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MSME group health insurance penetration in India

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Foreword - FICCI

Health insurance penetration is alarmingly low with less than 30 per cent of the population covered by any type of health insurance policy in India. Adding to this, the micro, small and medium enterprise (MSME) sector of the country, which is one of the key contributors towards the country's economy with 117 million strong work force[1], is highly under penetrated in terms of healthcare cover. Hence, this segment offers a great opportunity for the health insurance industry to expand its outreach and increase accessibility to affordable healthcare.

However, reaching out to MSME for health insurance has remained a massive enigma for the industry owing to lack of data, diversity and unstructured framework of organisation. Customisation of group health insurance products, standard advisories and putting up a distributions channel has been some of the many challenges that one has to face. For instance, it might be necessary to allow distribution channels to provide advice, something that is currently not permitted. The premium payment pattern might need to be adjusted to the economic cycle of MSMEs, so on and so forth.

Keeping the above imperatives in mind, FICCI constituted a task force to work towards analysing the gaps and issues that are hindrances towards the penetration of health insurance in the MSME sector, and finding solutions to tap this sector. For this, FICCI task force along with KPMG in India, conducted a pan India questionnaire-based survey to understand the health insurance requirements, current products with their advantages and shortfalls and study and analyse the possible distribution methods.

We are thankful to the task force members and knowledge partner for the development of this report. Our endeavour through this report is to provide clear insights of the current scenario of health insurance coverage in MSME sector and recommend solutions to the regulators, government, insurers and other related stakeholders.

Mr G Srinivasan

Chairman, FICCI Health Insurance Committee

Chairman & Managing Director, The New India Assurance Co Ltd

Mr Girish Rao

Co-Chair, FICCI Health Insurance Committee

Chairman & Managing Director, Vidal Healthcare Services

Mr Sandeep Patel

Co-Chair, FICCI Health Insurance Committee

CEO & MD, Cigna TTK Health Insurance Co Ltd

Mr Antony Jacob

Co-Chair, FICCI Health Insurance Committee

CEO and Whole Time Director, Apollo Munich Health Insurance Co Ltd

Ms Shobha Mishra Ghosh

Assistant Secretary General – FICCI

1. MSME Sector – Achievements Report. Ministry of Micro, Small and Medium Enterprises. February 2017

Foreword - KPMG in India

The Indian economy is one of the fastest growing economies of the world and is projected to grow at ~7.5 per cent till 2020[2]. Micro, small and medium enterprises (MSMEs) contribute 37.5 per cent to the GDP of India[3] and success of these enterprises is critical to India maintaining its growth rate.

MSMEs hold significant importance in generating employment in the country as they currently employ ~117million out of the 511million workforce[4]. The key drivers for this sector to generate employment and to drive growth are increase in ease of doing business, ease of access to credit and technology upgradation, workforce skill enhancement and workforce welfare.

MSMEs form the larger part of India's unorganised sector, which leaves a vast majority of the sector's workforce without any social security. This section of the society along with their families need to be brought in the fold of healthcare protection not only as a part of a social initiative but also as a lever for improving workforce productivity.

Providing healthcare coverage is key to workforce welfare and can serve as a crucial lever for improved employee engagement, reduction in attrition and higher productivity. The goal of improving healthcare coverage to the MSME workforce can be fulfilled through both, development of infrastructure as well as delivering effective and affordable healthcare.

The government of India can play a critical role in both healthcare infrastructure upgradation as well as enablement of affordable healthcare penetration. The government can do the same through either direct expenditure on healthcare infrastructure development or through providing incentives to the private sector. The scope of government's current healthcare schemes such as Pradhan Mantri Surakhsa Bima Yojana (PMSBY) and the Employee's State Insurance Corporation (ESI) does not cater to the unorganised workforce, hence leaving out employees of 86 per cent MSMEs from obtaining any kind of healthcare benefits. The government can explore options of widening the base of its existent schemes such as ESI, look at incentivising the MSME community to provide healthcare benefits to its workforce or incentivising insurance companies who roll out policies catering to the MSME workforce. MSMEs are going to be the key growth drivers of the economy, as initiatives such as Make in India, will facilitate employment opportunities, increased labour productivity, and economic contribution.

The insurance industry shares equal responsibility in meeting the objective of making healthcare affordable to all. Insurance providers can play a critical role in increasing health insurance penetration in the MSME sector through introduction of low price group health insurance policies focusing on personal accident and critical illness customised based on location and industry type. Insurers can further look at standardisation of claims processes and aggregation of claims infrastructure for cost effective high quality service. These initiatives by insurance companies along with infrastructure and policy support by the government can go a long way in delivering effective healthcare and increasing insurance penetration among MSMEs from the current level of 31 per cent to a much higher level tending towards 85 per cent penetration witnessed in large corporates[5].

Shashwat Sharma

Partner and Head – Insurance
KPMG in India

2. IMF Country Report – India. International Monetary Fund. October 2017
3. MSME Sector – Achievements Report. Ministry of Micro, Small and Medium Enterprises. February 2017
4. Labor force, total. World Bank. March 2017
5. KPMG in India analysis and estimates

Message from the task force leader

The MSME segment in India has been a major contributor to the India development story contributing 37.5 per cent to the GDP[6]. This segment is further expected to remain a key contributor to growth in India aided by an increase in consumption and government initiatives such as Make in India and increased ease of doing business.s and other related stakeholders.

The MSME segment not only contributes significantly to the GDP, but also drives employment in the country employing 23 per cent of the total workforce[7]. However, this workforce majorly forms a part of unorganised sector employment and hence is underpenetrated in terms of social and healthcare benefits. In order to ensure sustainability of this growth story the employees in this segment need to be provided access to social and healthcare benefits. This will not only create more friction with employers but also a positive impact on productivity thus improving their economic contribution. Similar to the manner in which the government has undertaken the Swachh Bharat movement in the country, a wave on the lines of Swasth Bharat should be explored for MSMEs to highlight the importance of employee healthcare and financial benefits for each and every employee and the significance of putting employees first and providing healthcare cover.

The Government of India through its schemes such as ESI, Pradhan Mantri Suraksha Bima Yojna (PMSBY) and Aam Aadmi Bima Yojna (AABY) is catering partly to the healthcare needs. However, the private sector and the insurance fraternity can play a major role in ensuring penetration of healthcare benefits to this significant unorganised workforce.

With this aim, the FICCI Health Insurance Committee constituted a taskforce with industry experts. The objective of the committee was to provide Thought Leadership on the healthcare needs of the unorganised labour and how increased health insurance penetration in the MSME sector can bridge the healthcare need gap for the workforce employed in the unorganised sector. The scope of the paper expands from recommendations and advocacy for policy change and regulatory reforms to the regulator to facilitating streamlining of sector issues through stakeholder consultative process. The need of the hour is for integrated efforts initiated by the government and the regulator which will be implemented by the industry to drive the healthcare wave and increase health insurance penetration in the MSME sector.

The paper was a result of extensive deliberations and a detailed survey rolled out across the country with the help of the KPMG in India team. We hope that the paper meets the objective of streamlining sector issues through the stakeholder consultative process we undertook.

Based on the discussion some of the key insights are shared below:

- The insurance fraternity can invest in awareness drives to enhance MSMEs understanding of the benefits of insurance to improve employee productivity improvement and create a positive impact
- Customised product innovations to meet healthcare needs of MSMEs at reasonable price points
- Simplify the whole experience of dealing with insurers particularly the claims settlement processes.

The combined efforts of government bodies, the private healthcare sector and the insurance fraternity can go a long way in increasing healthcare penetration in this country and ensuring increased participation in the Indian growth story.

Mayank Bathwal

Chief Executive Officer
Aditya Birla Health Insurance Co Ltd

6. IMF Country Report – India. International Monetary Fund. October 2017
7. Labor force, total. World Bank. March 2017

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Executive Summary

MSME sector has been the backbone of the Indian economy and contributed 37.5 per cent to the GDP and 45 per cent to the industrial output in 2016[1]. The MSME sector constitutes of 51milllion units and employs 117million people[2] and is key to India maintaining the projected growth rate of 7.5 per cent till 2020[3]. The key drivers for growth of the MSME sector are increased ease of doing business, infrastructure upgradation, skill upgradation and workforce welfare. One key aspect of workforce welfare is healthcare benefits which forms the focus of our study.

The healthcare sector in India is currently underpenetrated with government expenditure being 4.5 per cent of the GDP as compared to global average of 9.9 per cent[4]. The government has recently rolled out schemes such as Pradhan Mantri Suraksha Bima Yojana (PMSBY) and restructured Employee's State Insurance Act (ESI) to increase healthcare penetration, especially among the MSME sector. However, the unorganised workforce remains outside the ambit of these schemes and ways to include the same needs to be introspected on.

In order to understand the healthcare needs and the key requirements of the MSME sector, we conducted a pan India survey among MSMEs. The sample size of 219 MSMEs comprised of 42 per cent micro (turnover less than INR10 crores), 38 per cent small (turnover between INR10 and INR100 crores) and 19 per cent medium (turnover greater than INR100 crores) sized enterprises spread across 15 manufacturing and service industries. 52 per cent respondents engage in service industries while 48 per cent respondents are from manufacturing sector. The survey was conducted through online questionnaire, telephonic and one-on-one interviews.

Key highlights of our survey –

- As noted in our survey, group health insurance penetration in micro enterprises is 24 per cent as compared to 33 per cent in small and 64 per cent in medium enterprises
- MSMEs preferred a basic cover of personal accident and critical illness with a focus on a reduction in premiums and coverage of employees only
- MSMEs primarily prefer to purchase insurance through broking channels and bancassurance, with group health insurance penetration through online channels at minimal level of about six per cent.

Based on our analysis, we have outlined the key imperatives for the government and the industry to increase group health insurance penetration in the MSME sector.

Key imperatives for the government and regulators –

- Focus on development of healthcare infrastructure in order to increase penetration of effective and affordable healthcare delivery in the underserved segments
- Focus on enablement of penetration of healthcare facilities through strengthening the current ESI infrastructure and introduce policy initiatives to incentivise industry or make healthcare a mandatory aspect of operations.

Key imperatives for the industry –

- Focus on delivering policies to the MSME sector which cater to both the health needs as well as the premium price points that are desired
- Focus on raising awareness and adoption of group health insurance through own or agency channels
- Target industrial clusters with high injury and attrition rates to increase penetration of group health insurance in the MSME sector.
- Aggregation of claims infrastructure and standardisation of claims settlement procedures to ensure cost efficient and effective servicing
- Explore avenues for utilising technology for convenient, comprehensive and cost effective service delivery.

We sincerely thank all our survey respondents for sharing their thoughts and perspectives. We hope that you find this survey helpful and will be able to obtain valuable insights to drive the healthcare initiatives in the MSME sector.

It is important for both the key stakeholders, government and the insurance industry, to make cohesive efforts to achieve the goal of wider penetration of group health insurance in MSME and the unorganised sector. While the government is increasing the scope of Employee State Insurance (ESI) scheme, the private sector needs to support government schemes by increasing its participation in government healthcare initiatives and incentive schemes, and drive group health insurance penetration through product customisation and innovation in insurance distribution models to reach the maximum number of MSMEs in a cost effective manner.

1. MSME Sector – Achievements Report. Ministry of Micro, Small and Medium Enterprises. February 2017
2. MSME Sector – Achievements Report. Ministry of Micro, Small and Medium Enterprises. February 2017
3. IMF Country Report – India. International Monetary Fund. October 2017
4. NHA. World Health Organization. 2016

MSME sector overview and context

The Indian economy is currently the 7th largest economy in the world and its GDP is projected to grow at 7.5 per cent till 2020[1]. A stable government with focus on ease of doing business, increased domestic consumption and foreign investments are the key drivers of growth.

The Indian economy is driven by manufacturing and services which contribute 83 per cent to the GDP while agriculture and allied services contributes 17 per cent[2]. However an analysis of the India labour market reveals that agriculture and allied services, while contributing only 17 per cent to the GDP, employs 250 million of 511 million strong workforce of India. Of the 250 million, 95 per cent are employed as small, marginal and contracted labour force. The remaining 261 million are employed in the manufacturing and services sector out of which, only 14 per cent (37 million) constitute the organised workforce[3]. The balance 86 per cent (224 million) form a part of the unorganised workforce and are either employed as petty traders, urban labour etc. (107 million), or by MSMEs (117 million).

Figure 1: India's GDP growth[4]

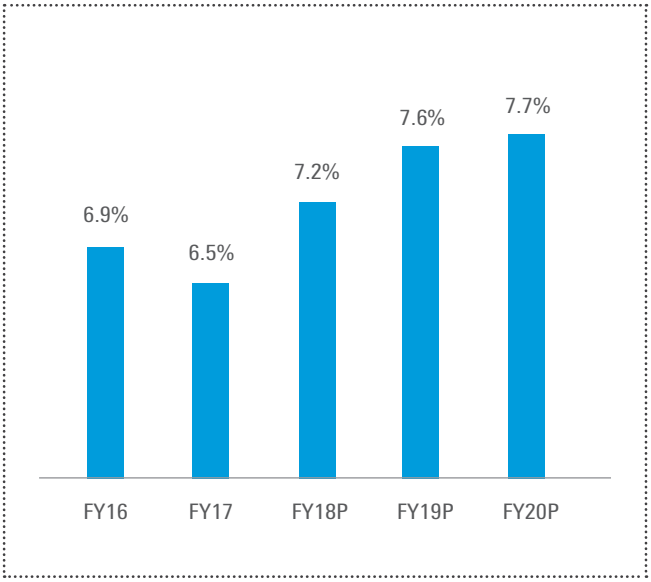
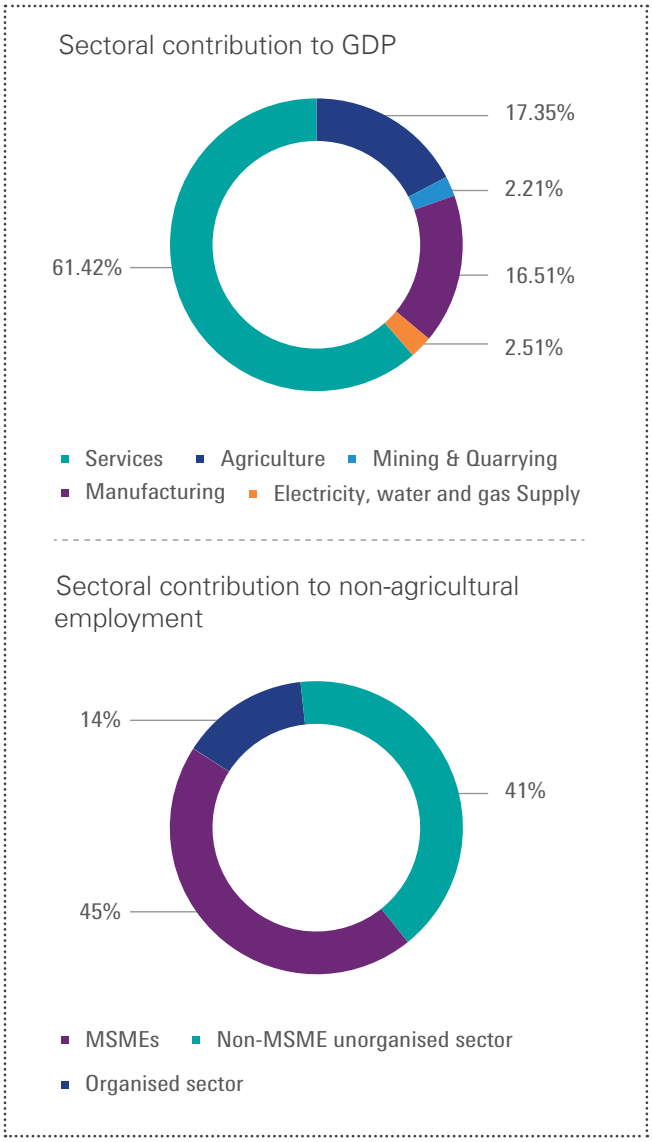


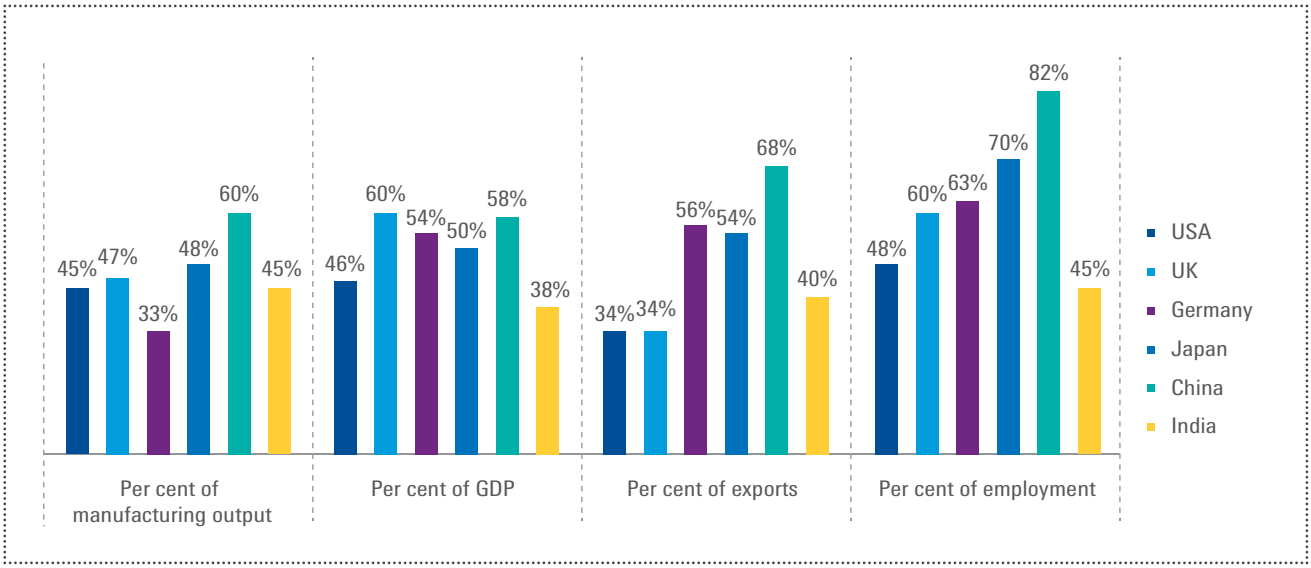
Figure 2: Sectoral contribution to economy and employment (FY17)[5]



The MSME sector constitutes of 51 million units, out of which 7.2 million are registered with the government of India. Out of the registered units, 89 per cent are micro, 10 per cent are small and 1 per cent are medium size enterprises[6]. MSMEs are a crucial driver of growth in India as the sector contributes 37.5 per cent to India's GDP, with manufacturing and service MSMEs contributing 7.5 per cent and 30 per cent respectively[7]. The MSME sector currently employs 45 per cent of the non-agriculture workforce of India, as compared to 82 per cent in China[8,9]. India's MSMEs will serve as a key driver for both growth and employment in India, as it is projected to increase its share in total employment to 50 per cent of the total workforce by 2020[10].

1. IMF Country Report – India. International Monetary Fund. October 2017
2. Handbook of Statistics on the Indian Economy 2016-17. RBI. September 2017
3. India's Labour Market - A New Emphasis on Gainful Employment. McKinsey Global Institute. June 2016
4. IMF Country Report – India. International Monetary Fund. October 2017
5. Handbook of Statistics on the Indian Economy 2016-17. RBI. September 2017
6. Udyog Aadhar: (registered units –total of MSME units which have filed EM-II, registered under Udyog Aadhar Memorandum and Small Scaled Industries). Ministry of MSME. 2017
7. MSME Sector – Achievements Report. Ministry of Micro, Small and Medium Enterprises. February 2017
8. MSME Sector – Achievements Report. Ministry of Micro, Small and Medium Enterprises. February 2017
9. China (People's Republic of). Financing SMEs and Entrepreneurs 2016. OECD. April 2016
10. The new wave Indian MSME. CII and KPMG. March 2016

Figure 3: MSME sector overview – comparison with select countries[11,12,13,14,15,16]



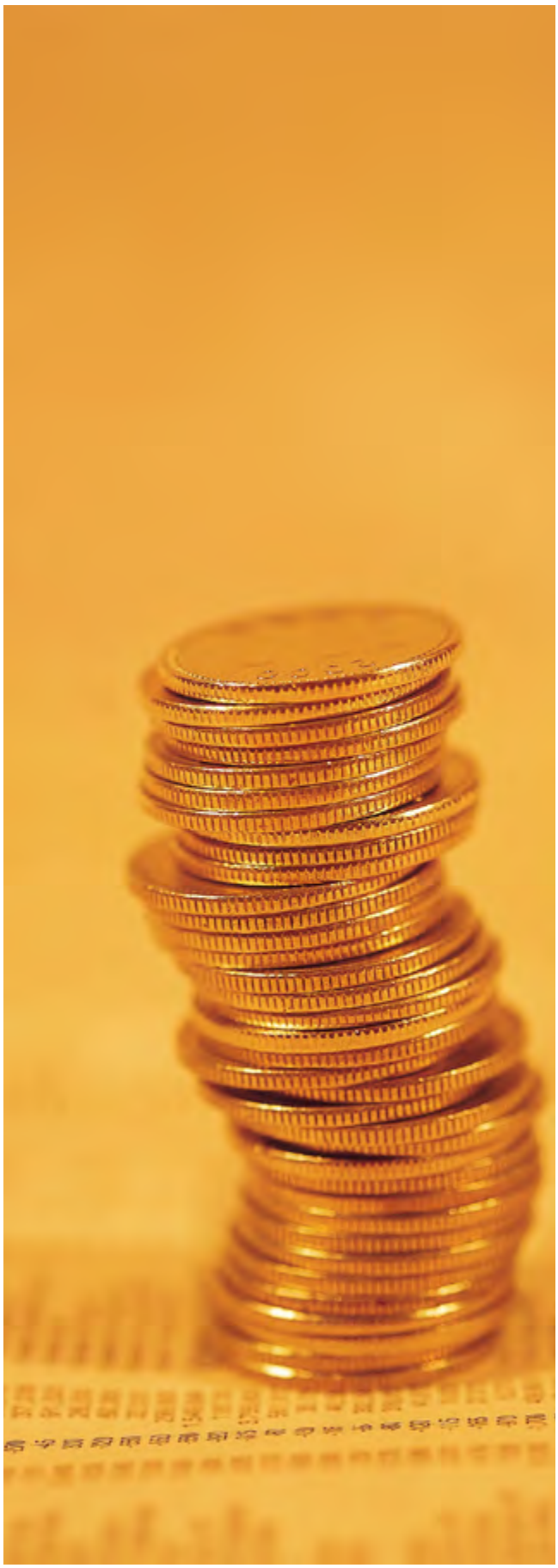
Source –
U.S. – Small business profile. U.S. Small Business Administration. Office of Advocacy. 2016
U.K. – Business Statistics. House of Commons Library. November 2016
Germany – Internal Market, Industry, Entrepreneurship and SMEs Database. SME Performance Review. European Commission. 2016
Japan – White paper on Small and Medium Enterprises. Ministry of Economy, Trade and Industry. 2016
China – China (People's Republic of). Financing SMEs and Entrepreneurs 2016. OECD. April 2016
India – MSME Sector – Achievements Report. Ministry of Micro, Small and Medium Enterprises. February 2017
*India MSME employment as percent of total non-agriculture employment

11. Small business profile. U.S. Small Business Administration. Office of Advocacy. 2016
12. Business Statistics. House of Commons Library. November 2016
13. Internal Market, Industry, Entrepreneurship and SMEs Database. SME Performance Review. European Commission. 2016
14. White paper on Small and Medium Enterprises. Ministry of Economy, Trade and Industry. 2016
15. China (People's Republic of). Financing SMEs and Entrepreneurs 2016. OECD. April 2016
16. MSME Sector – Achievements Report. Ministry of Micro, Small and Medium Enterprises. February 2017

The growth and employment story for MSMEs in India can be achieved through the following avenues:

1. **Increase in the ease of doing business –** The government of India has taken various steps such as launching Udyog Aadhar Memorandum (UAM) for e-registration, cluster development approach to pool resources, invest in skilling as well as gain easier access to credit, and introduction of various schemes like Credit Linked Capital Subsidy Scheme (CLCSS), Credit Guarantee Scheme for MSMEs (CGTMSME) for easier access to credit. The government has further introduced the landmark Goods and Services Tax (GST) to ease the indirect tax regime and bring in transparency.
2. **Infrastructure and technology upgradation to bring in efficiency in processes and enhance the quality of products/ services –** Initiatives such as Make in India, infrastructure support through schemes like Scheme of Fund for Upgradation and Regeneration of Traditional Industries (SFURTI), Market Promotion and Development Assistance (MPDA) have been rolled out to cater to this requirement.

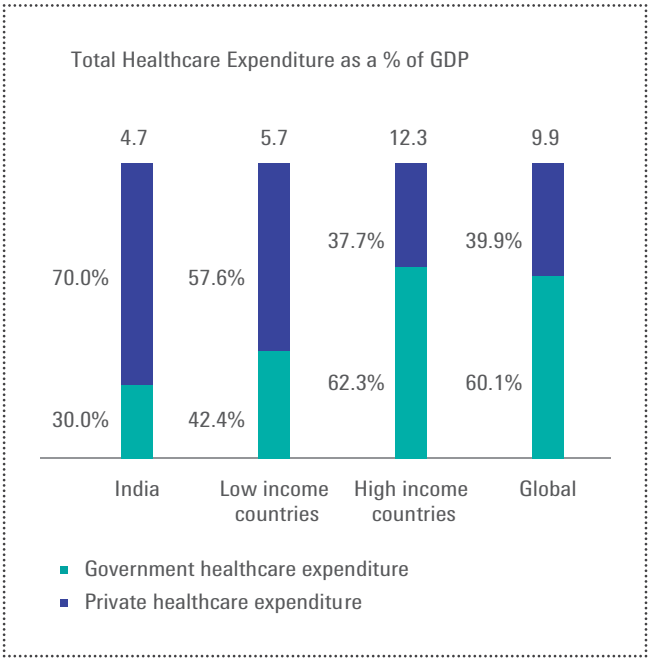
The MSME growth story would immensely benefit from the government's focus on increasing ease of doing business as well as technology upgradation initiatives. However employee welfare remains another crucial lever for continued and sustainable growth. We will be focusing on the employee welfare aspect on the MSME sector in this paper. In order to understand the need for improving employee welfare in the MSME sector we have analysed the current gaps in the healthcare system in India followed by an analysis of the healthcare coverage needs of the MSMEs.



Healthcare sector context

The healthcare sector in India is largely underpenetrated with total healthcare expenditure being at 4.7 per cent of GDP against a global average of 9.9 per cent[1]. Government expenditure is 30 per cent of the total healthcare expenditure, half of the global average of 60 per cent.

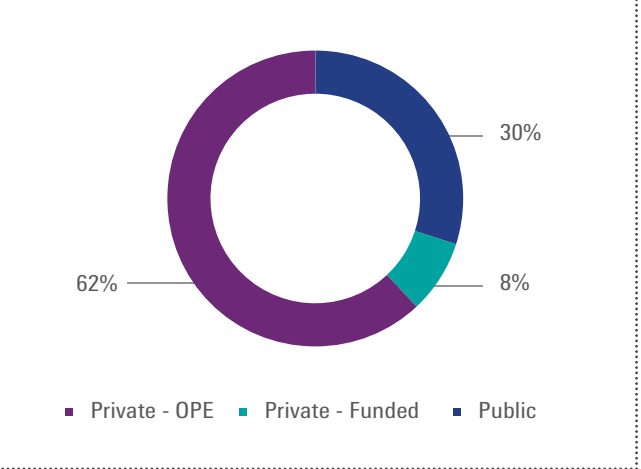
Figure 4: Healthcare expenditure – public vs. private comparison[3]



Source – NHA. World Health Organization. 2016

Private healthcare expenditure constitutes 70 per cent of the total healthcare expenditure, which is significantly higher than the global benchmark of 39.9 per cent and low income countries benchmark of 57.6 per cent[4].

Figure 5: Healthcare funding in India[5]



Source – NHA. World Health Organization. 2016

Out of pocket expenditure constitutes majority of healthcare expenditure in India indicating lack of penetration of insurance or government protection.

Compounding the fact that out of pocket expenditures constitute majority of healthcare spends, quality healthcare facilities are largely private sector dependent and concentrated in urban areas. There is a need to invest in development of healthcare ecosystem beyond the urban areas in order to reach the MSME ecosystem. The same needs to be complemented with initiatives to rationalise healthcare costs. The government of India has taken certain initiatives both to improve healthcare infrastructure and rationalise healthcare costs. Some of the initiatives are:

1. **Planned investment in healthcare infrastructure** to the tune of INR1.73 trillion over the next three years to ensure better facilities are provided[6].
2. **Rollout of healthcare schemes for the unorganised sector** through introduction of Unorganised Workers' Social Security Act in 2008 enabling workers to tackle income uncertainty and healthcare needs. Schemes like Aam Aadmi Bima Yojana (AABY), Rashtrya Swasthiya Bima Yojana (RSBY), and National Pension Scheme – Swavalamban (NPS–S) by the government have led to rural households and below poverty line (BPL) population covered by either health insurance or other forms of social security.

1. NHA. World Health Organization. 2016
2. NHA. World Health Organization. 2016
3. NHA. World Health Organization. 2016
4. NHA. World Health Organization. 2016
5. NHA. World Health Organization. 2016
6. Healthcare. India Brand and Equity Foundation (IBEF). April 2017

3. **Increase insurance penetration** through schemes like Pradhan Mantri Suraksha Bima Yojana (PMSBY), which offers accident cover for up to INR12 lakh for a premium of INR12 per year[7]. The government has floated other schemes, such as Universal Health Insurance Scheme (UHIS), offering subsidies and reimbursement for medical expenses to increase health insurance penetration in India.
4. **Providing social and healthcare benefits–**The government has been focusing on providing healthcare and social benefits to the unorganised workforce through the ESI Scheme. ESI currently caters to the workforce employed in units employing 10 or more persons with income up to INR21,000 per month[8]. The ESI scheme currently covers 30 million workers and has 120 million beneficiaries[9]. However, the ESI scheme is accessible to less than 10 per cent of the 224 million people employed in the manufacturing and services informal sector.

Given the gap in delivery of effective healthcare, there needs to be a more concerted effort in order to increase affordability of healthcare as well as ensure the workforce, both formal and informal, are provided healthcare security.

The Indian ecosystem can either follow the insurance based model of the U.S., or the U.K./ Brazil model of free universal healthcare services. US followed an insurance based model under the Affordable Care Act (ACA) 2010 until May 2017, where tax penalties were imposed on people and businesses with more than 25 employees not providing health insurance to its employees. The current republican government introduced the American Healthcare Act (AHCA) 2017 in May 2017, which offers tax credit from USD2,000 to USD4,000, depending primarily on the individual's age. Lesser tax credits are offered to individuals with family income over USD75,000 and individual income over USD15,000 per year[10]. U.K. provides free healthcare services through the National Health Service (NHS). NHS is financed by taxation and provides free healthcare service to all its residents[11]. In either case of insurance or healthcare provided by the government, coverage of healthcare costs and reducing out of pocket expenditure on healthcare are the key aspects in providing universal healthcare.

7. Pradhan Mantri Suraksha Bima Yojana (PMSBY). Ministry of Finance. May, 2015
8. Standard note on Employee State Insurance Scheme. ESIC. 2016
9. ESIC coverage. ESIC. September, 2017
10. H.R. 1628 – 115th Congress (2017-18). American healthcare Act. March 2017
11. The NHS Constitution. Department of Health. Government of the United Kingdom. October 2015

Analysis of MSMEs to understand health insurance needs

In order to understand the healthcare needs in the MSME sector, we undertook a nationwide survey. We covered 219 respondents across micro, small and medium segments from manufacturing and services sector. We had detailed discussions with the proprietor community as well as the employee community to understand the healthcare needs and the gaps perceived by the MSME sector.

Characteristics of respondents

Our survey consisted of 93 micro, 84 small and 42 medium sized enterprises, spread across different manufacturing and service sectors. 52 per cent of the surveyed MSMEs were from the service sector, while the remaining 48 per cent were engaged in manufacturing enterprises. Large portion of respondents were from the IT/ ITES sector for services while for manufacturing, machinery and machine tools contributed majorly to the respondents' pie. Majority (84 per cent) of the respondents were from the northern and western part of India.

Key classification parameters

We have analysed the responses to developed key themes based on the following criteria

1. **The size of the enterprise,** covering both manufacturing and services enterprises.

   Classification of MSMEs for the purpose of this paper

Manufacturing and service sector MSMEs		
Enterprise	Turnover	Number of employees
Micro	Less than INR10 core	0–40
Small	Between INR10crore and INR100 crore	41–100
Medium	More than INR100 crore	100–250

2. **The nature of operations** and hence the number of workplace injuries to workers:
   - **Industries with high propensity to worker injuries –** Industries with incident rate (IR) of five or more occupational injuries per worker per year.
   - **Industries with low propensity to worker injuries –** Industries with incident rate (IR) of four or less occupational injuries per worker per year.

Analysis parameters

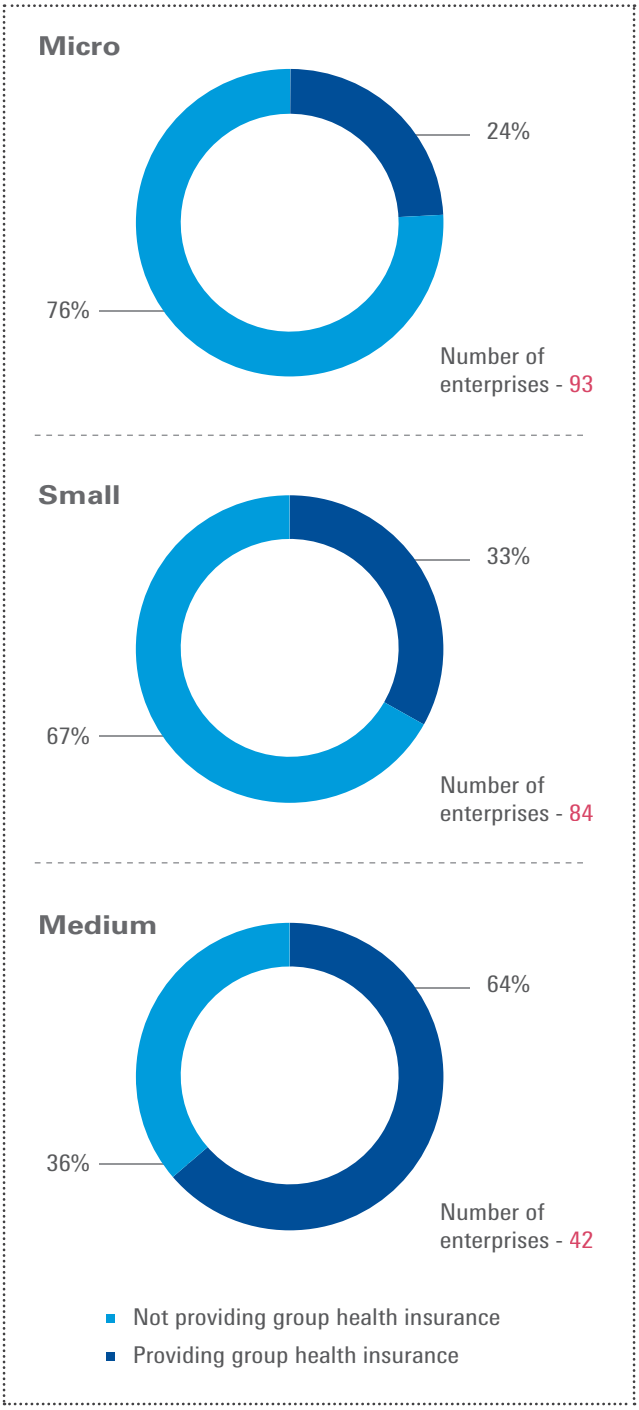
We analysed each of these groups based on the following parameters:

1. **Expenditure on employee healthcare benefits**
   - Financial support to employees
   - Injury rate (IR)
2. **Group health insurance adoption**
   - Reasons to purchase group health insurance
   - Insurer
   - Channel
3. **Policy coverage and sum insured**
   - Sum insured
   - Policy features
   - Diseases covered
4. **Claims**
   - Claims settlement
5. **Government support**
   - Non–healthcare
   - Healthcare

Analysis and key themes

Group health insurance penetration

Figure 6: Group health penetration according to size of the enterprise



Source - KPMG in India's MSME group health insurance survey 2017

Expenditure on employee healthcare benefits

Financial support for healthcare and medical benefits is predominant among medium enterprises and is provided to the employees only and not their families. The trend noted in our survey is that the benefits provided tend to increase with size of the enterprise. While only 28 per cent micro and small enterprises provide health insurance, the number goes up to 64 per cent in medium enterprises. Moreover, ~90 per cent MSMEs do not offer any financial aid for medical purposes to the families of the employees.

Expenditure on employee healthcare benefits – key takeaways

- As per our survey, over 85 per cent micro and small and 50 per cent medium enterprises offer no financial support to their employees and their families
- 90 per cent MSMEs do not offer any healthcare cover or other financial aid for medical purposes to the families of employees
- Attrition rate among micro and small enterprises is at 41 per cent against 17 per cent in medium enterprises, signifying the need to raise awareness among MSMEs regarding employee welfare to reduce attrition and increase productivity.
- Majority of MSMEs typically experience less than three injuries per worker in a year.

Group health insurance adoption

Group health insurance adoption is primarily driven by rising medical expenses. The primary reason for purchase of insurance across all categories of enterprises is rising medical expenses. Bancassurance and broker channels are key influencers for purchase of insurance.

This indicates that there is a latent and unrealised need for insurance among employees in the MSME sector which needs to be addressed.

Group health insurance adoption – key takeaways

- It is critical for the MSME sector to realise the importance of healthcare benefits to employees and its impact on total cost, employee productivity and time lost due to injury
- 47 per cent micro, 57 per cent small and 34 per cent medium enterprises prefer to purchase insurance from public insurers
- The need of healthcare cover to the employees of the MSME sector needs to be recognised and addressed to reduce high attrition rates and increase employee productivity
- Because of their good relationship with MSMEs, individual agents play a crucial role in creating awareness, promotion and after sales services, resulting in 90 per cent MSMEs in industries with low propensity to worker injuries and 100 per cent MSMEs in industries with high propensity to worker injuries relying on either agents or broking channels
- Group health insurance penetration through online channels is 7 per cent. It is important for insurers to increase group health insurance penetration through web aggregators and direct online sales to rationalise channel costs.

Policy coverage and sum insured

Enterprises across all sizes prefer to avail of group policies with basic coverage and the bare minimum sum insured. 64 per cent of the micro and small enterprises prefer up to INR2 lakh while 17 per cent of the micro and 10 per cent small enterprises prefer cover up to INR50,000.

Features such as domiciliary hospitalisation, vaccination and maternity expenses were least preferred while critical illnesses such as heart attack, cancer and stroke were given preference.

Policy coverage and sum insured – key takeaways

- 48 per cent MSMEs prefer low sum insured of up to INR2 lakh, while 34 per cent want their sum assured between INR2.1 lakh and INR5 lakh
- There is a need for product customisation with minimum product features offered as mandatory, as features such as domiciliary hospitalisation and vaccination were more prevalent in policies of medium sized enterprises
- MSME employees in different industries and clusters experience different diseases and desire minimum number of certain policy features. On aggregate, MSMEs prefer policies with minimum sum insured and low premiums, which facilitates the need of policy customisation with only industry specific mandatory features and diseases.

Claims

Cashless claims settlement is 26 per cent across all the surveyed MSMEs. The claims settlement time of up to 10 days was noted for 21 per cent respondents. 40 per cent respondents experienced settlement time of greater than 10 days.

Claims – key takeaways

- While cashless claims accounted for ~26 per cent of the total claims, ~40 per cent claims took more than 10 days to settle. There is a need for better claims management mechanism to attract MSMEs to purchase group health insurance
- Better customer servicing, driven by efficient claims management process could be a key contributor to increasing group health insurance in MSMEs.

Government support

According to our survey, penetration of government support among micro enterprises is18 per cent for non-healthcare while only 9 per cent for healthcare schemes. ESI is the most common government schemes among MSMEs. As the scope of the scheme is limited to registered enterprises with more than 10 employees and to workers earning up to INR21,000 per month, there is a need to look at avenues to either widen eligibility of ESI or look at alternate forms of insurance penetration through public private partnerships, other schemes or government enabled private initiatives.

Government support – key takeaways

- Because of lack of awareness, MSME sector majorly remaining in the unorganised sector, only 13 per cent micro, 16 per cent small and 24 per cent medium enterprises avail support through government schemes
- Penetration through healthcare government schemes among MSMEs in negligible. Only ~20 per cent of total MSMEs avail benefits through health insurance schemes
- There is a need to include unorganised sector either by launching schemes specific for the unorganised sector and effectively delivering them, or by recognising the unorganised sector to include them under current government schemes.

Based on our survey results and their analysis, we have specific recommendations for three key stakeholders; government, regulator and the insurance industry. The recommendations form the ground for each stakeholder to contribute in increasing healthcare awareness and group health insurance penetration in the MSME sector.

Key action points for stakeholders

The survey highlights the challenges faced and the outlook of MSMEs regarding group health insurance. Taking cognisance of the same, the following would be the key action points to enable increase in penetration of group health insurance in the MSME sector–

1. Increase awareness and penetration of employer championed health benefits for the employees among the micro segment through various product innovations or facilitations
2. Introduce products that cater to the sector's needs in terms of coverage, services and claims settlement while catering to the price points and sum insured

The key considerations for different set of stakeholders – government, regulator, and the industry are elaborated in this section.

Regulators

1. **Increase the scope of obligations**
   The IRDAI can explore modifying the scope of the current rural and social obligations by introducing mandatory health insurance norms for public and private sector insurers to cater to the MSME sector. Insurance products offered to MSMEs are included in the current scope of rural and social obligations, as the obligations include Micro Insurance products. IRDAI may explore introducing special obligation norms for micro insurance and other health insurance products by general and life insurance companies to MSMEs, ensuring carriers in the general insurance or health insurance space cater to the underpenetrated segment.
2. **Claims settlement norms**
   Our survey revealed ~40 per cent claims take more than 10 days to settle. While it is recommended for the industry to standardised claims process, IRDAI may explore to improve claims efficiency by initiating better turn-around time (TAT) of claims settlement for the MSME sector through providing a time threshold specific for the segment. While the TAT threshold for ordinary claims could be 10 days, the threshold may be increased for claims for extra-ordinary cases, such as severe calamity. Cashless settlement of claims of the MSME sector is ~26 per cent. IRDAI may consider developing a framework to push towards cashless claims settlement in the MSME segment by encouraging insurers to increase the quantum of network hospitals and tie-ups with TPAs in geographical locations with MSME clusters. Efficient settlement of claims and enable insurers to process claims efficiently, resulting in better customer service for the MSME sector.

Government

The key considerations for the government would be facilitation of infrastructure development and policy advocacy for increasing penetration of health insurance benefits. The key levers for the government are as follows:

1. **Increase the span of existing schemes**
   The ESI scheme in its current form provides insures cover to ~30 million workers and ~120 million beneficiaries and is applicable to enterprises with greater than 10 workers. The government is working on increasing the span of ESI by bringing the minimum number of workers to five and extending the benefits to certain sections of the unorganised sector, such as auto rickshaw drivers. However, the current ambit of ESI can be further strengthened. The government can explore the option of increasing the applicability of ESI to MSMEs and the unorganised sector by making only threshold coverage items mandatory for micro size enterprises.
2. **Schemes for the unorganised sector**
   The government can explore options of either capitalising on its existing schemes by increasing focus of Aam Aadmi Bima Yojana (AABY), Rashtrya Swasthiya Bima Yojana (RSBY) in the unorganised workforce from the current focus on BPL and rural households, or choose to introduce schemes focused on the unorganised workforce in both urban and rural areas. The government can further look at increasing the scope of Pradhan Mantri Suraksha Bima Yojana (PMSBY) by adding critical healthcare coverage along with accident. However, a key challenge the government faces is to recognise the unorganised sector. The government can leverage the expanding Aadhar network to recognise MSME and other workers in the unorganised sector such as rickshaw pullers, small scale shops and vendors, etc. Aadhar number could be used to identify the occupation of the person for the government and insurers to identify and target the underpenetrated segment, which primarily consists of micro size enterprises in the unorganised sector.
3. **Incentivise MSME proprietors and insurers**
   The government may explore rolling out schemes to incentivise both the insurers as well as MSME

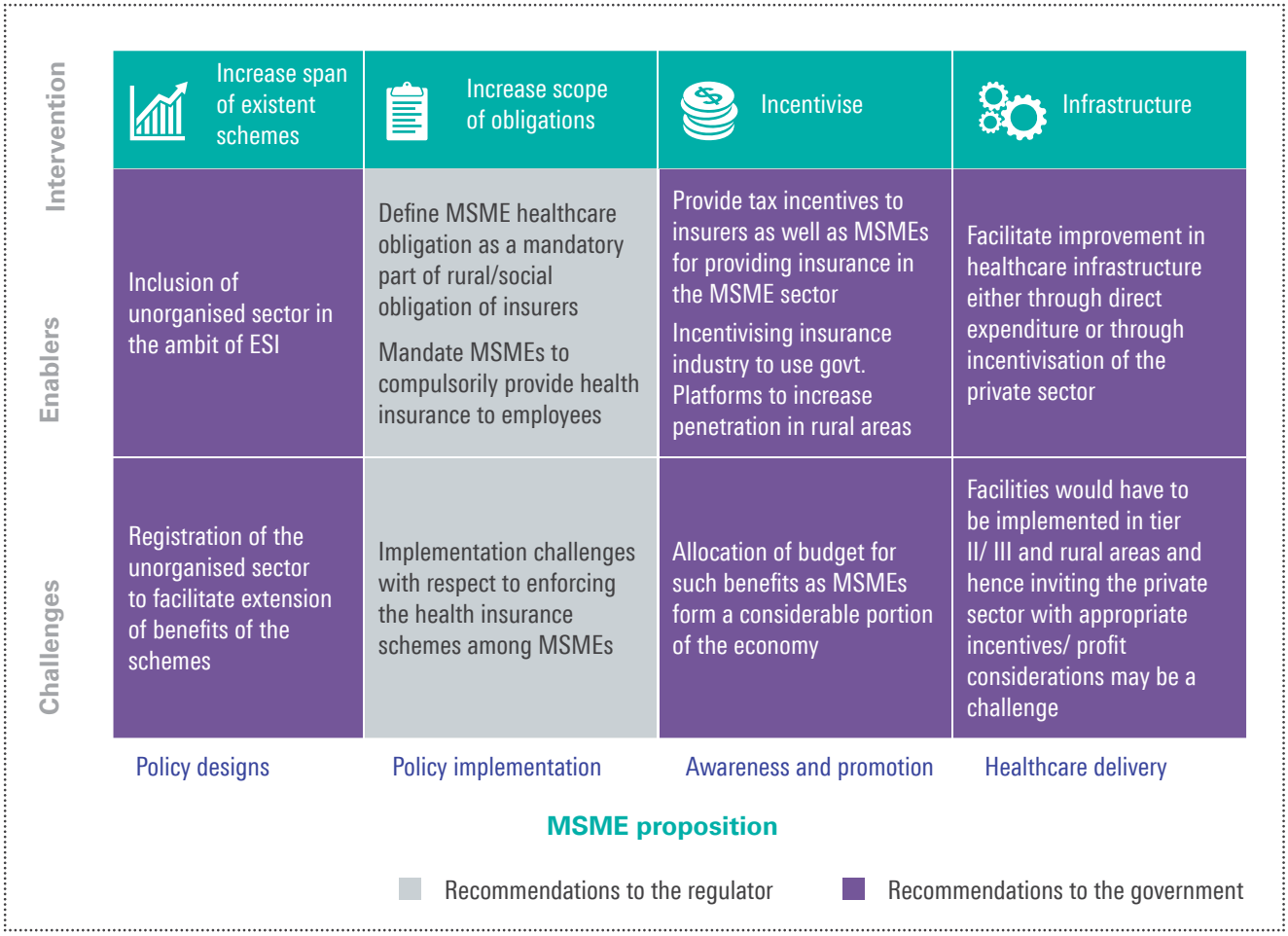
proprietor community for rolling out MSME specific Group Health policies and adoption of the same.

- The government may explore incentivising insurers to partner with them and use government platforms such as India Post, which have physical presence in areas beyond the reach of current insurance distributors, enabling group health insurance penetration in remote locations.
- For MSMEs, the government can provide financing of group health insurance policies as an incentive to the MSME sector. Government may offer financing options to MSMEs to enable the unorganised workforce to avail benefits of group health insurance. Monthly instalments from the employees of the enterprise can be taken. The government may explore the option of providing top-up or personal accident insurance as incentives to MSMEs that purchase group health insurance with minimum policy features and sum insured as specified by the government.

3. **Develop/facilitate development of healthcare infrastructure**

The current public expenditure on healthcare is 1.4 per cent of the GDP which makes India 187th out of 194 countries in terms of public healthcare expenditure. The number of government hospitals is 19 per cent of total hospitals and India currently provides one bed per 1,000 patients[1]. The government could explore other avenues to invest in healthcare infrastructure as the same would facilitate in providing quality healthcare services to the underserved segment, a significant portion of whom fall under employment in the unorganised micro segment. The government can facilitate robust hospital/clinic network either through public or public private undertakings or through offering incentives to private players.

Figure 7: Key action points for the government and the regulators



1. Healthcare. India Brand and Equity Foundation (IBEF). April 2017

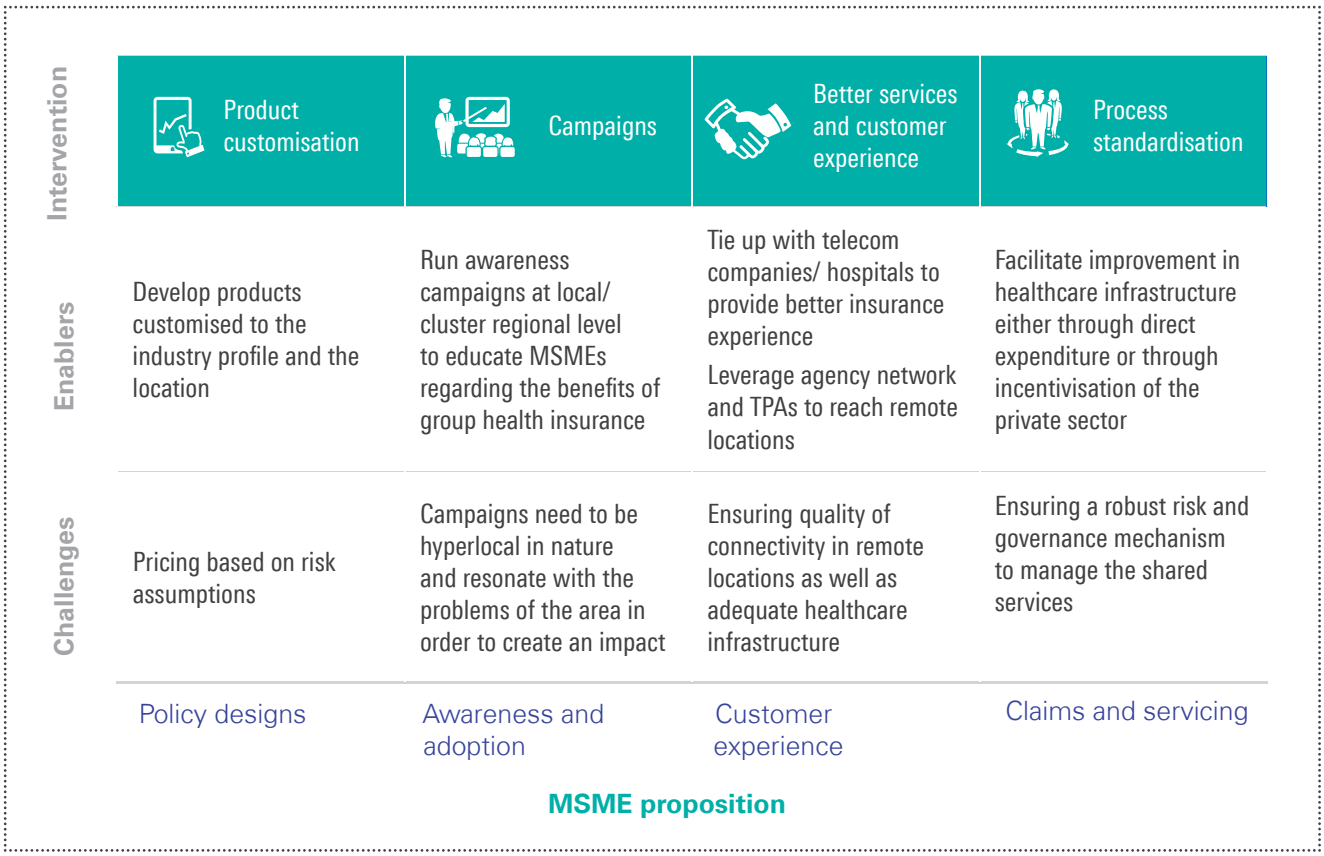
Industry

The general insurance industry including standalone health insurers may explore avenues to design products which offer the policy features catering to the MSME sector and charge premiums commensurate to the same. The private sector can capitalise on the improved healthcare infrastructure by increasing the scope of serving MSMEs in tier II and beyond locations. The private sector can achieve the same by increasing the number of group health insurance policy network hospitals in tier II and beyond locations. The key aspects that can be explored to deliver the desired value proposition of providing cost effective policies with sufficient coverage and efficient claims settlement are:

1. **Customise products**
   - The survey conducted indicates preference of a basic personal accident and critical illness cover policy. Group health insurance policies can be designed based on the type of industry, location and nature of operations. To increase group health insurance penetration, insurers can offer group health insurance policies without any limitations such as pre-existing diseases to the MSME sector. A primary policy covering accidents, hospitalisation and critical illness for the employee only with variations in the policy customised according the type of industry can would be optimal to increase group health insurance penetration in the MSME sector. For example, for the textile industry tailored add-on coverage could include limb amputation, while heart attack or stroke could be a prominent feature in the software industry. Additional features such as domiciliary hospitalisation, vaccination can be introduced as additional features which can be sold as add on options at higher premiums, either in the group policy or sold as top ups.
   - Sum insured would range between INR50,000 to INR1 lakh and premium can be brought down through aggregation at a cluster level or zonal level of similar types of industries. Insurers can include an option of 20 per cent co-payment for the MSME sector. This will encourage higher number of MSMEs to provide healthcare cover to employees, as personal accident cover would provide cover against accidents outside the workplace as well. For insurers, including co-payment and personal accident cover in group health insurance policies for MSMEs will help them make customised products with low sum insured at low premiums viable.
   - Insurers can explore providing cover for out-patient treatment including diagnostics, MRI, etc. Insurers can introduce cashless facility for OPD treatment and diagnostics for the MSME sector's workforce.
2. **Run campaigns to promote insurance**
   Insurance companies can explore running campaigns targeting MSMEs at a cluster or regional level with products catering to the needs of the cluster to promote group health insurance as well as raise awareness regarding benefits of the same. Additionally, the industry can leverage the vast network of agents, brokers and TPAs to educate the unorganised sector about group Health Insurance benefits in tier II and beyond locations. Insurers can leverage bancassurance channel to increase group health insurance penetration in the MSME sector.
3. **Innovation in distribution models to increase group health insurance penetration in MSMEs**
   While insurers have capitalised on the traditional distribution channels, efforts to innovate in distribution channels lack to increase group health insurance penetration in MSMEs. Insurance provider could shift the focus towards raising awareness of digital channels, which will increasing penetration of group health insurance through online channels and mitigate channel cost for the insurers.
4. **Standardise claims processes and pool claims infrastructure**
   The industry can explore pooling of claims infrastructure as well as development of standardised claims settlement processes at a cluster or regional level. Development of common infrastructure and standardisation of claims settlement processes would not only result in efficient and effective servicing of the MSME clientele but would also result in cost rationalisation.
5. **Tie ups to increase coverage**
   The penetration of group health insurance among MSMEs, especially among micro enterprises would be successful if tier II/ III and beyond areas are penetrated. Insurers can tie up with telecom companies and hospitals to effectively serve tier II and beyond locations. In order to facilitate the same, the industry can explore leveraging technology through strategic tie ups with telecom service providers to provide remote

healthcare services. The industry can also look at tie ups with hospitals in the vicinity to provide seamless healthcare service.

Figure 8: Key action points for the industry



Conclusion

MSMEs are crucial to the Indian success story and one key driver for the success of MSMEs is employee welfare which would result in reduction in attrition, through improved motivation and better skilling. One key aspect of employee welfare is healthcare coverage. The same needs to be provided to the MSME employee base and the government along with Insurance companies would play a crucial role in enabling the same.

The government of India can play a facilitation role through focus on healthcare infrastructure as well through increasing coverage of its existing schemes. The government of India and the regulator, IRDAI can additionally look at facilitating the insurance companies through various policy advocacy initiatives.

The insurance companies in India would play a crucial role in catering to the health insurance needs of MSMEs through design of policies which cater to the coverages at price points desired. The Insurance industry may explore designing simple and price efficient personal accident and critical illness policies which are customised as per location and industry and look to provide add-ons as added features. The Insurance industry would also need to develop a robust servicing and claims management infrastructure to ensure effective servicing. The same can be done through pooling of claims infrastructure, standardisation of claims processes and promise of efficient turnaround times. The Insurance companies can additionally explore alliances with telecom companies, internet service providers and hospitals to provide cost effective services in tier III and beyond areas.

The measures, as mentioned above can facilitate increase in group health insurance penetration from the current levels of 31 per cent[1] and ensure higher level of employee engagement and productivity in a sector that employs a significant proportion of India's workforce.

1. KPMG in India analysis and estimates

List of abbreviations used

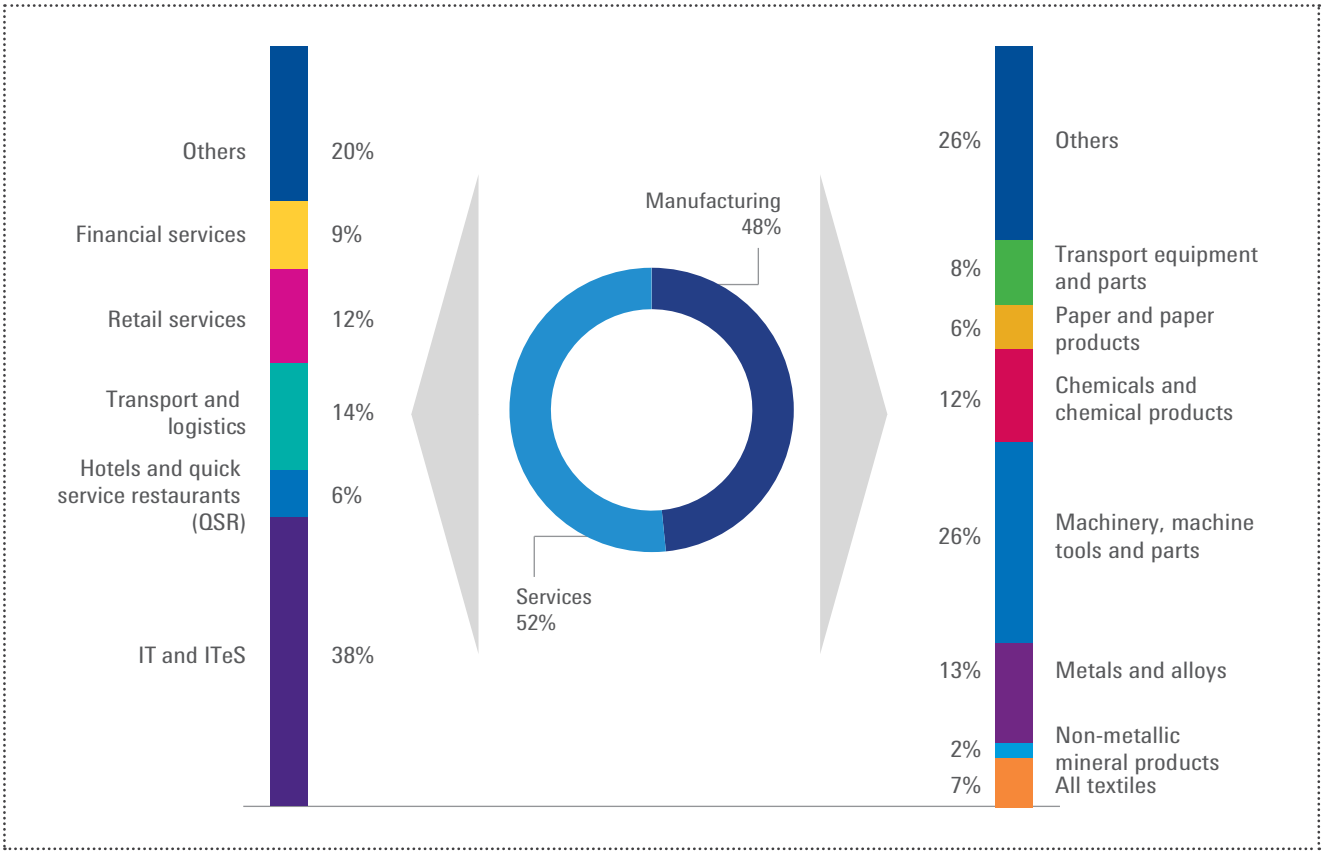
Abbreviation	Full form
AABY	Aam Aadmi Bima Yojana
AHCA	American Healthcare Act
ACA	Affordable Care Act
APSIRE	A Scheme for Promoting Innovation, Rural Industry and Employment
BPL	Blow Poverty Line
CGTMSME	Credit Guarantee Scheme for MSMEs
CLCSS	Credit Linked Capital Subsidy Scheme
ESI	Employee State Insurance
ESIS	Employee State Insurance Scheme
FY	Financial Year
GDP	Gross Domestic Product
GHI	Group Health Insurance
GST	Goods and Service Tax
IBEF	India Brand and Equity Foundation
INR	Indian National Rupee
IR	Injury Rate
IRDAI	Insurance Regulatory and Development Authority of India
IT	Information Technology
ITES	Information Technology Enabled Services
MPDA	Market Promotion and Development Assistance
MRI	Magnetic Resonance Imaging
MSME	Micro, Small and Medium Enterprises
NHA	National Health Accounts
NHS	National Health Insurance
NPS–S	National Pension Scheme – Swavalamban
OECD	Organisation of Economic Co-operation and Development
PMEGP	Prime Minister's Employment Generation Program
PMSBY	Pradhan Mantri Suraksha Bima Yojana
QSR	Quick Service Restaurants
RBI	Reserve Bank of India
RSBY	Rashtriya Swastha Bima Yojana
SFURTI	Scheme of Fund for Upgradation and Regeneration of Traditional Industries
TAT	Turn-Around Time
TPA	Third Party Administrator
UAM	Udyog Aadhar Memorandum
UHIS	Universal Health Insurance Scheme
UK	United Kingdom
US	United States of America
WHO	World Health Organisation

Appendix

Characteristics of respondents

Industrial split of respondents

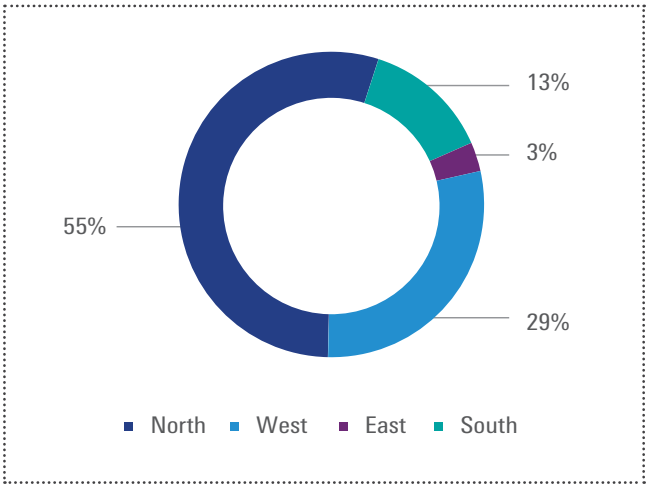
Figure 9: Split of respondents based on nature of operation and industry



Source - KPMG in India's MSME group health insurance survey 2017

Geographical split of respondents

Figure 10: Split of respondents based geographical location



Key classification parameters

We have developed the themes based on the following criteria:

1. **The size of the enterprise, covering both manufacturing and services enterprises.**
   - Current classification of MSMEs

Manufacturing sector MSMEs	
Enterprise	Investment in plant and machinery
Micro	Does not exceed INR25 lakhs
Small	More than INR25 lakhs but does not exceed INR5 crore
Medium	More than INR5 crore but does not exceed INR10 crore

Service sector MSMEs	
Enterprise	Investment in equipment
Micro	Does not exceed INR25 lakhs
Small	More than INR25 lakhs but does not exceed INR5 crore
Medium	More than INR5 crore but does not exceed INR10 crore

   - Classification of MSMEs for the purpose of this paper

Manufacturing and service sector MSMEs		
Enterprise	Turnover	Number of employees
Micro	Less than INR10 crore	0–40
Small	Between INR10 crore and INR100 crore	41–100
Medium	More than INR100 crore	100–250

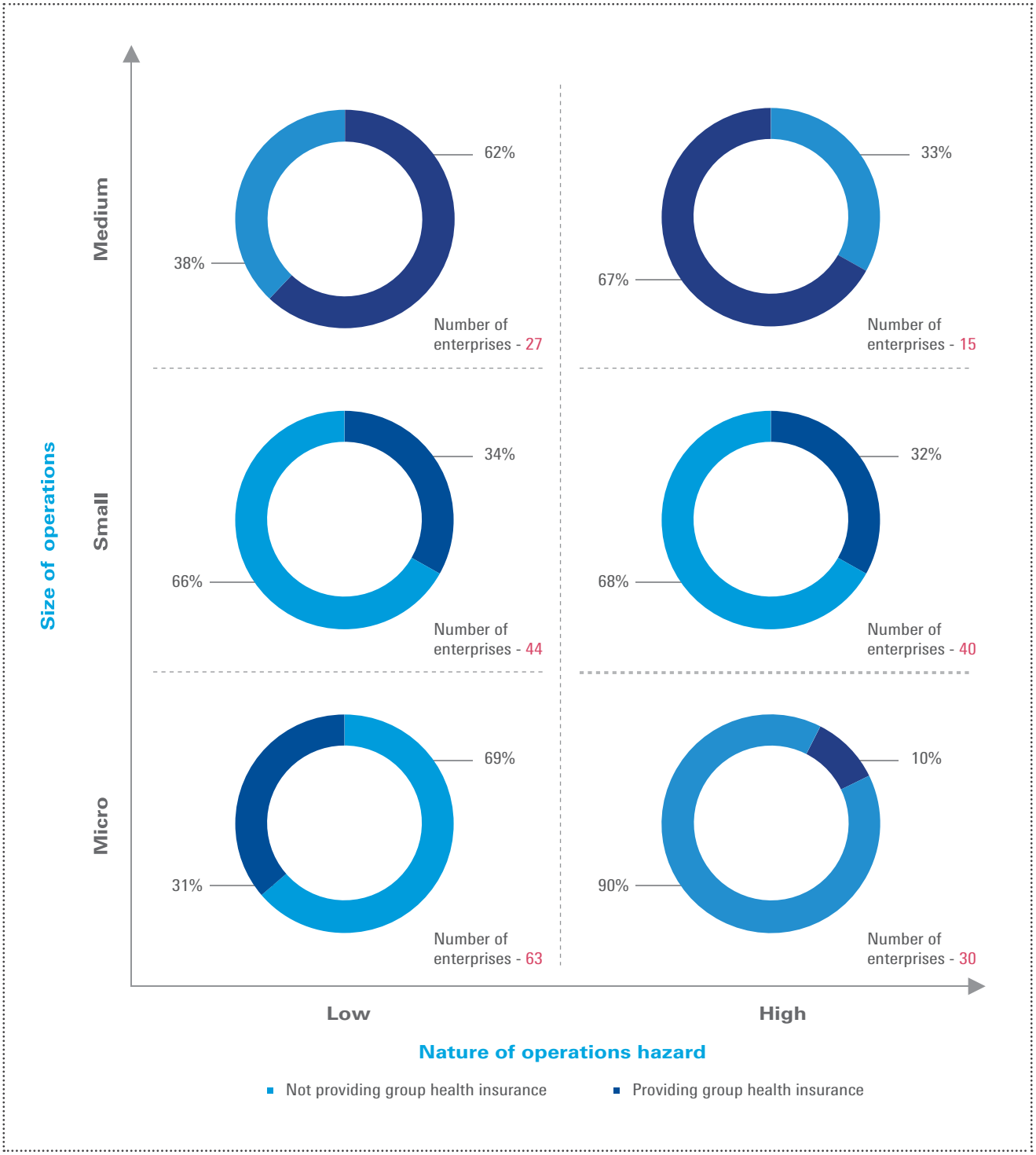
2. **The nature of operations and hence the number of workplace injuries to workers:**
   - ***Industries with high propensity to worker injuries*** – Industries with incident rate (IR) of five or more occupational injuries per worker per year.

Industries with high propensity	
Manufacturing	Services
• Textiles • Non – metallic minerals • Metal and metal production • Machinery, machine tools and parts • Chemicals and chemical products • Paper and paper products, printing, publishing and allied products • Basic metals and alloys	• Does not exceed INR25 lakhs • More than INR25 lakhs but does not exceed INR5 crore • More than INR5 crore but does not exceed INR10 crore

Source – Ministry of Labour and Employment

Propensity to worker injuries

Figure 12: Split of respondents based on health propensity to worker injuries



As seen in the preceding graphs, group health insurance penetration is lower among micro units, which are in industries with high propensity to worker injuries whereas group health insurance penetration is higher among medium enterprises.

Analysis and key themes

Expenditure on employee healthcare benefits

Financial support for healthcare and medical benefits is predominant among medium enterprises and is provided to the employees only and not their families. Currently, our survey reveals that there is almost no medical benefit provided by micro and small enterprises.

The trend noted in our survey is that benefits provided tend to increase with size of the enterprise. Our survey reveals over 85 per cent micro and small enterprises do not prefer to provide any healthcare support, the number falls to ~50 per cent in medium enterprises. Even among the medium category of enterprises, assistance is primarily provided to the employee while 86 per cent enterprises in industries with low propensity to worker injuries and 60 per cent enterprises in industries with high propensity to worker injuries don't provide assistance to employees' families.

Parameter	Analysis outcome	
	MSMEs in industries with low propensity to worker injuries	MSMEs in industries with high propensity to worker injuries
Financial support to employees		
General loans	87% 7% 6%	84% 13% 4%
Reimbursement of medical emergency expenses	90% 7% 3%	86% 9% 5%
Surgery expenses	90% 7% 3%	88% 6% 6%
Loans for medical treatment of employee's family	91% 6% 3%	89% 6% 5%
Loans for medical treatment of employees	90% 7% 3%	87% 6% 7%

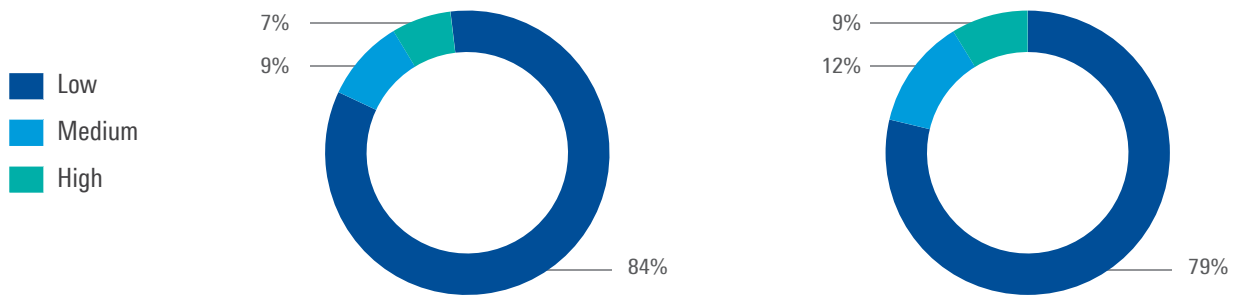
Source - KPMG in India's MSME group health insurance survey 2017

Less – Up to INR1.25 lakh per employee

Moderate – Between INR1.25 lakh – INR3.75 lakh per employee

High – More than INR3.75 lakh per employee

Parameter	Analysis outcome	
	MSMEs in industries with low propensity to worker injuries	MSMEs in industries with high propensity to worker injuries
Injury rate		



Source - KPMG in India's MSME group health insurance survey 2017

Among the surveyed MSMEs, typical attrition rates are found to be 41 per cent among micro and small enterprises as against 17 per cent among medium enterprises. Our survey reveals that within medium enterprises, higher quantum of benefits are provided. Thus, there is a need to raise awareness amongst the 'micro' and 'small' enterprises regarding employee welfare as a lever for employee productivity and retention.

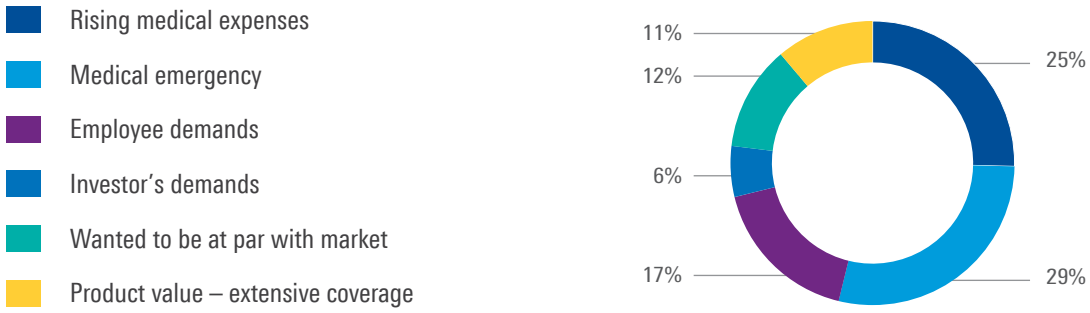
Group health insurance adoption

Group Health Insurance coverage is predominant among medium enterprises and broker and bancassurance are the preferred channels of purchase.

According to our survey, 31 per cent across micro, small and medium enterprises provide group health insurance cover. The number varies from 24 per cent among micro, 33 per cent in small and 64 per cent among medium enterprises.

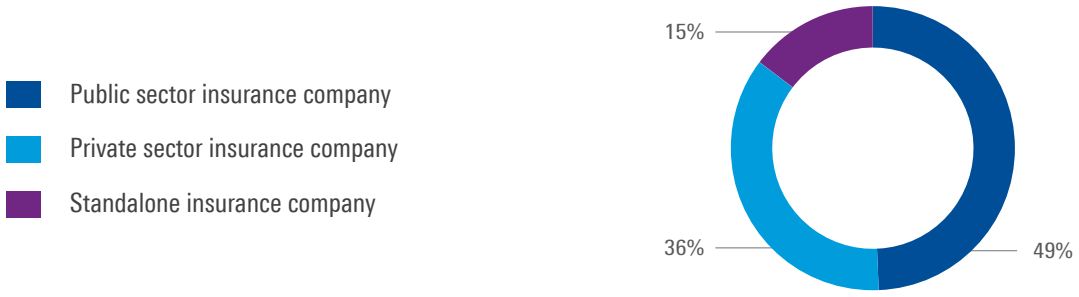
The primary reason for purchase of insurance across all categories of enterprises is rising medical expenses followed by medical emergencies and employee demands. This indicates that there is a latent need for insurance among employees in the MSME sector which needs to be addressed.

Parameter	Analysis outcome
	MSME sector's reasons to purchase group health insurance
Reasons to purchase group health insurance	



Source - KPMG in India's MSME group health insurance survey 2017

Parameter	Analysis outcome
	MSME sector's preference of type of insurer
Preference of type of insurer	

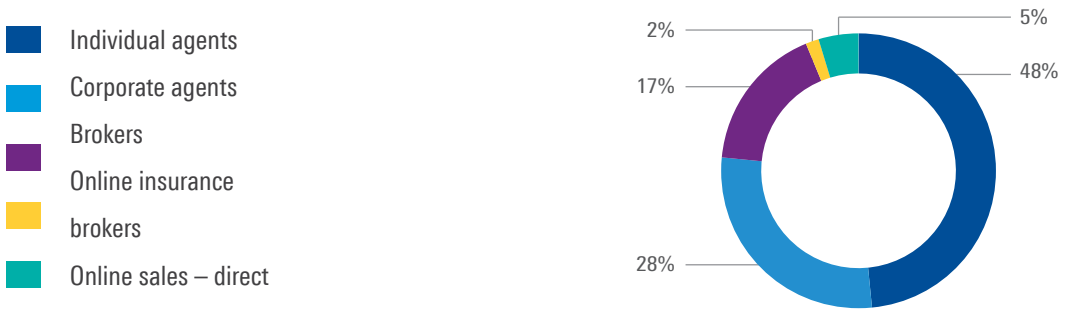


Source - KPMG in India's MSME group health insurance survey 2017

Our survey reveals that enterprises across all sizes predominantly depend on bancassurance and broker channel. The key reason for preference of the channels was found to be the hand holding by these partners from policy purchase till claims settlement phase

Healthcare benefits through insurance is driven by rising healthcare costs and the broking channels can be leveraged to increase penetration through driving group based relationships.

Parameter	Analysis outcome
	MSME sector's distribution channel preference
Channel preference	



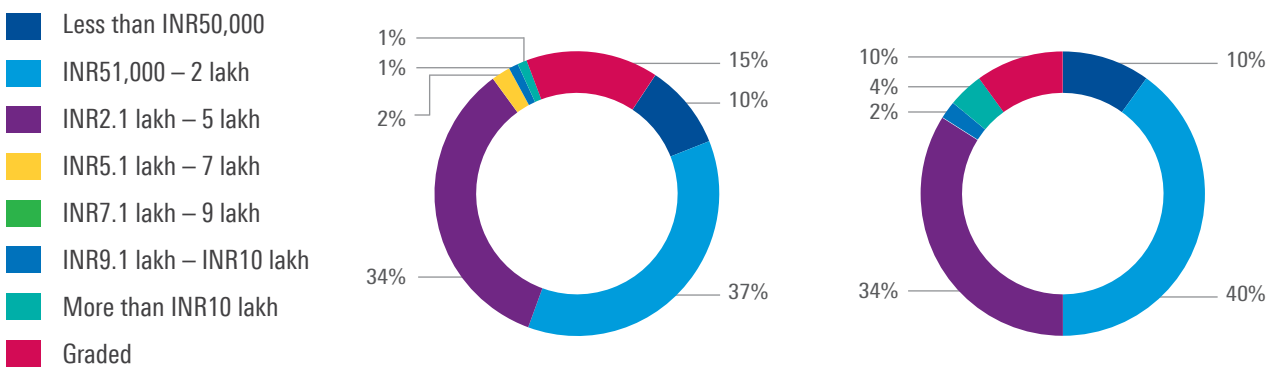
Source - KPMG in India's MSME group health insurance survey 2017

Policy coverage and sum insured

Enterprises across all sizes prefer providing the bare minimum sum insured correlated with basic features coverage.

Most of the enterprises preferred providing a coverage of up to INR2 lakh. 64 per cent micro and small enterprises preferring up to INR2 lakh while 17 per cent micro and 10 per cent small enterprises prefer cover up to INR50,000. The sum insured showed an increasing trend with 34 per cent of medium enterprises preferring to cover up to INR3 lakh (INR2.1 lakh – 3 lakh) as opposed to 19 per cent in small enterprises.

Parameter	Analysis outcome	
	MSMEs in industries with low propensity to worker injuriesz	MSMEs in industries with high propensity to worker injuries
Sum insured		



Source - KPMG in India's MSME group health insurance survey 2017

Over 50 per cent MSMEs in industries with low propensity to worker injuries provide cover against all mentioned critical illnesses, as compared to ~40 per cent MSMEs in industries with high propensity to worker injuries. While additional features such as domiciliary hospitalisation and maternity expenses and diseases such as stroke were more prevalent in policies of medium enterprises, there is a need for product customisation which would include providing enterprises a threshold policy with minimum sum insured and coverage along with add-on facilities, which would provide them with both suitable prices as well as coverage flexibility.

Parameter	Analysis outcome	
	MSMEs in industries with low propensity to worker injuries	MSMEs in industries with high propensity to worker injuries
Policy features		
Waiting period waiver	58% / 42%	9% / 91%
Vaccination	9% / 91%	19% / 81%
Domiciliary hosp.	22% / 78%	26% / 74%
Maternity expenses	46% / 54%	44% / 56%
Spouse cover	57% / 43%	47% / 53%
Emergency expenses	54% / 46%	41% / 59%
Day care procedures	55% / 45%	48% / 52%
Pre/post hospitalisation	65% / 35%	45% / 55%
Hospitalisation	40% / 60%	55% / 45%

Source - KPMG in India's MSME group health insurance survey 2017

Parameter	Analysis outcome	
	MSMEs in industries with low propensity to worker injuries	MSMEs in industries with high propensity to worker injuries
Diseases covered		
Other critical illness	57% Yes, 43% No	38% Yes, 62% No
Stroke	59% Yes, 41% No	45% Yes, 55% No
Kidney failure	61% Yes, 39% No	45% Yes, 55% No
First heart attack	62% Yes, 38% No	48% Yes, 52% No
Cancer	61% Yes, 39% No	41% Yes, 59% No
Diabetes – type 2	51% Yes, 49% No	47% Yes, 53% No
Hypertension	61% Yes, 39% No	49% Yes, 51% No

Source - KPMG in India's MSME group health insurance survey 2017

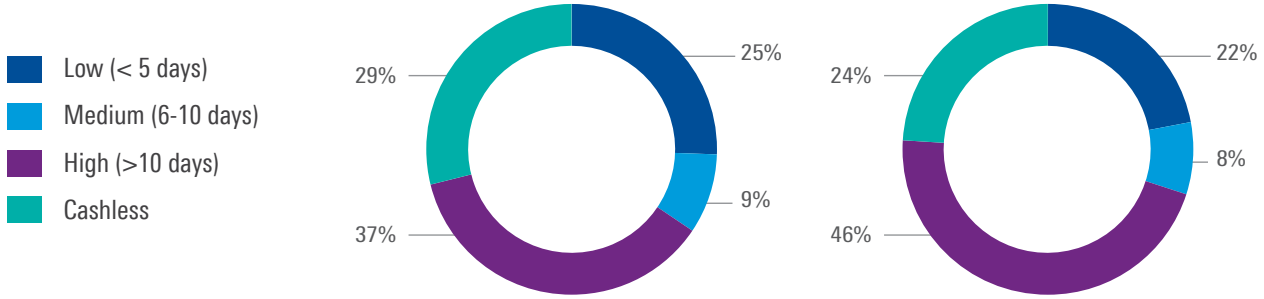
Yes No

Claims

Cashless claims settlement is 36 per cent across all enterprises.

The number of cashless claims vary from with 24 per cent claims of MSMEs in industries with high propensity to worker injuries and 29 per cent claims of MSMEs in industries with low propensity to worker injuries claims being settled cashless. The claims settlement time of up to 10 days is noted for 21 per cent respondents. 44 per cent respondents experienced settlement time of greater than 10 days.

Parameter	Analysis outcome	
	MSMEs in industries with low propensity to worker injuries	MSMEs in industries with high propensity to worker injuries
Claims		



Source - KPMG in India's MSME group health insurance survey 2017

Cashless claims settlement is the preferred route and the same can be encouraged through increasing network alliances and tie ups.

Government support

MSMEs generally have availed infrastructure related benefits from the government while adoption of health specific schemes remains low.

The penetration of government support among micro enterprises is18 per cent for non-healthcare while only 9 per cent for healthcare schemes. Overall government schemes penetration in micro enterprises remains low at 13 per cent. The overall government schemes penetration figures go up to 16 per cent among small and 24 per cent among medium enterprises indicating that penetration of benefits is low among unregistered enterprises.

Parameter	Analysis outcome	
	MSMEs in industries with low propensity to worker injuries	MSMEs in industries with high propensity to worker injuries
Non-healthcare		
Infrastructure support	16% 84%	25% 75%
Training and development	10% 90%	18% 82%
Exports	8% 92%	13% 87%
Tech. upgradation and R&D	17% 83%	16% 84%
Marketing and sales	15% 85%	24% 76%
Finance and insurance	19% 81%	29% 71%

Source - KPMG in India's MSME group health insurance survey 2017

Yes No

Among health insurance schemes, ESI is the preferred scheme. The scheme, however is valid only for enterprises with greater than 10 employees and to workers earning up to INR21,000 per month. Hence there is a need to look at avenues to either widen eligibility of ESI or look at alternate forms of insurance penetration through public private partnerships, other schemes or government enabled private initiatives.

Parameter	Analysis outcome	
	MSMEs in industries with low propensity to worker injuries	MSMEs in industries with high propensity to worker injuries
Healthcare		
CGHS	3% 97%	8% 92%
RSBY	1% 99%	6% 94%
Health Insurance Sheme	15% 85%	26% 74%
Atal Pension Yojana	3% 97%	8% 92%
PMSBY	6% 94%	18% 82%
Janashree Bima Yojana	2% 98%	4% 96%
Aam Aadmi Bima Yojana	4% 96%	6% 94%
Microinsurance	4% 96%	4% 96%
VPBY	1% 99%	6% 94%
UHIS	6% 94%	12% 88%

Source - KPMG in India's MSME group health insurance survey 2017

Yes No

Glossary

Accident: a sudden, unforeseen and involuntary event caused by external, visible and violent means[1].

Add-on features: items offered by insurers as additional features to the basic policy, which the customer can purchase at an additional cost[2].

Broker: an insurance broker who for the time-being licensed by the authority to act as such, for a remuneration carries out the functions as specified under regulation four in the Insurance Laws Act 2015 either in the field of life insurance or general insurance or both on behalf of its clients[3].

Broking channels: a person or a company licensed by the authority who arranges insurance contracts with insurance companies and/ or reinsurance companies on behalf of its clients for a remuneration[4].

Corporate agent: any applicant specified in the Insurance Laws Act 2015 who holds a valid certificate of registration issued by the authority under regulations for solicitation and servicing of insurance business for any of the specified category of life, general and health[5].

Critical illness: illness, sickness or a disease or a corrective measure like cancer of specified severity, open chest bag, aorta graft surgery, open heart replacement or repair of heart valves, stroke resulting in permanent symptoms, first heart attack of specified severity, kidney failure requiring regular dialysis, primary pulmonary arterial hypertension, major organ/ bone marrow transplant, multiple sclerosis with persisting symptoms, coma of specified severity, total blindness and permanent paralysis of limbs all as defined in scope of cover and benefits section of the policy[6].

Day care procedures: medical treatment and or surgical procedure which is undertaken under general or local anaesthesia in a hospital/day care centre in less than 24 hours because of technological advancement and which would have otherwise required a hospitalisation of more than 24 hours[7].

Disease: sickness or a disease or pathological condition leading to the impairment of normal physiological function which manifests itself during the policy period and requires medical treatment[8].

Domiciliary hospitalisation: medical treatment for an illness/disease/injury which in the normal course would require care and treatment at a hospital but is actually taken while confined at home[9].

Emergency expenses: expenses of management for a severe illness or injury which results in symptoms which occur suddenly and unexpectedly, and requires immediate care by a medical practitioner to prevent death or serious long-term impairment to the insured person's health[10].

Group health insurance policy: an insurance plan that provides healthcare coverage to a select group of people[11].

Group: any association of persons who assemble together with a commonality of purpose or engaging in a common economic activity like employees of a company. Non-employer/ employee groups, like employee associations, holders of credit cards issued by a specific company, customers of a particular business where insurance is offered as an add on benefit, borrowers of a bank, professional associations or societies may also be treated as a group. However, an association of persons coming together with a purpose of availing an insurance cover, will not be treated as a group for the purpose of this policy[12].

High income countries: countries with gross national per capita income of USD12,236 or more[13].

Hospital: any institution established for in-patient care and day care treatment of illness and / or injuries and which has been registered as a hospital with the local authorities, under the Clinical Establishments Act, 2010 or under the enactments specified under the Schedule of Section 56(1) of the said Act or complies with all minimum criteria set by the authority[14].

Hospitalisation: admission in a hospital for a minimum period of 24 in–patient care consecutive hours except for specified procedures/ treatments, where such admission could be for a period of less than 24 consecutive hours[15].

Individual agent: an individual appointed by an insurer for the purpose of soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance[16].

1. Insurance Regulatory and Development Authority of India (Health Insurance) Regulations, 2016. IRDAI. July 2016
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Injury: accidental physical bodily harm excluding illness or disease solely and directly caused by external, violent and visible and evident means which is verified and certified by a medical practition[17].

Low income countries: countries with gross national per capita income of USD1,005 or less[18].

Lower middle income countries: countries with gross national per capita income between USD1,006 and USD3,955[19].

Maternity expenses: expenses/ treatment which includes medical treatment expenses traceable to childbirth (including complicated deliveries and caesarean sections incurred during hospitalisation) and expenses towards lawful medical termination of pregnancy during the policy period[20].

Medical cover: healthcare cover through purchasing individual health insurance or enterprises providing group health insurance[21].

Medical expenses: expenses that a person has necessarily and actually incurred for medical treatment on account of illness or accident on the advice of a medical practitioner, as long as these are no more than would have been payable if the Insured Person had not been insured and no more than other hospitals or doctors in the same locality would have charged for the same medical treatment[22].

Medical practitioner: person who holds a valid registration from the Medical Council of any State or Medical Council of India or Council for Indian Medicine or for homeopathy set up by the government of India or a state government and is thereby entitled to practice medicine within its jurisdiction; and is acting within the scope and jurisdiction of license[23].

National Health Services: publicly funded free national healthcare system for residents of the U.K.[24]

Network hospitals: hospitals or healthcare providers enlisted by an insurer or by a third party administrator (TPA) and insurer together to provide medical services to insured on payment by a cashless facility[25].

Online channels: three digital insurance purchasing channels have been considered; online brokers, web aggregators and online direct[26].

Online direct: sale of insurance on digital platform directly from insurer's website without the involvement of intermediaries[27].

Online insurance brokers: insurance brokers licensed by the authority to act as such, for a remuneration carries out the functions in the field of insurance on behalf of its client on digital platforms[28].

Policy features: features insurer promises to pay benefits to the insured or on their behalf to a third party if certain events defined in the insurance policy occur[29].

Post hospitalisation expenses: relevant medical expenses incurred immediately 60 days after the insured person is discharged from the hospital provided that such medical expenses are incurred for the same condition for which the insured person's hospitalisation was required and in-patient hospitalisation claim for such hospitalisation is admissible by the insurance company[30].

Pre hospitalisation expenses: medical expenses incurred immediately 30 days before the insured person is hospitalised will be considered as part of a claim provided that such medical expenses are incurred for the same condition for which the insured person's hospitalisation was required and the in-patient hospitalisation claim for such hospitalisation is admissible by the insurance company[31].

Spouse cover: policy in terms of which the spouse of the insured person is named in the schedule of insurance certificate as insured person[32].

Sum insured: the specified amount mentioned in the schedule to this policy which represents the Insurers maximum liability for any or all claims under this policy during the currency of the policy subject to terms and conditions[33].

Third party administrator (TPA): any entity, engaged, for a fee by the company for the purpose of providing health services[34].

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33. Insurance Regulatory and Development Authority of India (Health Insurance) Regulations, 2016. IRDAI. July 2016
34. Insurance Regulatory and Development Authority of India (Health Insurance) Regulations, 2016. IRDAI. July 2016

Tier I cities: metropolitan and highly developed and commercialised cities with population above 10 lakh[35].

Tier II cities: developing and emerging cities with population between 50,000 and 99,999[36].

Tier III cities[37]: cities with population between 20,000 and 49,000[38].

Upper middle income countries: countries with gross national per capita income between USD3,956 and USD12,235[39].

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36. Decision of the Government on the recommendations of the Sixth Central Pay Commission relating to re-classification of cities/towns for grant of House Rent Allowance (HRA). Department of Expenditure, Ministry of Finance. March 2011
37. Decision of the Government on the recommendations of the Sixth Central Pay Commission relating to re-classification of cities/towns for grant of House Rent Allowance (HRA). Department of Expenditure, Ministry of Finance. March 2011
38. Decision of the Government on the recommendations of the Sixth Central Pay Commission relating to re-classification of cities/towns for grant of House Rent Allowance (HRA). Department of Expenditure, Ministry of Finance. March 2011
39. New country classification by income level: 2017-18. World Bank. July 2017

About Federation of Indian Chambers of Commerce and Industry (FICCI)

Established in 1927, FICCI is the largest and the oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialisation, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

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KPMG in India offers services to national and international clients in India across sectors. We strive to provide rapid, performance-based, industry-focused and technology-enabled services, which reflect a shared knowledge of global and local industries and our experience of the Indian business environment.

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Acknowledgements

The publication was prepared by a team comprising:

- **Joymalya Bandyopadhyay**
- **Shreya Bapna**
- **Shahbaz Samra**
- **Pritesh Birla**

We acknowledge the efforts put in by the task force committee comprising:

- **Mr Mayank Bathwal**
  Task force leader- CEO, Aditya Birla Health Insurance Co Ltd
- **Mr Asim Ansari**
  Head - Group, Rural and Social Business, Aditya Birla Health Insurance Co Ltd
- **Mr Manish Jain**
  CEO, Yes2Treatment
- **Ms Neera Saxena**
  Deputy General Manager - Health, The New India Assurance Co Ltd
- **Dr Abhimanyu Panda**
  Deputy Medical Commissioner - Information and Technology Department, Employee State Insurance Corporation
- **Mr Shishir Sandipan**
  FICCI task force committee member
- **Mr Kapil Mehta**
  Co-founder and CEO, SecureNow
- **Mr Syed Quasim Ali**
  Senior Assisstant Director, FICCI
- **Ms Deeksha Anand**
  Deputy Chief Manager, Aditya Birla Health Insurance Co Ltd

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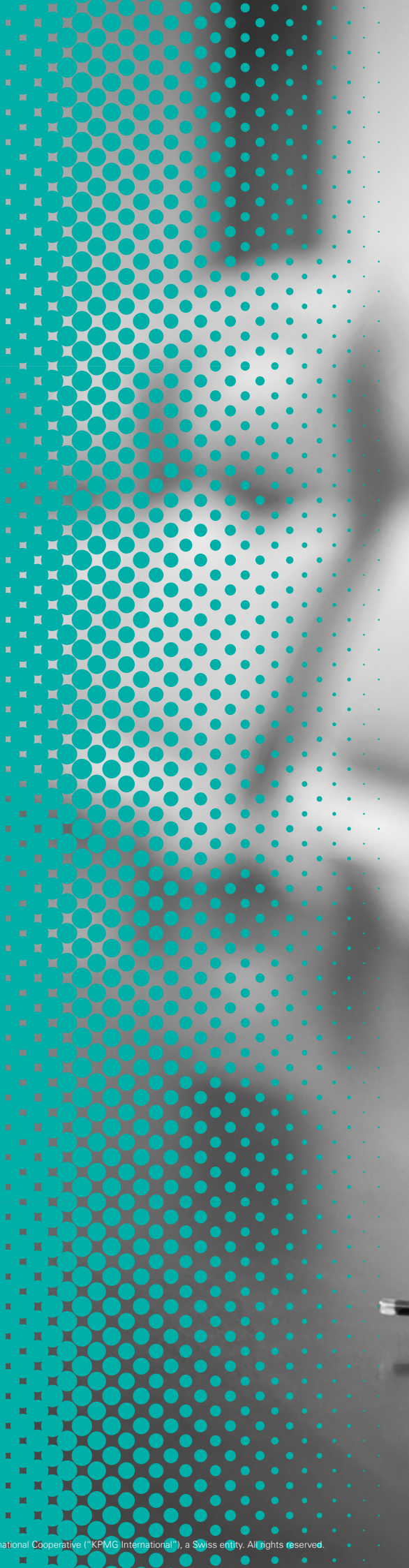

KPMG in India contacts:

Mritunjay Kapur
National Head
Markets & Strategy
Head - Technology, Media & Telecom
T: +91 124 307 4797
E: mritunjay@kpmg.com

Naresh Makhijani
Partner and Head
Financial Services
T: +91 22 3989 6000
E: nareshmakhijani@kpmg.com

Gayathri Parthasarathy
Partner and Head
Financial Services - Advisory
T: +91 22 3090 2828
E: gparthasarathy@kpmg.com

Shashwat Sharma
Partner and Head
Insurance
T: +91 22 3090 2547
E: shashwats@kpmg.com

Avani Shah
Director
Financial Services
T: +91 22 3989 6000
E: avanishah@kpmg.com

FICCI contacts:

Shobha Mishra Ghosh
Assistant Secretary General
T: +91 11 2348 7468
E: shobha.mishra@ficci.com

Syed Quasim Ali
Senior Assistant Director
T: + 91 11 2348 7220
E: quasim.ali@ficci.com

Kapil Chadha
Project Assistant
T: + 91 11 2348 7445
E: kapil.chadha@ficci.com

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