



A Study on the Impact of COVID-19 on the health insurance sector in India

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Abstract: India is among the top worst-hit countries by COVID-19, which has impacted almost all industries and sectors across the world, including the insurance industry. This study investigated the impact of COVID-19 on the insurance industry by studying the case of INDIA from March to July 2020. We developed outlines for simulating the impact of the pandemic on the insurance industry. The study used qualitative and quantitative interviews to estimate the impact of the pandemic.

For instance- The corona pandemic has pushed businesses across sectors to change the way they operate and the health insurance industry is no exception. From selling new policies to the customer to settle claims, the extended lockdown in the wake of COVID-19 has pushed insurance companies to depend heavily on their digital architecture. A lot of insurance providers are making customized plans to ensure coverage is affected. The pandemic and lockdown may have a significant impact on the health insurance sector, which is one of the largest revenue sources for the general insurance industry and was very profitable, according to a recent report by PwC India.[3]

This paper is attempting the study health insurance post-COVID-19 and how it impacts the health insurance sector.

Keywords: coronavirus; COVID-19; health insurance sector; pandemic; World Health Organization (WHO); Insurance Regulatory Development Authority of India (IRDAI); Insurance; lockdown; customized.

1. INTRODUCTION :

The insurance industry in India has seen a strong growth series after the year 2000 and is broadly divided into two major categories i.e., Life Insurance and Non-life Insurance. Both the sectors are governed by the Insurance Regulatory Development Authority of India (IRDAI). The role of IRDA is to regulate and monitor the entire insurance sector in India. All the insurers must follow the rules and regulations of the IRDA. The Insurance sector in India consists of a total of 57 insurance companies, out of which 24 companies are the life insurance providers and the remaining 33 are non-life insurers. All life insurance companies offer a wide range of products under both individual and group schemes.

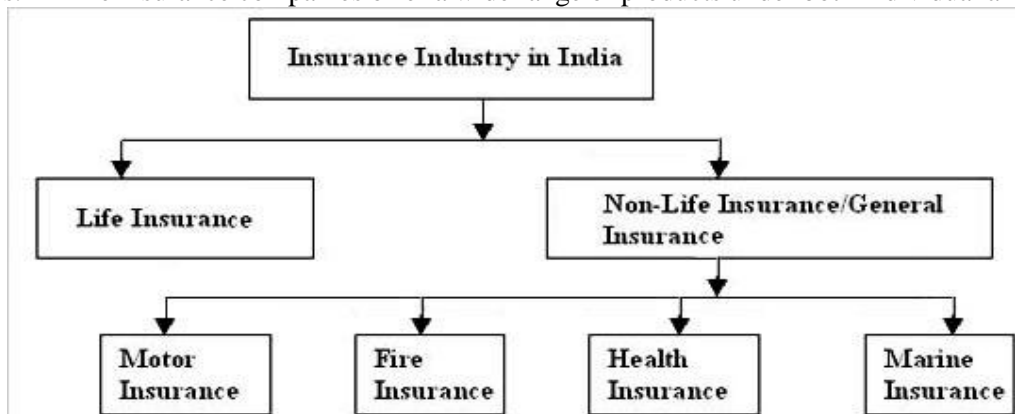


Figure 1: Structure of the Insurance sector in India



COVID-19 has transformed many sectors in India and the health insurance sector is one of them. Certain positive changes and some challenges have occurred in the health insurance industry over the past few years. These changes have been brought in by the insurance providers to adjust to the new norms of the COVID-19 pandemic, and to continue delivering their services without any hassles for the customers. COVID-19-specific health insurance plans have been included in the regular health insurance plans by the insurers for the policyholders.

The health insurance sector has been digitalized entirely for the purchase and renewal of health insurance policies using the official website of the insurer. The sale of health insurance plans has increased dramatically over the last few years as people have come to realise the importance of financial backup for medical emergencies. Even in times of economic burden on the industries, the health insurance sector has made its way out and has evolved with the requirements of the customers and changes in the world.

In simple words, despite the downfall in the pandemic situation, the insurance industry is not very much affected and still generating revenue and offering tremendous growth opportunities in both the life and health sectors (**Sachan et.al., 2020**). The risk of life encourages many customers to invest in term plans and other life insurance policies to protect an individual and their families against future uncertainties.

2. LITERATURE REVIEW:

Goel (2014), had depicted that health insurance companies should come out with clear cut policy details. The researcher has studied the consumer behaviour of residents of Rohtak (Haryana –one of the richest areas of north India) towards health insurance.

Sonal Kala and Dr Premila Jain(2015), This study focused on the awareness of health insurance among seculars in the Rajasthan Area (India). This study also provides ideas for health insurance companies to deal with their limitations and to grab the opportunities in the market.

Satakshi Chatterjee, Dr Arunangshu Giri, Dr S.N. Bandyopadhyay (2018), the study indicates the overall healthcare insurance sector of India, point out the challenges faced by the healthcare insurance industry of India and analyse the insurance models of other countries in terms of healthcare.

M. Vinoth (2019), the study is concerned with the Health insurance schemes of selected companies in India in order to analyse the position of the individual company are to be calculated and also analyse the company's claims, settlements and premiums. [11]

Sushil Kumar, Dr Harpreet Singh (2019), The objectives of the present study are to examine the growth in the health insurance industry. Under this study, four standalone health insurance companies were selected for the period of five years from 2013-2014 to 2017-2018.[9]

Dutta, M.M. (2020), "Health insurance sector in India: an analysis of its performance".[6]

Gap Identification: The purpose of my survey is to indicate that people are more aware of health insurance in such a pandemic and understand the point of view toward health insurance.

2.1 Research Objectives of the study:

- I. To understand the basics of the health insurance market.
- II. To understand customers' points of view toward health insurance.
- III. To understand the importance of cashless hospitals near customers and whether those impact buying behaviour.
- IV. To understand the scope of health insurance.

2.2 Limitations of the study:

- I. From 80+ cities only 3 major cities are selected from Uttar Pradesh India.
- II. Sample size of 200 persons is taken and focused on the youth.
- III. More focus on students, employees and businesspersons.



3. RESEARCH METHODOLOGY:

3.1. Statement of problem:

S1- There is a significant relationship between people's behaviour in buying health insurance post-covid-19.

3.2. Research hypothesis: There is a significant relationship between people's behaviour of buying health insurance post-covid-19.

3.3. Research Design Type of research: Quantitative research-This study is a quantitative research study because it attempts to measure the level of awareness about health insurance in India. The collected data is quantified by coding the responses to arrive at a predictable conclusion.

3.4. Population/Universe: Population states to any group of people or objects that form the subject of study in a particular survey. In this study the population of Uttar Pradesh, India, i.e. the population of Uttar Pradesh, India between the age group of 19 - 72.

3.5. Sample Unit: The respondents who will be asked to fill out the questionnaires are the sampling units. These comprise of employees, students, business owner, professionals and also others importantly.

3.6. Sampling size: The sample size will be restricted to only 200, which comprised of mainly people from different regions of India due to time constraints.

Sampling area: The area of the research is Lucknow, Prayagraj, Kanpur Uttar Pradesh in India. Age groups 19-72years.

3.7. Data collection methods: Type of data: Primary data Information is collected by conducting a survey by distributing a questionnaire to 200 insurers and non-insurers in Lucknow, Prayagraj, and Kanpur Uttar Pradesh in India. These 200 insurers and non-insurers are from the age group of 19-72 years and have different occupations.

Type of data: Secondary data used includes:

- Information from the Aditya Birla Capital company website and Aditya Birla Sun Life Insurance. The website is: www.adityabirla.com.
- Other secondary sources of data include e-journal and different websites used to find out about the industry background and recent trends in the industry.

3.8. Method: Five-Point Likert Scale: people's behaviour towards health insurance was measured using "five-point Likert scale": A type of psychometric response scale in which responders specify their level of agreement to a statement typically in five points: (1) Strongly disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; (5) Strongly agree. An item that is a single five-point rating scale ranging from highly dissatisfied to highly satisfied was taken.

3.9. Impact of COVID-19 On the Health Insurance Sector:

Following are some of the key points which indicate the impact of the coronavirus pandemic on the health insurance sector of India:

Claim Pay-outs:

IRDAI has mandated and instructed the health insurers to include **COVID-19** covers in their regular health insurance plans for all policyholders. Since the treatment of coronavirus has not been included under the active products, these claims made by the customers are additional burdens on the books of the insurers, especially when not treated at government hospitals. The insurers must recalibrate their finances as the number of claims for other diseases has also increased as people suffering from critical diseases like diabetes, respiratory disorder, etc. are more prone to get diagnosed with coronavirus. Also, due to the extension in the grace period of 30 days for renewal, the health insurance providers can face some serious liquidity challenges.

Development of Products:

To serve the growing and exclusive needs of the policyholders, health insurance providers have made some developments and transformations in their health insurance products. Some insurers have launched separate additional benefits, while others have included these covers under the regular health insurance covers. These advancements have



been made to cater to the needs of the customers and various features like short waiting periods, wide-coverage, expenses for protective gear, etc. have been included for all the base health insurance covers.

Boosted Sales:

People have come to realise the importance of financial backups for medical emergencies and therefore, more and more people are investing in health insurance policies for themselves as well as their loved ones. There are a plethora of options in the insurance market which are available for customers to choose from.

Reserve Requirements:

Due to the economic stress of the global pandemic, the government of India has reduced the repo rates and bond interests, which can potentially lead to challenges in maintaining the reserves, credit risks, liquidity risks, etc.

Premium Payments in Instalments:

After the COVID-19 pandemic, health insurance providers have enabled customers to pay their premium payments in instalments. This feature helps the policyholders in avoiding the exhaustion of their finances as it makes the health insurance plans more affordable and covers a plan with a high sum assured. The premium can be paid in quarterly, half-yearly, monthly, or annual instalments.

Digitalization of The Sector:

The health insurance providers have initiated online KYC of the customers with no need for physical signatures or in-office documentation. This change has made things easy and accessible for the customers.[4]

3.10. Need for the study:

The insurance Sector plays a very significant role in the growth of the Indian economy. The breaking of monopoly and deregulation of the sector in the year 1999, has resulted in double-digit growth in both life and non-life sectors. This sector provides manifold benefits such as covered life risks, health risks, the opportunity for savings and investment etc. India is a huge country with the second largest population but still, the insurance penetration is low as compared to other countries like China, Japan, Germany etc. The present Covid-19 pandemic situation and lockdown have significantly hit the insurance business in India. Due to the rising number of corona positive cases, the business of life insurance in India is decreasing the insurance industry not only gives protection against life and non-life risks but also provides huge employment and together with the banking sector contributes nearly 7% of the total GDP of an economy. Hence the study becomes important to analyse the aftereffect of the Covid-19 pandemic on the business of the insurance industry and particularly life insurance which is considered a unique financial tool to cover life-related risks of an individual and family.

4. KEY CHALLENGES FACING INDIA'S INSURANCE INDUSTRY DURING THE PANDEMIC:

The COVID-19 Pandemic has raised many challenges for the Indian insurance sector. The insurance companies were facing operational and procedural difficulties, which led to dips in revenue and depleting reserves.

Business Stability: As the insurance sector is a highly complex business involving multiple processes, one must plan the risks of insurers' existence.

Managing employee Welfare: As the insurance sector moves towards digitization, it will be employee-centric and a mass shift to remote working. Employers need to work remotely to support the customers and the enterprise operations as the premises will not be available. There was an urgent need to balance working-from-home procedures by minimizing in-person meetings and dealing with the clients virtually.

Crisis management and resolution: There is a need for the Insurers to monitor the crisis and initiate the necessary measures to communicate and manage the employees and customers effectively. They must maintain frequent communications with regulators, customers, partners, agents, and brokers, shareholders to build confidence and ensure continuity of service and rethink processes.

Capital adequacy: Insurers have started experiencing liquidity and solvency challenges. Insurers are required to closely monitor their liquidity and ensure financial resilience by maintaining prescribed regulatory solvency. They should manage the investor community, intra-group stakeholders, and rating agencies on overall performance and stability.

Claims Processing: The Claims volume has reduced drastically due to the lower level of economic activity. There were only a few accident claims with the customers staying at home.



Cybersecurity: It has demanded the challenge of building an appropriate IT infrastructure within a short time with the increase in remote access requirements. There was an increased level of criminal activity, which has impacted the companies and their customers. It has increased the risk of cyber incidents and scams to which the insurance companies were inevitably vulnerable and easy targets. The Insurers have to increase their Cyber fraud prevention and monitoring activities.

Response to the Crisis

As insurance can protect against many of the financial impacts, the outbreak of COVID-19 has created uncertainty and offered a unique opportunity for insurers to rethink innovation, improve customer experiences, and an upskilled and reskilling workforce. The number of customers contacting their insurer during the Pandemic increased. COVID-19 has been the catalyst for innovation in the Insurance Sector.

Customer Outreach: There was a significant increase in the communication with the customers by the Insurers. They need to communicate to their customers concerning COVID-19 coverage and related policies. They should bring more value to their customers by launching and announcing packages for COVID-19 patients. Insurers need to monitor and review the business that requires customer support and attention.[5]

Parameters	No. of Insurers	Percentage %
Gender		
Male	88	44
Female	112	56
Total	200	100
Age		
Between 19-25	72	36
Between 26-35	100	50
Between 36-72	28	14
Total	200	100
Occupation		
Student	51	25.5
Employee	73	36.5
Business	48	24
Professional	5	2.5
Other	23	11.5
Total	200	100

Table-1: Demographics of The Sample Insurers

Findings:

Table 1: above shows, that 44 (%) of the insurers are male and the rest 56(%) are female. It is observed that a greater number of females have responded to the questionnaire. This may be because females are inherently more inclined towards health and information related to the same.

When it comes to age, it was found that 36% of respondents belong to the age group of 19-25. 50% of respondents belong to the age group of 26-35 and only 14% of respondents belong to the age group of 36-72 years.

The data also says that 25.5% of respondents are students. 36.5% are salaried employees and 24% are business owners. The data also says that 2.5% of individual respondents are professionals and 11.5% of homemakers or unemployed have also filled the form. Hence this sample data is a true representative of the people in India.

Parameters	No. of Insurers	Percentage %
Strongly Disagree	2	1
Disagree	5	2.5
Neutral	28	14
Agree	46	23
Strongly Agree	119	59.5
Total	200	100

Table-2: Buying health Insurance post covid-19



Findings:

Table 2: Says that 59.5% strongly agree that Covid had changed people's behaviour towards health insurance, 23% agree and 14% are in a neutral phase. Only 5 respondents disagree and 2 strongly disagree.

Significance of the study:

- i- A health Insurance policy equips one to get the best healthcare treatment without worrying about the huge costs payable at the time of discharge.
- ii- The benefit of health insurance ensures insurance companies are setting fair and adequate premiums given the competitive nature.
- iii- Granting health safety to people.
- iv- Provide medical support.
- v- The COVID-19 pandemic is a challenge for the health insurance industry on various fronts at the same time it provides an opportunity for the insurers to fetch in new customers.

5. SUGGESTIONS:

Investing in the future of insurance:

The insurance industry is facing enormous challenges because of COVID-19. It's time for carriers to develop new business strategies, prioritize investments, rethink what industry verticals and customer segments to target and develop products, services, and pricing strategies for prioritized segments. Doing so can help drive revenue.

We believe the right strategy for carriers, if they believe their roadmaps are directionally correct, is to invest in the future—in the digital capabilities, talent and other strategic resources needed for long-term success. Companies that invest now in their capabilities and strengthen the bond with their customers have the potential to emerge from the crisis ahead of their competitors.

6. CONCLUSION:

The Pandemic has posed an unexpected shock to the Indian Insurance Sector. The Insurers must act decisively to overcome the disruption created by the Pandemic. A robust insurance sector has contributed to India's growth in recent years. The government and IRDAI should get back to rebuilding the insurance sector. There should be regular updates with the regulatory authorities by the insurers. The strategies must be re-evaluated, including business lines and products to reflect the business Pandemic's impact. Insurers need to adapt to the Customers' expectations of what products and solutions they need.

The COVID-19 pandemic is challenging for the health insurance industry on various fronts, at the same time, it represents an opportunity. While being extremely applicable to society, using appropriate mitigation strategies, insurance companies may be able to support it further through product development activities and ensure their reach is extensive. IRDAI and insurance companies are committed to helping COVID-19 patients. The World Health Organization has declared COVID-19 a global pandemic. In the case of pandemics, insurance companies curtail their coverage. People are more aware of health insurance in such pandemics and understand the point of view toward health insurance. We find out a comparative analysis of health insurance companies and understand their impacts on the buying behaviour of the customer. The COVID-19 pandemic also provides an opportunity for insurance companies to innovate and serve the evolving needs of a more informed population. Several insurance companies launched COVID-19 insurance products in March 2020 and in July 2020. Other companies may follow get-up and introduce such products. These products tend to be short-term and carry fixed benefits, covering a fixed amount more than the hospitalization schemes.

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