

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4543
ANSWERED ON:20.08.2010
LOSSES OF INSURANCE COMPANIES
Pratap Narayanrao Shri Sonawane

Will the Minister of FINANCE be pleased to state:

- (a) whether the Insurance Companies have suffered losses on account of settlement of claims under mediclaim policies;
- (b) if so, the details thereof alongwith reasons therefor; and
- (c) the remedial measures taken/being taken by the Government to protect such insurance companies from such losses?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): The public sector general insurers have been incurring claims in excess of premium received and after factoring in acquisition costs, which are around 10%, and the management expenses which are over 25%, the Combined Ratio i.e. the total expenses for health portfolio exceed 140% of the premium income. With the expansion of health insurance and availability of cashless facility, the number of hospitals too has undergone a substantial increase. This, in some cases has also led to over utilization of medical facilities.

(c): As a part of remedial measures taken by Public Sector Insurance Companies to curtail losses, data on procedures, hospitals, costs etc. was collected through the Third Party Administrators (TPAs). To standardize treatment cost, initially 41 surgical procedures were identified. Elaborate discussions were held with the medical experts and a standardization of these procedures was carried out. The cost component for each procedure in terms of length of stay, type of intervention, cost and nature of implants etc. were studied. Hospitals were also categorized on the basis of facilities and infrastructure available. Depending upon all the above factors, the reasonable costs of procedures were determined. The TPAs thereafter approached the hospitals with high volume of traffic and offered them to be part of the network at the appropriate rate for the purpose of providing cashless medical facilities to the insured. This has been implemented w.e.f. 01-07-2010 in the cities of Delhi, Mumbai, Bangalore and Chennai. In these cities a Preferred Provider Network (PPN) has been started by including names of the hospitals that have agreed to work at given rates for specified procedures. This measure will help in controlling costs and bring down the losses for the Public Sector Insurance Companies in their health portfolio.