IJASRM
International Journal of Advanced Scientific Research and Management, Volume 4 Issue 2, Feb 2019
www.ijasrm.com
ISSN 2455-6378

Critical assessment of commercial insurance models for life & health insurance and social security benefits provided by ESIC

Prerna Garg[1] and Dileep Singh[2]

[1]Research Scholar, Department of Business Administration, University of Rajasthan, Jaipur-302004, Rajasthan, India

[2]Associate Professor, Department of Business Administration, University of Rajasthan, Jaipur-302004, Rajasthan, India

Abstract

Employees' State Insurance (ESI) Scheme is the single largest medical infrastructure under one umbrella in India. It is a social security scheme in India which provides social and medical/ health protection to workers and most of their dependants, in the organized sector. In fact some benefits are passed on to the survivors of a dead enrolee. Employees' State Insurance Act was enacted in 1948 which at least guarantees good health care to workers and their family members.

Employers are released from their liabilities of providing medical facilities to employees and their dependants in kind or in the form of fixed cash allowance, reimbursement of actual expenses, lump sum grant or opting for any other medical insurance policy of limited scope unless it is a contractual obligation of the employer whereas Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the uncertainties of a loss. The insurance industry of India occupies 57 insurance companies of which some are in life insurance business and some are non-life insurers.

This paper focuses on the comparison between the insurance models available in the market and the benefits provided by ESIC.

Key Aspects: *Insured Persons, commercial insurance, social security benefits, organised sector, services*

1. Introduction

The ESI Act 1948 is the first step of government towards social security which covers certain health related complexities that the workers are generally exposed to; such as sickness, maternity, temporary or permanent disablement, Occupational disease or death due to employment wrong, resulting in loss of earnings. Employees with Rs.21,000 gross salaries come under the purview of ESIC Scheme. 1.75 % of the total gross salary is deducted from Employees' remuneration, and 4.75 % is contributed by the employer. On the other hand if I throw some light upon the Insurance, it is not a new concept to the industry. Insurance is basically pooling of risks, relating to health, treatment of critical diseases, old age & retirement compensation etc., among the insured persons in lieu of some amount called as premium. An entity which offers insurance is known as an insurer, insurance company. A person or entity who buys insurance is known as an insured person or as a policyholder. The insurance transaction involves the insured who is assumed to pay a certain amount known as premium, in exchange of compensation in the event of a covered loss.

Healthcare is becoming progressively more expensive so more people should be covered under health insurance. It is expected that more Indians both in the rural and urban regions will take healthcare insurance policies to en-cash on medical care which are a provision for providing financial protection.

2. Review of Literature

Some of the studies which have assessed health insurance have stated the importance and benefits of insurance. They have also discussed existing practices and how future challenges should be strategized.

1. Singh Preeti & Shukla Timira (2018) has tried to explain the Penetration of Health Insurance

in India. This paper is an attempt to find out whether the health insurance has penetrated in India. They tested several hypotheses and it has been observed that health insurance has been ignored by the people for several reasons. Family income is not a reason for such obstruction. There is a lack of awareness of usefulness of such schemes. While life insurance is considered by the respondents because there is an end value which they receive after a number of years, health insurance cannot be perceived in the same manner. The respondents felt that if they did not fall sick they were unnecessarily paying a high amount as premium which was wasted. The presence of government hospitals providing free treatment was another attraction in place of payment of health insurance premiums. Moreover, health insurance is now becoming cashless. The penetration level is very low in semi urban pockets of urban India. It is *'a mirage'* and not *'a reality'* at the level of income and education discussed in this paper. The awareness can be increased by bringing about new policies with low premium and with less fuss of difficult forms to be filled up. It is important to bring about health care for the lowest income level not only in rural area but semi urban and urban pockets in India as the present plans are not fulfilling the needs of the different strata of society.

2. Kansra Pooja and Singh Gill Harinder (2016), have examined the awareness of health insurance in urban districts of Punjab in Amritsar, Jalandhar and Ludhiana. According to their findings awareness of health Insurance was less than 50 percent and it was mainly through insurance agents, friends or family members. The awareness of health insurance depended on education and income of the respondents.

3. Dilawari Prabhjot K., Koley Shyamal (2016) have discussed in their research study the awareness of the policy holders towards effectiveness of services and the difference between TPA's and health insurance agents. According to them services were still not systematized.

4. Purohit Bhaskar (2014) in his research discussed that community based health insurance (CBHI) for unorganized sector in rural areas in India is required to be tapped. While the impact would be of great advantage to the poor, it is not effective because of poor implementation and lack of proper regulation. Further this scheme should be extended to bring under its purview the informal sector in urban and rural areas as this scheme only covers the rural poor.

5. Thakur Anand and Kumar Sushil (2013) made a study depicting challenges of health insurance companies for penetration through existing marketing practices and strategies for penetrating the untapped health insurance market in India.

6. Ghosh Maumita (2013) did study of a sample size of 200 randomly selected people from Darjeeling district. The author discussed the level of awareness and willingness of people to take a health insurance scheme. According to this study only about 18.5% are covered by some form of health insurance.

7. Verma Ramesh Kumar, (2013) has studied Service Quality Dimensions under ESI Scheme on Patient's Satisfaction. The dimension of empathy could be seen as the individual attention given to the patients and showing caring attitude towards them. The hospitals are the tangibles which are accounted for the cleanliness in the health facility, use of clean instruments and standard procedures in the facility and lastly the prescription, which should be easy to understand for the patients. In nutshell, it is imperative to state that service quality dimensions under ESI Scheme regarding patient satisfaction include availability of doctors, good quality medicines, basic laboratory/diagnostic tests/radiological investigations, sanitation and cleanliness in ESI health care facilities. Further, the emergency services and the delivery services should be made available round the clock for satisfaction of the insured persons.

8. Dr. Jayaprakash K, Dr. Raju HG., Dr. Thanuja R (2011) have explained this research. In this study the researchers have explained that just because a large number of posts of medical staff remain vacant because of high turnover and lengthy recruitment procedures and there is duality of control, the ESIC's services are not upto the mark. Rising costs and technological advancement in super specialty treatment has made it difficult for underprivileged employees to get services of ESI.

9. Public Health Foundation of India, A Critical Assessment of the Existing Health Insurance Models in India, Socio-Economic Research (2011), has propounded this study. The practical implementation and associated problems of enforcing medicine reimbursement to patients would be a stupendous task and could fiscally strain the coffers of the government. It is advised that outpatient care and drug reimbursement must be kept out of the health insurance program.

3. Brief Explanation Of Commercial Insurance Models Available In The Market

5.1

ISSN 2455-6378

a. Life Insurance

Life Insurance is different from other insurance in the sense that, here, the subject matter of insurance is the life of a human being. The insurer will pay the fixed amount at the time of death or at the expiry of the positive period. This insurance provides protection to the family at the early death or gives an adequate amount at the old age when earning abilities are reduced. The insurance is not only a shield but is a sort of investment because a certain amount is to be repaid to the insured person at the death or expiry of period.

Life insurance can be classified into various types:

1. **Term Insurance:** It is a basic type of insurance. If the survives at the end of the term, no money will be repaid.
2. **Whole Life Insurance:** This types of insurance covers life of a person. The money will be given in both the cases whether the person dies or after the term expires.

b. General Insurance

A general insurance is a contract that offers financial reimbursements on any loss other than death. A general insurance recompenses the person for financial loss due to liabilities related to the house, car, bike, health, travel, etc. The insurance company promises to pay a sum assured to indemnify for the vehicles, medical treatments to cure health problems, losses due to theft or fire, or even financial problems during travel.

Types of General Insurance

There are five key types available:

1. Health Insurance
2. Motor Insurance
3. Travel Insurance
4. Home Insurance
5. Fire Insurance

We will discuss about only Health insurance because of its importance in this study.

Health Insurance

This type of general insurance covers the cost of medicinal care. It pays for or reimburses the amount you pay towards the treatment of any injury or illness.

It usually covers:

- Hospitalisation
- The treatment of critical illnesses
- Medical bills prior to or post hospitalisation
- Day care procedures like Cataract operations

You can also opt for add-on benefits like:

- Maternity cover: This includes pre-delivery check-ups, hospitalisation during delivery, and post-natal care.
- Pre-existing diseases cover: Health insurance takes care of the treatment of diseases one may have before buying the health insurance policy.
- Accident cover: Health insurance can pay for the medical treatment of damages caused due to accidents and misfortunes.

Health insurance can also help in saving tax. The payment of premium helps in reducing taxable income.

Exclusions of Insurance:

The Insurance policy may not cover liabilities in certain situations. These are known as exclusions such as death due to alcohol, war, suicide, carelessness, any medical condition which existed before buying the policy. This amount of premium depends upon several aspects that differ from insurance to insurance. Here's a look:

Factors affecting the amount of premium	
Life Insurance	**Health Insurance**
Age	Family health history
Past and current health record	Sum assured
Occupation	Type of plan
Type of plan	Age and gender
Smoking or Drinking habits	Health record
Sum assured	

4. Brief of Social Security Benefits Provided By ESIC:

All insured persons and dependants are entitled to free, full and comprehensive medical care under the scheme. This medical care is imparted through set-up of ESI dispensaries, diagnostic centres and ESI hospitals. Super specialty facilities are also offered through empanelled advanced medical institutions.

Currently, six types of benefits are provided. These are:

4.1 Medical benefit

It consists of the cost of full and expanded medical care. It includes the charges for hospitalization, drugs and dressings, special diet, laboratory tests and consultation fees of specialists. Immunization and sterilization procedures are also provided for through this scheme. This benefit also comprises the supply of surgical treatment, cervical collars, crutches, wheel chairs and cardiac pace makers for super speciality treatments.

4.2 Sickness Benefit

The periodical cash payments made to an insured person during a period of certified sickness when the employee was absent from work is called 'sickness benefit'. The maximum duration for this benefit is 91 days. In order to qualify for sickness benefit the insured worker is required to contribute for 78 days in a contribution period of 6 months.

a) Extended Sickness Benefit (ESB) : SB continued up to two years in the case of 34 malevolent and long-term diseases at an enhanced rate of 80 per cent of wages.
b) Enhanced Sickness Benefit : Enhanced Sickness Benefit equal to full wage is payable to insured persons undergoing sterilization for 7 days/14 days for male and female workers respectively.
c) Maternity Benefit (MB) : Maternity Benefit for confinement/pregnancy is payable for Twenty Six (26) weeks, which is extendable by further one month on medical opinion at the rate of full wage subject to contribution for 70 days in the previous Two Contribution Periods. The rate of benefit is double the Standard Sickness Benefit rate and not less than full wages.

4.3 Disablement Benefit

This is a payment available to those insured employees who become disabled as a result of workplace injuries. Those who have temporary disabilities receive benefits till they are healed while those with permanent disabilities are paid lifelong benefits. The rate of benefit is up to 140 per cent of the Standard Sickness Benefit rate and not less than 70 per cent of daily wages of the insured.

a) Temporary disablement benefit (TDB) : This type of benefit is available for every insured person from day one of entering insurable employment & irrespective of having paid any contribution temporary disablement benefit at the rate of 90% of wage is payable so long as disability continues, the condition applies that the injury must be related to employment.
b) Permanent disablement benefit (PDB) : This benefit is paid at the rate of 90% of wage in the type of monthly payment depending upon the degree of loss of income as certified by a Medical Board.

4.4 Dependants Benefit (DB)

DB paid at the rate of 90% of wage in the form of monthly disbursement to the dependants of a deceased Insured person in cases only when death occurs due to employment injury. The dependants of employees who lose their lives as a result of workplace injuries are paid 'Dependants' Benefit'. The rate of benefit is up to 140 per cent of the Standard Sickness Benefit rate and not less than 70 per cent of daily wages of the insured.

4.5 Other Benefits

Funeral Expenses: In this benefit an amount of Rs.10,000/- is payable to the dependents or to the person who executes last rites.

Confinement Expenses: An Insured Women or an I.P.in respect of his wife in case confinement occurs at a place where necessary medical facilities under ESI Scheme are not available.

In addition to the above scheme also provides some other need based benefits to insured workers.

1. Vocational Rehabilitation
2. Physical Rehabilitation
3. Old Age Medical Care

5. Analysis & Discussion:

5.1 Cost:

ESIC is far better in terms of Cost because In case ESIC cover the insured person will have to pay 1.75% of his per month salary, in lieu of this he will be getting medical benefit for himself and his dependants also, Super speciality benefits (critical illness), maternity benefit, disability benefit, sickness benefit Death/life etc. But in case of other insurance covers the insured person will have to pay different premiums for different policies.

ISSN 2455-6378

Case 1- If one person wants to take term/life insurance, his premium for the policy will depend upon the age of that person. Like if he is 30 years old then his premium will be lesser (approx 11000-12000 for 1 crore depending upon the maturity amount) and the more will be the age the more premium will be charged by the companies Whereas in ESIC the premium/contribution of employee will be the same i.e. 1.75% of gross salary for any age.

Case 2- There is one more case where the researcher can say that ESIC is better than other insurance models. If a 30 year old person is getting 20,000 per month as salary, is paying Life insurance premium of Rs. 12,000 per year for Rs. 1 crore policy, the premium for 10 years will be Rs. 1,20,000. Instead of taking life insurance from other policies, if he is working in a factory where ESIC is implemented and he takes ESIC cover the contribution will be Rs. 4200 per year @ 1.75% which is Rs. 42,000 for 10 years.

5.2 Tax benefit in insurance:

In case of insurance one can enjoy the benefit of tax deduction but it is not possible in ESIC. The premium amount of insurance will be deducted from the taxable income. But ESI contribution is to be paid on the per month salary, so it is not tax free. There are some insurance which are totally exempted from the tax.

5.3 Wide range:

If we talk about the variety of services, ESIC is far ahead than other insurances. Because for the payment of 1.75% of salary, a person is getting a number of benefits, this is not the case of other insurance models. Different premiums are to be paid for different policies. The benefits which are being provided by ESIC are Medical Benefit, Maternity Benefit, Sickness Benefit, Dependants benefits, disablement benefit and last but not the least Super speciality benefit.

If a person is taking Sickness benefit from ESIC, he/she will be paid in the form of cash compensation at the rate of 70 per cent of wages for the leaves taken during sickness. There is no such insurance available in the market which is paying for the leaves.

5.4 Health insurance is better than the services of ESI Hospitals and Dispensaries:

As a matter of fact, taking the medical benefits of ESI hospitals and dispensaries is very less expensive than taking health insurance from the market. But still there are certain problems which influence a person to go for health insurance from market.
Some of the problems are:

a. A large number of posts of medical staff remain vacant because of high turnover and lengthy recruitment procedures

b. There is duality of control.

c. Lack of Hygienists and lack of availability of doctors.

d. Management information system is not satisfactory.

e. There is low utilization of the hospitals.

f. The workers are not satisfied with the service they get.

g. In rural area the access to services (lack of ESI Hospitals) is also a problem.

5.5 Statutory obligation-

ESI and medical insurance is totally different thing. In comparison to medical insurance, ESI is a statutory obligation of the employer. If the organization is located is the area which is covered under ESI that organization is bound to give ESI to its employees whose gross salary is less or equal to 21000.

5.6 Conditions for applicability of Claim-

There are certain conditions which must be fulfilled before taking claim from ESIC-

1. In order to qualify for sickness benefit the insured worker is required to contribute for 78 days in a contribution period of 6 months.
2. Maternity Benefit for confinement/pregnancy is payable for Twenty Six (26) weeks, at the rate of full wage subject to contribution for 70 days in the last two Contribution Periods.

3. Dependants Benefit (DB) will be paid at the rate of 90% of wage in the form of monthly payment to the dependants of a deceased Insured person in cases where death occurs due to employment injury or occupational hazards. This benefit will only be provided when the death and disablement has happened due to injury on duty.

5.7 Applicable to specific area-

The major problem with ESI is that it is applicable to specific areas, so in that case other left over areas will not be able to get the services of ESIC, though Government is trying to expand the area every year.

5.8 Super speciality is better (No limit) -

In the cases of certain special/big diseases, artificial aids and appliances, the Insured Persons and their families are eligible to get cashless treatment without any upper ceiling through ESI Hospitals and private Tie-up Hospitals. An insured person who has contributed for 78 days in a contribution period be allowed to avail super speciality treatment provided he/she has completed minimum of six months of insurable employment from the date of registration on esic portal. For family members, the insured person should have contributed 156 days in 2 contribution periods (78 days each) and have completed minimum one year of insurable employment. There are a number of cases where Insured persons and their family member have got this benefit and because there is no limit in this benefit, so they are getting their expensive treatments done in cashless process. For example a person has received 35 crores for dialysis for life time. Such type of expensive claim amount is not available in the market for just 1.75% of salary.

5.9 Group Medical Insurance vs. ESIC-

There is one more option available in the market which is Group Mediclaim Policy as premium will be less and company will get tax benefit. Company can go for Family Floater Group Mediclaim Policy so that family members of employee are also covered.

The insurance companies are offering Group medical insurance facility which is far better than ESIC as the network of Hospitals with Group medical insurance is vast and the employee has 2 options (cashless and reimbursement) facility which they can opt for across India (subject to the conditions apply and premium amount). Some of the Insurance companies are New India Assurance, United India, ICICI Lombard and latest one is Max Bupa. They have tie ups with TPA for processing the claims. But on the other hand for the purpose of HR compliance ESI is compulsary. So getting the ESIC code is a kind of compulsion or else it would create a problem on compliance point of view. In some companies the employees are cover under ESIC as well as Group Medical Insurance so that they can avail medical facility in wide network of hospitals and not in panel hospitals of ESIC. But if we compare the aspect of cost, ESI is any time better than any other option because they are offering a number of benefits in so less contribution.

6. Conclusion:

ESI have their own clinics /hospitals as well as tie ups where employees can take treatment as per the limits of the scheme**.** The contributions to the ESI schemes are made by the employers to the ESIC. Commercial Health Insurance is offered by Insurance companies on Individual basis or on group basis to corporate covering their employees and their dependents. ESI is a great health insurance cover for disadvantaged employee class as it is offered by their employer and generally very less premium is charged to them. ESI policy holders can avail the treatments in any of the ESI hospitals or tie up hospitals all over India. The scheme should be made open for unorganized sector too so that they can also get benefits. The financial management of the scheme also needs up gradations and perfections. Better delivery of services at ESI Branch Offices, Regional Offices, Dispensaries and Hospitals and Capacity building of employees of ESIC are important.

As far as the question of health insurance and life insurance is concerned, if we talk about the services of commercial insurances, they are far better than ESIC. But there are certain loopholes which needs to be eradicated such as the services of hospitals and dispensaries, procedural delays in availing benefits, delay on part of employer, taking leaves for the long procedures creates problem of salary cutting, unhygienic environment of dispensaries etc. In comparison to Health insurance, they are providing full package of services, which are to be chosen by the insured person. One can add services (increase the premium accordingly) matching with one’s preferences.

References

[1] Singh Preeti & Shukla Timira, Penetration of Health Insurance In India: Reality Or Mirage? Research Journal of Business Management ·

ISSN 2455-6378

January 2018, Research Gate, April 18.

[2] Kansra Pooja and Gill Harinder Singh, Determinants of awareness of health Insurance among lower income groups of Punjab: an econometric analysis I J A B E R, Vol. 14, No. 7, (2016): 5149-5159.

[3] Dilawari Prabhjot K., Koley Shyamal Health-Insurance and Third Party Administrators in India: Awareness and Perception of Policy-Holders. International Journal of Science and Research (IJSR) ISSN (Online): 2319-7064, (2016).

[4] Purohit Bhaskar, Community Based Health Insurance in India: Prospects and Challenges, Indian Institute of Public Health, Sardar Patel Institute Campus, India, (2014).

[5] Thakur Anand and Kumar Sushil, Health Insurance Penetration in India: Implications for Marketers, Special Issue: Proceedings of 2nd International Conference on Emerging Trends in Engineering and Management, ICETEM, International Journal of Advances in Engineering Sciences Vol.3 (3), July, 2013 e-ISSN: 2231-0347 Print-ISSN: 2231-2013, (2013).

[6] Ghosh Maumita, Awareness and Willingness to Pay for Health Insurance: A Study of Darjeeling District, IOSR Journal of Humanities and Social Science (IOSRJHSS) Volume 12, Issue 1 (May. - Jun. 2013), PP 41-47.

[7] Verma Ramesh Kumar, Service Quality Dimensions Under ESI Scheme On Patient's Satisfaction, Zenith International Journal of Multidisciplinary Research ISSN 2231-5780 Vol.3 (3), March (2013) June 2015.(Online available at zenithresearch.org.in)

[8] Dr. Jayaprakash, Dr. Raju, Dr. Thanuja, Employees State Insurance (E.S.I) Corporation, Journal Of The Indian Association Of Public Health Dentistry Vol:2011 Issue:18.

[9] Public Health Foundation of India, A Critical Assessment of the Existing Health Insurance Models in India, Socio-Economic Research, The Planning Commission of India, New Delhi, 31st January 2011.

Webliography:

[1] https://www.ibef.org/industry/insurance-sector-india.aspx
[2] Esic.nic.in