

An Overview of the Impact of COVID-19 on the Indian Health Insurance Sector and Post-COVID-19 Management

Sondeep Kaur

*General Shivdev Singh Diwan Gurbachan Singh Khalsa College, Patiala, India
sdeepkaur2589@gmail.com*

Baldeep Singh

Department of Basic & Applied Science, Punjabi University, Patiala, India

[Abstract] The COVID-19 pandemic outbreak has sent the Indian economy into a recession that has never been witnessed before. COVID-19 affects the economy with a contrasting impact on different industries. India's economy faces a long stagnation period due to the country's prolonged lockdown. The worldwide economic downturn results in disruption of demand and supply chains. The COVID-19 pandemic across the nation is expected to have an impact on the country's overall financial system. The one-of-a-kind and unprecedented nature of this crisis created difficult new circumstances, including economic shutdowns and physical separation. The year 2020 marks a turning point in the insurance industry. Many insurance providers were forced to rethink their business operations and customers because of the COVID-19 pandemic. This paper will, therefore, help emphasize the significance of health insurance during the pandemic and analyze the impact on the health insurance industry of COVID-19, covering the challenges faced by health insurance companies and the possible solutions to handle those challenges. This paper does not have a specific purpose; it provides generic and general information regarding the effect of COVID-19 on the health insurance sector of India.

[Keywords] pandemic, economic, health insurance, challenges, business operations

[Acknowledgement] The paper was presented at the 2nd Conference on Business Data Analytics: Innovation in emerging trends in management data analytics. Apeejay School of Management, Dwarka, Delhi, India. November 2021.

Introduction

Coronavirus pandemics have global and national impacts on the insurance industry, most of which are detrimental, but there are, also, some benefits (Craig et al. 2020). The insurance industry has dealt with other natural disasters, such as the Severe Acute Respiratory Syndrome(SARS) and the Middle East Respiratory Syndrome, but a COVID-19 pandemic on the scale of global proportions is an entirely new challenge for them (IFC 2020). Insurance is all about believing that promises will be kept, making promises, and then keeping them when the risk is encountered. It's time for insurers to demonstrate the value they bring to customers, to the communities they serve, and to the economy they're a part of. The response to the COVID-19 pandemic -- social isolation, lockdown, and travel restrictions-- has led to a reduction in world trade (PWC 2020). India's trade impact in the chemical sector is projected to be very high on textiles and clothing (USD 129 million), the automotive industry (USD 64 million), electrical equipment (USD 12 million), leather goods (USD 13 million), metals and resources (USD 27 million) and wood furniture and goods (USD 15 million).

Hospitality and business events that make use of conferences, liability insurance, and property insurance are all poised to be huge successes in the coming years. Restricted travel had a serious impact on the airline industry and could lead to a significant decline in the travel insurance sector, which was quite profitable. Industries are projected to reduce their sales by around 10-25% (Jaideep 2020). Indians traditionally only comprised 14% of the urban population and above 18% of those were covered by private health insurance. While the Ayushman Bharat plan has tried to protect the needy and weak, it left the

majority uninsured. The insurance industry's mission is to safeguard individuals, their possessions, and their desires. Several people have been affected by a lack of funds for coronavirus treatment; therefore, many insurance companies are taking advantage of this situation and are trying to fix health and life insurance products. There is an increase in the number of online health insurance policies sold in March 2020 in the Indian insurance industry by 30%, and a decrease in offline mode because of the lockdown and social distancing from society (Dubey, 2020). In order to include more diseases under existing healthcare policies and to reduce premium payments in installments, the Insurance Regulatory and Development Authority of India (IRDAI) issued guidelines.

The quarantine period, the settlement of medical expenses, the review of all COVID claims, the expedited handling of COVID cases, low consumption, a financial impact, and reduced workforce productivity are key factors of concern in the insurance industry. In addition to creating immediate problems with the COVID-19 crisis, it has responded to many longer-term concerns for the health insurance industry. Portfolio aging for certain products, such as health insurance, which are life-long sustainable, must be given special attention. In the wake of the COVID-19 outbreak, health insurance coverage and access to care are extremely critical (Puławska, 2020).

Literature review

Patil (2020) observed that the impact on private health insurers is more significant in countries with large vulnerable populations, such as India. Despite lower health insurance penetration, a volume-driven surge in medical claims was a high cost for private insurers. Insurers have offered free hospital benefits and telephone consultations. The IRDAI has ordered the insurance industry to provide a standard health policy for treating infectious diseases such as COVID in India. Workers are required to have health insurance under a labor agreement (IRDA). Insurers accepted payment of insurance premiums in 12 months at a time instead of one lump sum for additional ease of payment period when policies were due to expire because it was more straightforward for the policyholder (IRDA). Corona Kavach's policy on basic health insurance needs was introduced (IRDA). The heightened concern for life and health led to an increase in demand for energy and health-sustaining products in several industries. In the six months after SARS, health insurance premiums in China have increased by more than twofold. In January 2020, healthcare and real estate were up 18% and 27% over the year.

COVID-19's influence on the insurance market in Ghana was assessed from March to June 2020 (Babuna et al., 2020). The researcher developed a parallel method to analyze the pandemic's impact on the insurance business in conjunction with past pandemics, such as SARS-CoV, H1N1, and MERS. Qualitative and quantitative interviews were conducted to estimate the pandemic's effect. The pattern was an economic slowdown with lower income, yet higher demands. The Ghanaian insurance sector was currently suffering an approximate loss of GH 112 million due to the cancellation of travel, events, and other economic losses. Insurance companies have been influenced differentially by various factors, such as uncertainty, their portfolio risk, reinsurance dependence, the number of assets free, and reinsurance cover available. The initial response was weak, as Ghanaian insurance has not had enough experience with the management of a pandemic situation, but recovery was rapid, as most insurance firms had now adapted and updated their IT and protection procedures from remote locations. While financial losses would continue until year-end, the outlook showed a recovery in transactions that would restore standard accounting in early 2021 on debts, premiums, and earnings. The growth was expected to last five years, but insurers had to adjust to the new situation. Company transaction modalities and their damages could be quantified and implemented.

KPMG in Nigeria (2020) examined some non-life or general insurance plans feature pandemic risk exclusion clauses, which were reinforced during the 2003 SARS coronavirus outbreak. Additionally, insurers may be more vulnerable to event cancellation coverage because specific policies cover pandemic risks. However, in this instance, insurers' losses can be reduced if the event planners are able to defer the planned events instead of completely cancelling them. In view of anticipated changes to the timing for premium cash flows, the frequency or severity of claims, or continuing use of historical trends to estimate future claims, the financial performance of insurance companies was affected.

Ghosh, Amlan, Mukherjee (2020) discussed some significant impact of COVID-19 in their study, such as that workers being required to have health insurance, insurers accepting payment of insurance premiums in 12 months rather than in one lump sum to make payments easier for policyholders (IRDA), and Corona Kavach introduced a basic health insurance needs policy (IRDA).

PWC INDIA (2020a) reported that March for life insurance and April for non-year policies have been significantly impacted by about 30% and 15%. It stresses, further, that those changes to their product categories must be made by insurers. The report stated that private insurance covers 18% of the population in urban areas and 14% in rural locations. Because of the introduction of COVID-19, there are people who believe they need to purchase insurance now rather than risk financial ruin. Insurance inquiries have increased by about three to four-and-hundredths. However, the problem is that data is currently missing on patient profiles, morbidity rates, and cost information that is required to help define premiums for products that are tailored for them. Insurance companies will need to try to identify whether there are any state or district-wide issues before using COVID-19

Impact of COVID-19 on the Health Insurance Sector in India

The Indian health insurance sector has seen a surge in new policy enrolments. The insurance queries are estimated to have increased by about 40% in a particular region of the country (Ashwin Manikandan, 2020). IRDA issued a circular dated 04 Mar 2020 advising that claims for hospitalization, including expenses incurred during quarantine, should be processed as soon as possible. This assumes that the insurer will see an increase in claims for hospitalization costs because of the CO19 diagnosis (IRDA 2020).

Introduction of New and Innovative Products

Many more people are aware of the pandemic now, and 30-40% are making inquiries into health insurance options; a pandemic provides an opportunity for insurers to meet changing customer needs and serves as a proving ground for new product innovation. Several insurers introduced the COVID insurance product in March of 2020. Due to this success, other companies followed suit and brought out such products. This type of program lasts for a short period of time, offers customers a relatively small level of reimbursement, and has limited long-term benefits. (Sinha 2020). As per the directions of IRDA, the two corona health policies were launched in India-Corona Rakshak and Corona Kavach policies.

These policies covered medical expenses and the cost of PPE kits, gloves, masks, etc., used during the treatment (Policy Bazar, 2020). There are still details surrounding COVID and prognosis, morbidity, as well as costs and patient profiles, that are not available yet, and insurance companies cannot make insurance decisions on who will be a candidate for COVID-19 treatment or who will respond to it based on this information. Until more information becomes available about COVID-19 treatments and prognoses, insurers will not have data on patients' profiles, treatment cost, etc. Data is used to underwrite risk and calculate premiums for disease-specific products. Products are priced and marketed based on this disease-specific data. As a result, businesses run the danger of overcharging or undercharging for their goods (PWC INDIA 2020b).

Reserve Ratio

Due to the global pandemic, the government has done things to keep bond and repo interest and rate-spread risk down, which means life insurers will face challenges with maintaining more important reserve requirements. Due to these challenges, the regulators may have to make some temporary allowances for insurers who are on the edge of insolvency. Since the level of protection and soundness of industry regulations are high, no significant problems exist in the sector yet. The industry's profits in the long term are tied to portfolio profitability. It can impact both directions (Sinha, 2020). The insurance business would have a downward-spiraling effect on bond prices. To drop in value, insurance companies will end up writing these holdings off if a company has to record a temporary loss for a decrease in assets (PWC INDIA 2020b).

Claim Pay-Out and Liquidity

It was recommended by IRDA that health policies be applied to COVID-19 cases to clear up any

misconceptions about policy applicability. Community transfer in the future may or could lead to oppressed and destitute social and economic classes running up to several crores of people to claim justice. New premiums of INR 51 crore should result in a minimal balance sheet impact for the health insurance industry. It is predicted that most of the costs will be incurred in the public hospitals, which are more expensive, and be lower for the private hospitals, which is noteworthy. Furthermore, about 14–16% of India has health coverage.

The Indian hospitality industry was valued at INR 4, 07 billion (around \$61 billion) in FY17 and is expected to grow to over INR1.8 trillion (around \$132 billion) by FY22. Insurance claims are roughly 80% of the value of premiums paid (India Brand Equity Foundation 2020). With reinsurance, health insurance firms have sufficient cash to cover claims from COVID-19, which will be enough to fund the insurance agencies. On the whole, the financial impact on health insurance firms will depend on how they manage their risks. If the outbreak is allowed to continue for an extended period, it will eventually be classified as a catastrophic event, and even those insurers who have little capital will be hard-pressed to handle claims.

Force Majeure Insurance

The explanation given by the Ministry of Finance noted that while COVID-19 was natural, each affected party could use the force majeure clause on a case-by-by-case basis. It further stated that invoking this clause does not release parties from performance obligations but only suspends those obligations for the period of time specified that is 90 days. If COVID-19 is classified as a force majeure event, legal disputes between the contracting parties, the policyholders and insurance companies, may arise (KPMG International Cooperative, 2020).

Post COVID-19 Strategies that Can Improve Performance of Health Insurance Companies: Product Development

Evaluate the impacts of limiting the sale of specific products or adjusting the launch date. Audit the current developments and/or adapt recommended or provided crediting rates to assess the necessity of scheduling alternative studies of various “what if” scenarios to measure sales volumes.

Sales Management

Experiment with varying stress test setups to examine the revenue and all related effects. Understand the company’s distribution plan and any issues it may have on business-as-usual operations. Develop client-side messages about market activities and support retail group distribution efforts.

Customer Service

Establish an action plan in case significant claims should arise. The increasing activity could be accommodated by means of methods or processes for side pockets, which is often the case. Think about how to ensure that transactions involving sensitive accounts, loan applications, and customer service work do not use technology as a problem in the future. Check system documentation so businesses can respond quickly to system problems. Decide whether customer service (either in-house or out-sourced) can function remotely and whether or not and if the companies have any other preparations in place to minimize outages.

Conclusion

The recovery time is; therefore, longer, and certain constraints may well become the norm. Given this feature of social recovery, insurers must support companies by restoring interrupted operations during the transition while at the same time complying with the COVID-19 limitations, which scientists believe to be very likely, to protect them from a second wave of infection. Insurers must be in planning for paradigm shifts and concentrate on delivering value, and motive-driven actions should be supported by new behavioral patterns, like leveraging the broader system and unlocking the power of effect. These new guidelines could happen in the post-pandemic world. To do well in this environment, insurers will have to experiment with new models or revise existing models, adapt to new regions, and design new products.

References

- Ashwin Manikandan. (2021). COVID-19 Impact on Indian Insurance: Press Release - PwC India. *The Economic Times*. Retrieved from <https://www.pwc.in/press-releases/2020/staying-relevant-and-taking-proactive-measures-by-leveraging-digital-will-be-the-neo-normal-pwc-india-insurance-report.html>).
- Babuna, Pius, Xiaohua Yang, Amatus Gyiilbag, Doris Abra Awudi, David Ngmenbelle, & Dehui Bian. (2020). The Impact of Covid-19 on the Insurance Industry. *International Journal of Environmental Research and Public Health*, 17(16), 1–14.
- Craig, Thorburn, Gonulal Serap Oguz, Remizova Inna, & Shindo Tetsutaro. (2020). The World Bank Group COVID-19 Outbreak: Insurance Implications and Response. 1–26.
- Dubey, N. (2020). *Are deaths due to coronavirus covered by life insurance policies?* Retrieved from <https://economictimes.indiatimes.com/wealth/insure/life-insurance/are-deaths-due-to-coronavirus-covered-by-life-insurance-policies/articleshow/74687234.cms>.
- Ghosh, Amlan , Mukherjee, Abhijit. (2020). Munich Personal RePEc Archive COVID-19 and Property-Liability Insurance in India: Impact and Prospect. *MPRA Paper No. 103357, Posted 07 Oct 2020* (103357).
- IFC. (2020). COVID-19 and the Insurance Industry: Why a Gender-Sensitive Response Matters. 1–22. India Brand Equity Foundation.
- IRDA. (2020). Ref No LRDAI/HLT/REG/CIR/054/03/2020. 115, 3–4.
- Jaideep, Roy. (2020). COVID-19: Impact on the Indian insurance industry, (June), 1–38.
- KPMG in Nigeria. (2020). *KPMG international cooperative "COVID-19: Financial Reporting and Business Implications for Insurers in Nigeria"*.
- KPMG International Cooperative. (2020). *Covid 19 and its impact on the Maltese economy*. Retrieved from <http://www.mifsudadvocates.com.mt/covid-19-impact-maltese-economy>
- Patil, Prasana &. Sandhu Angat. (2021). COVID-19 Considerations for Life and Health Insurers in Asia- Oliver Wyman. Retrieved from <https://www.asiaadvisersnetwork.com/Article?aid=61510>.
- Policy Bazar. (2021). *6 ways how health insurance in India has changed with COVID-19 pandemic*. Retrieved from <https://www.policybazaar.com/health-insurance/coronavirus-health-insurance/articles/how-health-insurance-in-india-has-changed-with-covid19-pandemic/>.
- PWC. (2007). A new beginning for 2007. *Elevator World*, 55(1).
- PWC INDIA. (2020a). *Health insurance consumer pulse survey*. Retrieved from <https://www.pwc.in/assets/pdfs/healthcare/health-insurance-consumer-pulse-survey.pdf>
- PWC INDIA. (2020b). *Insurance Impact Evall*. Retrieved from <https://www.pwc.com/us/en/industries/insurance/library.html>
- Sinha, Sanjeev. (2020). *How Covid-19 may impact health insurance industry in India - The Financial Express*. Retrieved from <https://www.financialexpress.com/money/insurance/how-covid-19-may-impact-health-insurance-industry-in-india/1994426/>