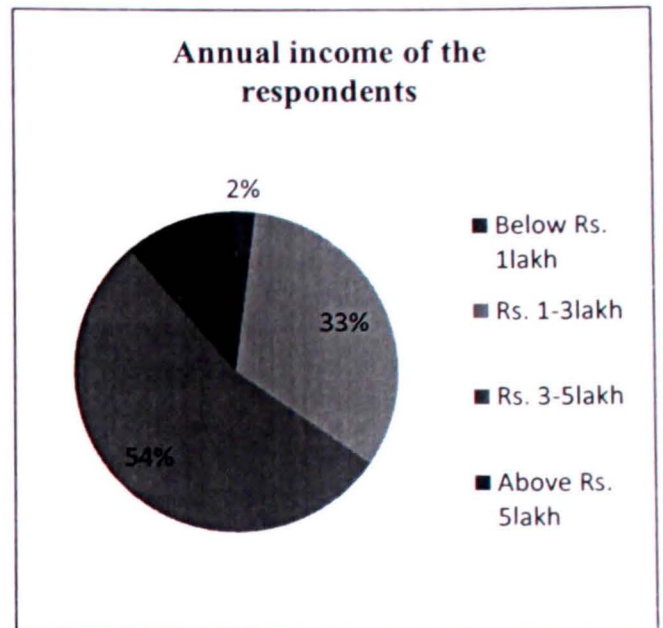


Figure 4

2.5.7 Sample profile with respect to type of family:

Type of family	Response	
	Respondents (No.)	Percentage
Joint	34	34.7
Nuclear	64	65.3
Total	98	100.00

Table 2.5.7 distinctly shows that nuclear families outnumber joint families in the sample. That can be perceived as the trend as the nuclear families are increasing. About 65 per cent of the respondents having nuclear families have health insurance.

2.5.8 Sample profile with respect to family size:

Family size(no of members)	Response	
	Respondents (No.)	Percentage
1-5	71	72.4
5-10	23	23.5
10-15	4	4.1
Total	98	100.00

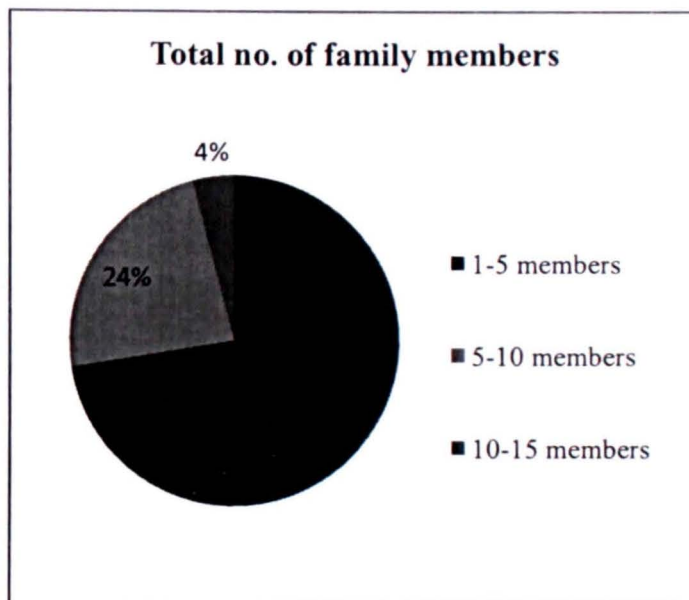


Figure 5

The immediate previous table's data analysis exhibits the nuclear families are more. Generally, the total number of people in such families is less. Also the maximum respondents are educated. This all goes to show that all these factors have been pivotal in respondents' decision in taking health insurance. Similarly, these facts are very crucial for the policy makers of different companies to formulate health insurance policies for the public.

CHAPTER-3

DATA ANALYSIS AND INTERPRETATION

CHAPTER - 3

DATA ANALYSIS AND INTERPRETATION

Respondents' awareness regarding health insurance:

3.1 Knowledge regarding health insurance:

Awareness	Response	
	Respondents (No.)	Percentage
Yes	92	93.9
No	6	6.1
Total	98	100.00

Table 3.1 presents the distribution of the respondents according to awareness about health insurance. The distribution suggests that (92%) percents of the respondent were aware of health insurance. This is an encouraging response, although the rest of (6%) the respondents do not know about health insurance. This suggests that efforts about health insurance are needed in this direction.

3.2 Source of information of health insurance:

Source of information	Response	
	Respondents (No.)	Percentage
T.V	30	30.6
News paper	22	22.4
Insurance agent	25	22.5
Family and friends	18	18.4
Govt. agencies	3	3.1
Total	98	100.00

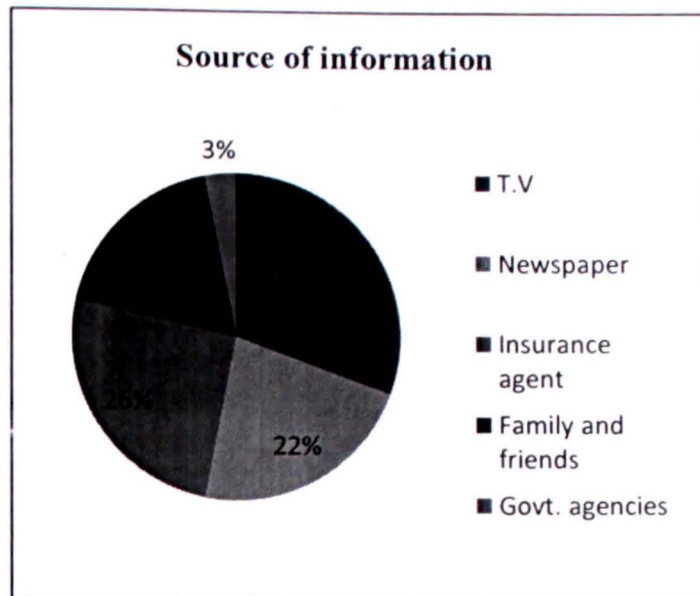


Figure 6

Table 3.2 presents people's response about the important sources of information on health insurance. The table shows that television is the main source of information for the people. About 30 per cent of the respondents indicated that their major source of information for health insurance was T.V. this is followed by the source of insurance agent (22.5%) and news paper (22.4%). Only (3%) of the respondents got the information from the government agencies. The importance of the electronic and print media, in case of health insurance like in many other cases is found to be important in making people aware about the health insurance.

3.3 The type of company's Health Insurance that the respondents have:

Company	Response	
	Respondents (No.)	Percentage
Public	72	73.5
Private	26	26.5
Total	98	100.00

The customer must analyze all important information before they subscribe to any insurance provider. They should consider certain factors such as which company's policy is better, suitable and has to cover the expenses better. Table 3.3 reveals a fair dominance of government

companies over the private ones. It can be visualized that so far the government agencies are able to get more customers than the private health insurance policy providers. Perhaps, it may be the because of the reason that people have more faith on public sector agencies then those of private

3.4 Distribution of the respondents according to monthly premium for the Health Insurance:

Monthly premium in(Rs.)	Response	
	Respondents (No.)	Percentage
500-1000	73	74.5
1000-1500	19	19.4
1500-2000	5	5.1
2000-2500	1	1.0
Total	98	100.00

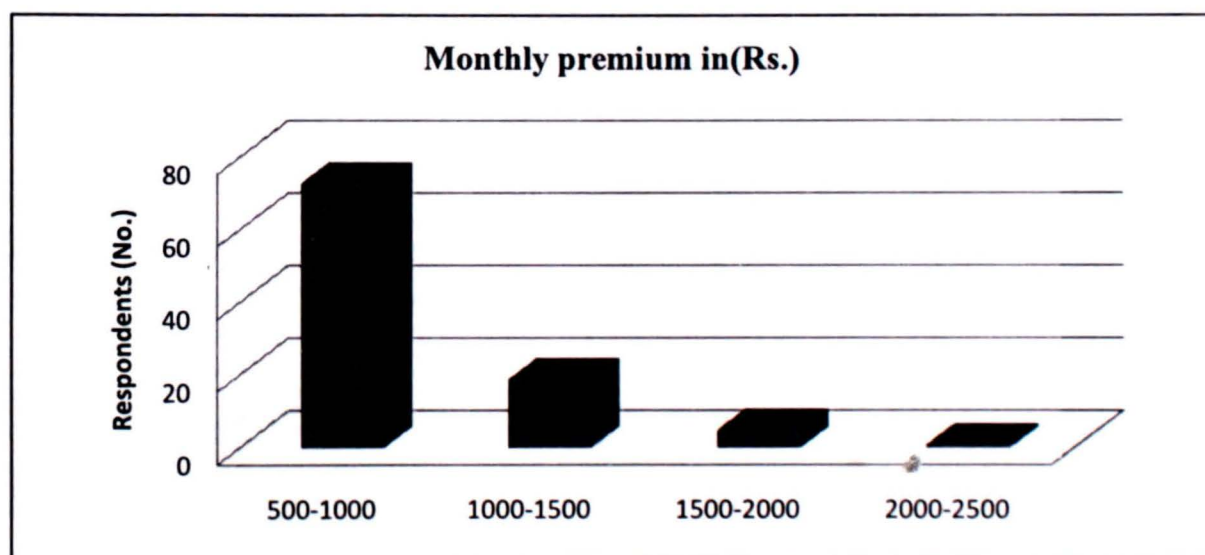


Figure 7

The amount of premium for a type of insurance depends on the coverage of the policy. Nevertheless, the amount of premium above shows the popularity and the affordability of the policy. Distribution of the respondents Table 3.4 according to the amount of premium being paid shows that about 75 per cent of them were paying a monthly premium in the range of Rs. 500-1000. This was followed by about 19 per cent of the respondents paying Rs. 1000-1500 per

month premiums. Only one per cent of the respondents were paying more than Rs. 2000 per month premium. The distribution clearly points out that the amount of premium is an important factor in subscribing the health insurance. This also suggests that economic status of the people is also an important factor, and since majority of the population is in low and middle income group, they accordingly make choice of health insurance policy.

3.5 The policy has been bought for:

Policy bought for	Response	
	Respondents (No.)	Percentage
Self	47	48.0
Only for spouse	8	8.2
Self and spouse	26	26.5
For all my dependents	12	12.2
For others	5	5.1
Total	98	100.00

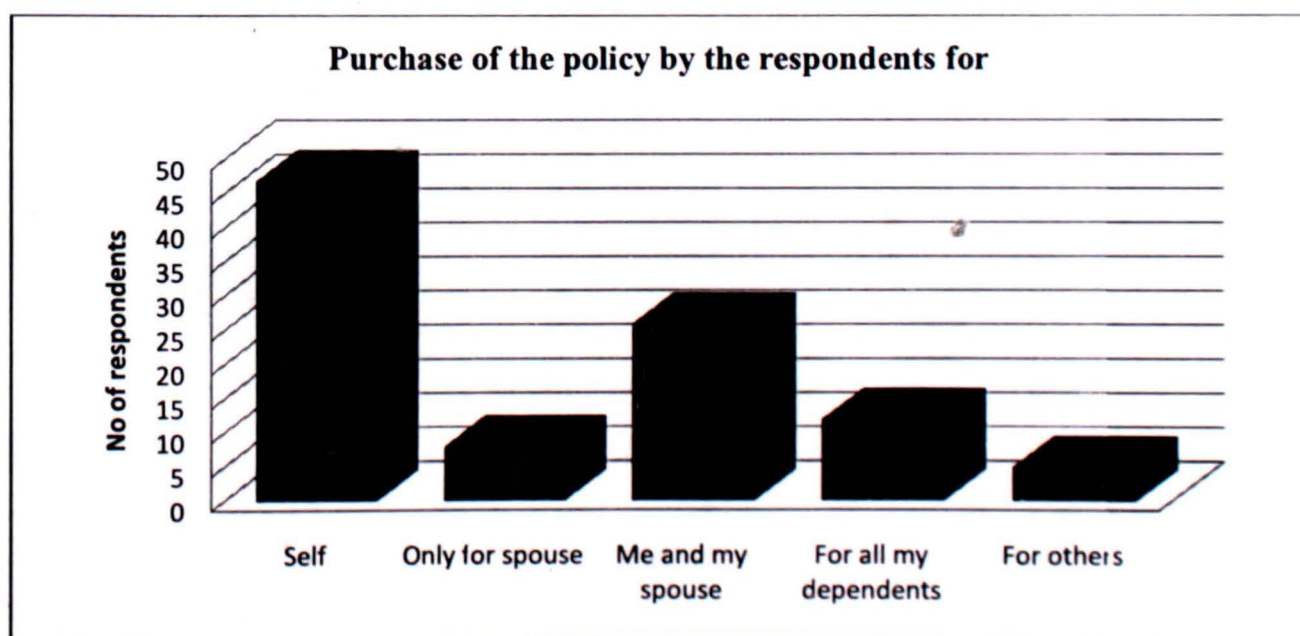


Figure 8

It is apparent from the analysis of (Table 3.5) that the maximum purchase of health insurance has been either for self or for self and spouse. While on the one hand this goes to show the respondents are highly concerned about their health, on the other hand it also hints at the compulsion of taking healthcare for the self because at most time they are the main earners in the family. Good health of the bread-earner thus becomes crucial for the family.

3.6 Factors those influencing the decision of the respondents while buying a particular health insurance:

Decision influenced by	Response	
	Respondents (No.)	Percentage
Family & friends	51	52.0
Doctors and consultants	4	4.1
Own decision	4	4.1
Professional and trade unions	10	10.2
Brand and advertisements	28	28.6
Any other source	1	1.0
Total	98	100.00

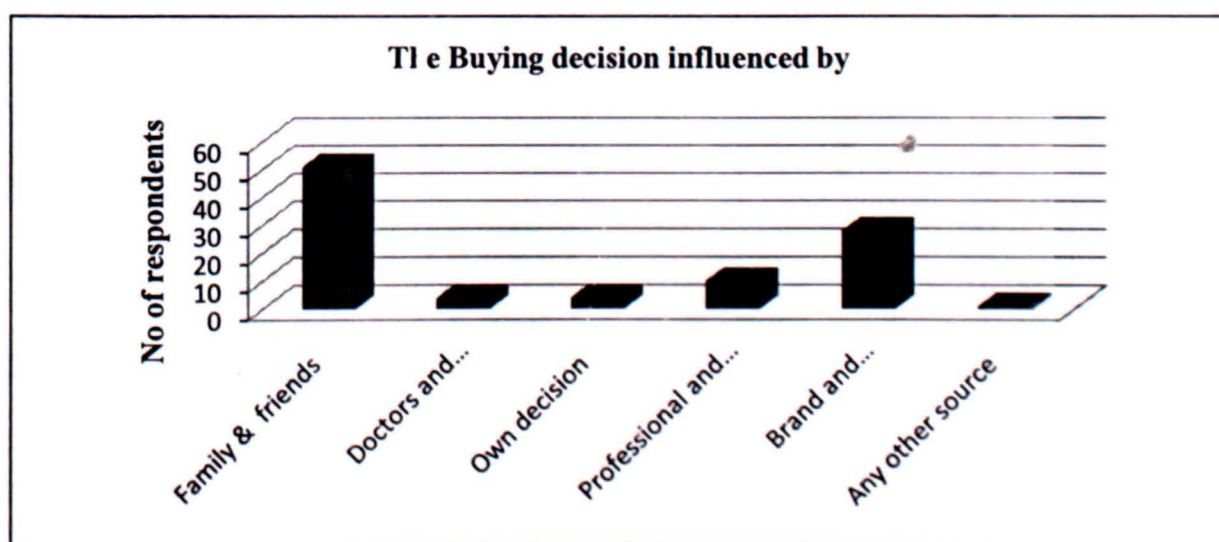


Figure 9

Table 3.6 depicts various elements which while deciding to take health insurance affect an individual. Family and friends and then brand and advertisements are found to be the main influencing forces in decision of buying a particular health insurance. Discussing with the family members and friends is a good idea because they know the person closely and also understand him/her better than anyone else. As far as brand and advertisements are concerned, both of these have a standard, status, quality and certain other features which are enough to persuade an individual to buy health insurance. Now days, companies leverage these sources finely to keep and grow in their customers.

3.7 Length of association with health insurance agency:

Association (time period in years)	Response	
	Respondents (No.)	Percentage
Up to 1	16	16.3
1-2	25	25.5
2-3	18	18.4
More than 3	39	39.8
Total	98	100.00

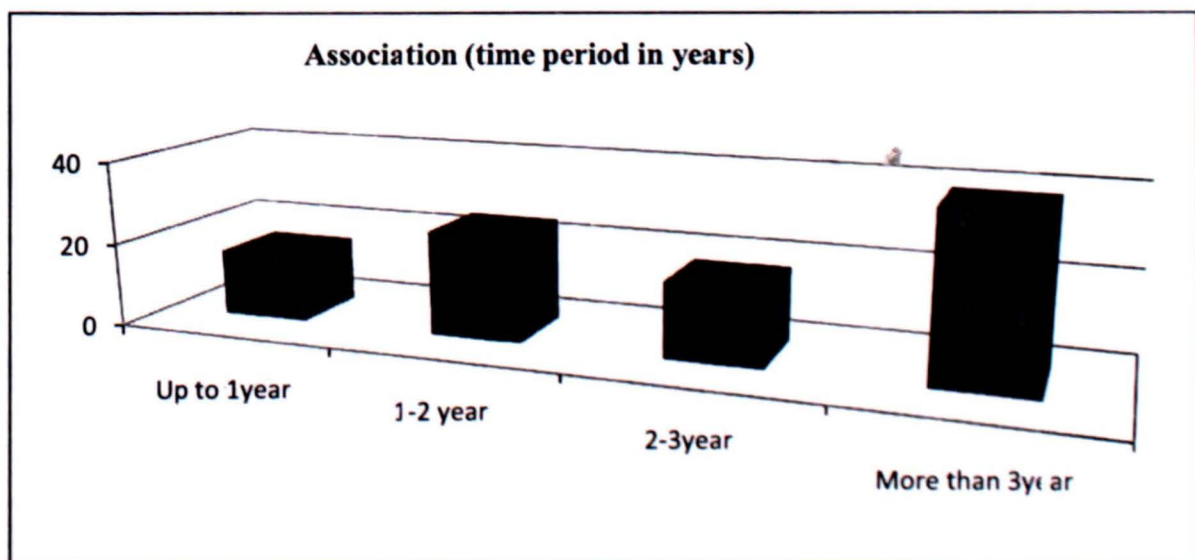


Figure 10

A long association of a person with any health insurance company says a lot about it. That may mean policy's consistency, its ability to provide maximum coverage for health related expenses, customer satisfaction and capacity to maintain a trustworthy relation with their customers by delivering value to them. Table 3.7 reveals that more than 39 percent policy holders have a long association with health care agency. This is followed by about (26%) who were associated with the health insurance agencies for 1-2 years and about (18%) who were associated for 2-2 years. About (16%) of the respondents were new and associated for about one year. The fact that a high proportion of the respondents are associated for more than 2 years also implies people's satisfaction with the insurance agencies.

3.8 Respondents' satisfaction towards the services provided to them:

Satisfied with services or not	Response	
	Respondents (No.)	Percentage
Yes	77	78.6
No	21	21.4
Total	98	100.00

Satisfaction is a crucial element that customers' seek and desire to be getting from every product they buy. Same is the case with health insurance, too. It is very important for a health insurance provider to present the best policy to its customers. Here, too majority (78.6%) of the respondents felt satisfied. This can be interpreted that they were taken very well care of. Whereas, (21.4%) of the respondents showed dissatisfaction. They can have second thoughts whether to hold the present policy anymore or look for another one which can fulfill that which the current health policy is not able to provide. They may also think of switching to another health insurance company as well.

3.9: Opinion of the respondents regarding statements pertaining to awareness about health

Sr. No.	Particulars	Response	
		Agree	Disagree
1.	There are many insurance schemes being run by government	78 (79.6)	20 (20.4)
2.	Health insurance helps cover money by covering expenses in case of unexpected calamities.	66 (67.3)	32 (32.7)
3.	In many schemes a group of people are also covered under a single plan.	60 (61.2)	38 (38.8)
4.	Many medical insurance schemes have a critical illness cover.	54 (54.1)	44 (44.9)
5.	Insurance is convenient and cost effective.	48 (49)	50 (51)
6.	Health insurance helps meet emergencies in case of severe ailments and accidents.	64 (65.3)	34 (34.7)
7.	By having health insurance we can avail ourselves of tax rebates.	75 (76.5)	23 (23.5)
8.	Health insurance brings quality healthcare within our reach.	69 (70.4)	29 (29.6)
	Mean of the responses	64.25	35.75

Note: Figures in parentheses show percentages

Awareness of the respondents about health insurance

People's response about the utility of healthy insurance and also about the awareness of health insurance was obtained through seeking their response to specifically framed statements. As presented in Table 3.9, the answers to the statements provide indication as to whether people perceive the utility of health insurance and also up to what extent they are aware of health insurance. Overall it is evident from the tables that about (65%) of the respondents were aware of the option of health insurance as well as the utility of taking health insurance. However, at the sometime a sizable proportion (35%) of the respondents did not agree with the given statements

indicating thereby that there still are people, rather a good proportion who needs some kind of guidance in their regard. It is evident from the table that majority of the respondents felt that there are number of schemes run by the government (about 80%), paying of health insurance premium also allows some tax benefits (77%), brings quality healthcare within our reach (70%) and that health insurance helps to cover money by covering expanses in case of unexpected calamities (67%). A relatively lower response (49%) of the respondents) regarding insurance being convenient and cost effective suggests that people still face problem while taking up health insurance, implying thereby that there still is a lot of scope for improvement in this regard.

Table 3.10: Opinions of respondents regarding constraints in subscription of health insurance:

Sr. No.	Constraints	Responses				Weighted response
		Strongly agree	Agree	Strongly disagree	disagree	
1	Income	38 (38.8)	52 (53.1)	2 (2.0)	6 (6.1)	3.43
2	Education (literate, Illiterate)	44 (44.9)	47 (48.0)	5 (5.1)	2 (2.0)	3.35
3	Residence (Rural, Urban)	41 (41.8)	42 (42.9)	4 (4.1)	11 (11.2)	3.23
4	Trust on insurance provider, schemes and policies (Government, private)	50 (51.0)	44 (44.9)	1 (1.0)	3 (3.1)	3.40
5	Inadequate information (benefits and risks involved in a policy)	54 (55.1)	35 (35.7)	3 (3.1)	6 (6.1)	3.24
6	Material barriers (Obtaining identification, documents, proof of income etc.)	17 (17.3)	32 (32.7)	1 (1.0)	48 (49.0)	2.82
7	Skill barriers (language, interpretation, unfamiliar with registration process)	12 (12.2)	46 (46.9)	4 (4.1)	36 (36.7)	3.02
8	Unsatisfactory behavior of insurance agent.	42 (42.9)	30 (30.6)	4 (4.1)	22 (22.4)	3.0
9	Affordable, accessible, and acceptable packages in hospitals.	24 (24.5)	57 (58.2)	1 (1.0)	16 (16.3)	3.39
10	Lack of information.	43 (43.9)	38 (38.8)	1 (1.0)	16 (16.3)	3.20
11	After sales experience with insurance companies.	22 (22.4)	56 (57.1)	3 (3.1)	17 (17.3)	3.34

Note: Figures in the parentheses show percentages

Constraints in the subscription of health insurance

As has been stressed above, in today's world health insurance is a must for everybody. A number of government agencies both at state and central levels are engaged in emphasizing this point for long time now. Recently private players have also entered in the health insurance and they also engaged in popularizing health insurance through their promotional campaigns different media. Nevertheless it is common understanding a lot needs to be done to cover maximum people under health insurance. Since health insurance involves some costs (premium plus many other indirect

costs) the response of the people to subscribe to health insurance gets restricted because of a number of constraints; social, economical and knowledge and material barriers. The business study investigated some of the reasons as to why people subscribe to health insurance and the results of the survey in this regard are presented in the table 3.10. People were asked about various factors that constrains their taking of health insurance was gauged by the respondents' response on a likert/type 4 point scale vis., strongly disagree, disagree, strongly agree and agree. Distribution of the respondents according to rank response is presented in the table along with the weighted score for the responses. It is evident from the table that respondents' lack of trust on insurance provider, on their schemes and policies are the major constraints in people subscribing to health insurance. This was followed by factors like income level (91%) of the respondents, inadequate information (91%) about the benefits and risks involved in a policy, area of residence of people (85%) and affordable, accessible and acceptable packages in hospitals (83%). It is also suggested the data presented in table that contrary to the general belief of material and skill barriers in obtaining health insurance, relatively less proportion (about 50 to 60%) felt that these factors were the major constraints in taking subscription of health insurance. The score for weighted response, in this regard, again highlights the major constraints; as in majority of the costs weighted score for material barriers (score=2.82) and unsatisfactory behavior (score=3) of insurance agent.

3.11: Willingness to pay for health insurance

Sr. No.	Reasons	Response	
		Agree	Disagree
1.	Costly healthcare services	70 (71.4)	28 (28.6)
2.	Availability of low-cost health insurance schemes	86 (87.8)	12 (12.2)
3.	Potential to protect from large healthcare expenditure	92 (93.9)	6 (6.1)
4.	Healthcare security	93 (94.9)	5 (5.1)
5.	Coverage of pre and post hospitalization charges	80 (81.6)	18 (18.4)
6.	Assurance and freedom from unplanned financial burden	69 (70.4)	29 (29.6)
7.	Tax saving	77 (78.6)	21 (21.4)
8	Uncertainty about their children's employment in future	29 (29.6)	69 (70.4)
9	Recent health related experience in Family / in close circle	54 (55.1)	44 (44.9)
10	Uncertain economic environment (employment etc.)	43 (43.9)	55 (56.1)
11	Learning from television and other media reports	63 (64.3)	35 (35.7)
12	Vulnerability of region / area to diseases.	49 (50)	49 (50)
	Mean of the responses	69.09	30.91

Note: figures in parentheses show percentages

Willingness to pay for health insurance

Willingness to pay for health insurance depends upon people's socio-economic environment and also the physical environment which may be vulnerable to pollution and hence many health problems. People's perception of these factors ultimately forces them to take a suitable action in case this case that of taking of health insurance. During the survey people's response in this regard was obtained by requesting them to respond to various statements which directly or indirectly sought their willingness to pay for health insurance. Results of this survey are presented in table 3.11. Perusals of the table revealed that about (95%) of the respondents wanted healthcare security and hence were willing to pay for health insurance. This response gets weight when analyzed in combination with the positive response of about (72%) of the respondents about healthcare services being very costly. About (82%) of the respondents health coverage of pre and post hospitalization charges were important for them. About (79%) of the respondents felt tax saving provided by health insurance policies was also an important determinant of their willingness to take health insurance. While, (70%) of the respondents felt that assurance and freedom from unplanned financial burden is an important factor in their willingness to pay for health insurance. Many respondents also brought out a new fact during the survey that uncertainty about their children's employment in future is also a factor for their willingness to pay for health insurance. As per Indian culture children are expected to look after their parents and other elders in their family and any uncertainty regarding their employment prompts parents to take health insurance. So far as factor of vulnerability of region/area is concerned, people people's response in this regard suggests that they are indifferent so far as contribution of this factor in compelling people to sign up for health insurance is concerned.

CHAPTER-4

FINDINGS & CONCLUSION

CHAPTER - 4

FINDINGS, CONCLUSIONS AND SUGGESTIONS

Findings & Conclusions

The study was conducted to ascertain customer's awareness and willingness to pay for health insurance in Solan town of district Solan, Himachal Pradesh. Health insurance is useful tool of risk management and it also contributes to the development of the nation by creating opportunities and contributing to the Gross Domestic Product. Primary data were collected through predesigned questionnaire from a total of 98 respondents. Important finding are listed and conclusions drawn and discussed below. Further, suggestions which have emerged from present study are given below:

Customers' awareness regarding health insurance

It was found that 94 per cent of the respondents knew about the health insurance out of which 73 per cent respondents have health insurance of public sector insurance agencies and 27 per cent have health insurance of private health insurance agencies. The study revealed that majority of the participants' buying decision for health insurance is influenced by family and friends. The study depicts that the major source of information regarding health insurance is television (30%). Television creates a long lasting visual effect in the mind of customers. The study further indicates that the government agencies are not playing any major role in creating awareness about health insurance. The respondents' opinion regarding the statements pertaining to awareness of health insurance shows that majority of the respondents are aware about the health insurance.

Constraints in subscription of health insurance

There are many constraints in the subscription of health insurance i.e. low income, low level of education, area of residence (rural and urban), trust on insurance provider, behavior of insurance agents not satisfactory, lack of information, inflexible schemes and policies, packages at linked hospitals not easily accessible and affordable, and inadequate information related to the benefits and risks involved in a policy. The study reveals that trust on insurance provider, policies, unaffordable packages at hospitals are the major barriers in the subscription of health insurance.

These factors are followed by low income, education, after sales experience with insurance companies and unsatisfactory behavior of insurance agent are the other constraints in the subscription of health insurance. The findings further point out that material and skill barriers are not the major constraints in the subscription of health insurance.

Willingness-to-pay for health insurance

Various factors were used to analyze the respondents' willingness to pay for health insurance vis., costly healthcare services, availability of low-cost healthcare schemes, healthcare security, coverage of hospitalization charges, tax saving, uncertain economic environment and vulnerability of region etc. It was found that about 94.9 per cent respondents felt healthcare security is a big factor that compels them to buy health insurance. Thereafter 93.9 per cent of the respondents felt that protection from large healthcare expenditures motivates them to buy health insurance, followed by 71.4 per cent who felt costly healthcare services impel them to take health insurance. The results suggested that uncertainty about children's employment, uncertain economic environment, and regions' vulnerability are not the major factors which encourage respondents to have health insurance.

Suggestions

In the light of the results of the study, the following suggestions are made:

- It is suggested that if any insurance player wants to venture in the market, they should try to win the trust and belief of customers and not mislead them and should provide preference to customer's financial goals.
- It is suggested that insurance companies should sell those policies or plans to the clients after fully understanding their goals and expectations.
- Company should try to create awareness regarding health insurance and its benefits.
- More efforts should be put in place to sensitize people toward health insurance schemes through media and insurance agents.
- Linked hospitals should be easily accessible.
- Insurance companies should try to add innovative features in their policies or plans to attract the investment.

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ANNEXURE

ANNEXURE – 1

QUESTIONNAIRE

I, **Rajesh Kumar**, student of MBA 2nd year of Dr. Y. S. Parmar University of Horticulture and Forestry, Nauni, Solan, Himachal Pradesh, is conducting a research on “Customers’ Awareness and Willingness to Pay for Health Insurance: An empirical study of Solan town in Himachal Pradesh. The information provided by you shall be used for academic purpose only. Kindly provide the following information to enable me to complete my research project.

Part-1

1. Name of the respondents _____
2. Gender
 - a. Male ☐
 - b. Female ☐
3. Age: _____ years.
4. Marital status:
 - a. single ☐
 - b. Married ☐
5. Educational qualification:
 - a. No formal education ☐
 - b. Up to matric ☐
 - c. 10+2 ☐
 - d. Graduate ☐
 - e. Post graduate and above ☐
6. Occupation:
 - a. Government sector employee ☐
 - b. Private sector employee ☐
 - c. Own business ☐
 - d. Professional ☐
 - e. Any other ☐
7. Total (Gross) annual household income:
 - a. Below Rs. 1 Lakh ☐
 - b. Rs. 1-3 Lakh ☐
 - c. Rs. 3-5 Lakh ☐
 - d. Above Rs. 5 Lakh ☐
8. Type of family:
 - a. Joint ☐
 - b. Nuclear ☐
9. Family size: _____ family members.

Part-2

1. Are you aware of health insurance?

a. Yes

☐

b. No

☐

2. What were the sources through which you came to know about health insurance?

a. T.V. b. Newspaper

☐

c. Insurance agent

☐

d. Family and friends

☐

e. Govt. agencies

☐

f. Employer

☐

g. Any other (please mention) _____

3. Which one of the insurance companies do you know about?

Public _____

Life insurance Corporation of India

National Insurance

United India Insurance

Oriental India Insurance

Private _____

Bharti AXA General Insurance

Reliance General Insurance

Bajaj Allianz Life Insurance

ICICI Lombard

4. Do you have health insurance? If yes, which company/companies are you associated with?

Company

i. _____

ii. _____

Premium monthly/annually

Rs. _____

5. Who have you bought health insurance policy for?

a. self

☐

d. for all the dependents

☐

b. only for spouse

☐

e. For others

☐

c. Self and spouse

☐

6. What influenced your decision the most to buy the particular health insurance?

a. Family and friends

☐

b. Doctors or consultants

☐

c. Own decision

☐

d. Professional and trade unions

☐

e. Brands and advertisement

☐

f. Any other please mention _____

7. For how long have you been associated with insurance agency/agencies?

Up to 1 year ☐ 1 to 2 years ☐ 2 to 3 years ☐ more than 3 years ☐

8. Are you satisfied with the services they provide to you?

a. Yes ☐ b. No ☐

9. Please, give your responses over the following:

Sr. no.	Particular	Agree	Disagree
1	There are many insurance schemes being run by government		
2	Health insurance helps save money by covering expenses in case of unexpected calamities		
3	In many schemes a group of people are also covered under a single plane		
4	Insurance is convenient and cost effective		
5	Health insurance helps meet emergencies in case of severe ailment and accidents		
6	By having health insurance we can avail ourselves of tax rebate		
7	Health insurance brings quality health services within our reach		
8	Many insurance schemes have a critical illness cover		

10. Following are considered to the constraints while subscribing for health insurance. Do you believe so?

Sr. No.	Constraints	Strongly agree	Agree	Disagree	Strongly disagree
1	Income				
2	Education (literate, illiterate)				
3	Residence (Rural, Urban)				
4	Trust on insurance provider, schemes and policy (government, private)				
5	Inadequate information (Benefits and risks involved in a policy)				
6	Material barriers (Obtaining identification documents, proof of income etc,)				
7	Skill barriers (Language, interpretation,				
8	Unsatisfactory behavior of insurance agent				
9	Affordable, accessible and acceptable packages in hospitals				
10	Lack of information				
11	After sale experience with insurance companies				

11. Reasons for customers' willingness to pay for health insurance:

Sr. No.	Particulars	Agree	Disagree
1	Costly healthcare services		
2	Availability of low-cost insurance schemes		
3	Potential to protect from large healthcare expenditure		
4	Healthcare security		
5	Coverage of pre and post hospitalization charges		
6	Assurance and freedom from unplanned financial burden		
7	Tax saving		
8	Uncertainty about children's employment and future		
9	Recent health related experience in family/in close circle		
10	Uncertain economic environment (employment etc.)		
11	Learning from television and other media reports		
12	Vulnerability of the region/area in diseases		

Any other reason (Please mention)

Rajesh Kumar

24, Male, Indian
DOB: 22^h Jan 1990

Ph: +91-9736803030
kharwal1990@gmail.com

I am looking forward to be associated with an organization where I will be able to apply my strengths and contribute to organizational growth & development.

Qualification	Name of institute	Board/University	Year of passing	Percentage
10 th	Binwa Public Senior Secondary School, Baijnath	HPSEB	2007	68
12 th	Boys, Senior Secondary School, Solan	HPSEB	2009	56
BBA	Shoolini Institute Of Life Sciences and Management	HPU Shimla	2012	63
MBA	Dr. Y. S. Parmar University of Horticulture & Forestry, Solan (HP)	Dr. Y. S. Parmar University of Horticulture & Forestry, Solan (HP)	Pursuing (2012-2014)	60 (upto 3 rd sem)

6 weeks industrial training at Meridian Medicare at Solan in Himachal Pradesh.

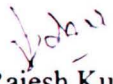
Basic knowledge of Microsoft Office, Excel and SPSS.

- I have done singing, dancing, acting and anchoring at collage level functions.
- I have participated in the inter-school volleyball, badminton, and cricket tournament.

- I am conversant with *English, Hindi*.
- I am very much passionate about playing games.
- I enjoy listening to music and surfing internet.
- I love to communicate with people.

- Eager to take responsible jobs.
- Honest, patient and dedicated.
- Work Professionally.
- Hard working nature.
- Positive attitude.

I hereby declare that the above information is correct to the best of my knowledge.


Rajesh Kumar

