

AFTERMATH OF COVID 19 & ITS IMPACT ON 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. For instance, the pandemic and lockdown may have a significant impact on the automobile insurance sector, which is one of the largest revenue sources for the general insurance industry. Similarly, the hospitality and events industries, which avail of event, liability and property insurance, are also set to take big hits. Reduced travel may hit the airline industry badly and will lead to a considerable decline in the travel insurance segment, which was very profitable, according to a recent report by PwC India. This paper is an attempt to study the present the health scenario, opportunities and challenges of health insurance companies in the context of Covid-19 pandemic particularly in the online insurance marketing in India. Covid-19 is affecting the insurance sector in multiple ways: from employee insurance and continuity of business issues to client service obligations and finally to sustain the financial outlook of the company.

Keywords: Online Marketing, Pandemic, Financial Loss

INTRODUCTION

In the wake of the pandemic, there has been greater concern and awareness about health, and enquiries about health insurance policies have increased by 30–40%. The pandemic also provides an opportunity for insurance companies to innovate and serve the evolving needs of a more informed population. Several insurance companies have launched COVID-19 insurance

products in March 2020. Other companies may follow suit and introduce such products. These products tend to be short term and carry fixed benefits, covering a fixed amount in excess of the hospitalization schemes. The IRDA Sandbox has been useful at this time as many companies had filed and obtained approvals for risk cover in special situations.

HEALTH INSURANCE

Health insurance is a means for financing a person's health care expenses. While the majority of people have private health insurance, primarily through an employer, many others obtain coverage through programs offered by the government. Other individuals do not have health insurance at all. Health insurance is a type of insurance coverage that covers the cost of an insured individual's medical and surgical expenses. Depending on the type of health insurance coverage, either the insured pays costs out-of-pocket and is then reimbursed, or the insurer makes payments directly to the provider.

E – Marketing of Covid 19 Insurance Policy

Many Indians don't have health insurance cover, so they will be faced with an added financial burden in case someone in their family needs to get hospitalisation treatment for Covid-19. Keeping the societal well-being in mind in these tough times, PhonePe has decided to forego its commission, thus enabling an affordable product with Bajaj Allianz General Insurance.

MARKETING GIMMICK

CS Sudheer, founder of IndianMoney.com, opinion that since there are many health insurance plans in the market which already cover the Covid-19 pandemic, there is no point in purchasing a separate Covid-19 health insurance plan. "Also, as we have seen in the past when there was dengue outbreak, insurance companies came up with dengue cover separately. Should we ask our customers to buy one new health insurance policy every time we discover a new virus or a disease? It's not practical, its just a marketing gimmick," IRDAI (Insurance Regulatory Development Authority of India) has already asked health insurance companies to offer medical coverage for Coronavirus infection in India. The regulator has also instructed insurance companies to design specific health policies covering the treatment cost of Covid-19, including medical expenses incurred during the quarantine period.

STATE WISE HEALTH INSURANCE POLICY DETAILS – (2018 - 19)

State/ UT	Individual Business including floater/Non-floater policies				
	No.of policies Issued	No. of persons Covered	Gross Direct Premium	No. of claims paid	Amount of Claims Paid
Andhra Pradesh	628511	1152	37928	37960	19819
Arunachal Pradesh	1905	3	173	40	23
Assam	163030	281	10221	6737	3465
Bihar	233540	373	11419	7940	3766
Chhattisgarh	178398	344	11362	5002	2524
Goa	41443	87	3533	4198	1899
Gujarat	2249717	5053	197864	491677	178041
Haryana	793265	1929	81323	159206	53628
Himachal Pradesh	32930	60	2321	1517	573
Jammu & Kashmir	45164	86	3980	1850	919
Jharkhand	134005	249	9548	7354	2995
Karnataka	1190649	2433	98576	145908	53145
Kerala	913873	2118	79466	184041	50084
Madhya Pradesh	835791	1577	50482	84877	31122
Maharashtra	4141144	9093	437865	585198	277247
Manipur	3755	6	312	79	33
Meghalaya	3745	6	285	131	72
Mizoram	449	1	37	235	69
Nagaland	6748	8	171	39	16
Orissa	385771	660	23146	20150	8206
Punjab	462248	1034	43247	58064	21537
Rajasthan	537848	1204	46159	57739	20892
Sikkim	6040	16	679	1081	431
Tamil Nadu	1459573	3091	124124	155225	64417
Telangana	710493	1612	66885	68694	32514
Tripura	23342	38	1282	941	426
Uttar Pradesh	1311074	2773	96561	130357	51286
Uttarakhand	144934	308	12688	12942	4836
West Bengal	1381408	2827	122665	150094	68802
Andaman & Nicobar Is.	16354	42	1883	3460	1266
Chandigarh	50062	109	5835	6365	2781
Dadra & Nagar Haveli	7622	15	495	761	222
Daman & Diu	3679	9	307	310	122

Delhi	1469676	3411	167464	260419	116781
Lakshadweep	32	0	2		
Puducherry	23087	55	2177	1645	823
Total	19591305	42064	1752464	2652236	1074782

Source: IRDAI Reports

(Note: No of policies and no of claims in actuals)(No. of persons in '000)(Premium and Amount of claims in Rs. Lakh) Based on the above table it is clear that still in many states health insurance the awareness about the health insurance policies offered by both government and individual are low.

AYUSHMAN BHARAT - PRADHAN MANTRI JAN AROGYA YOJANA (AB-PMJAY) ONLY

State/ UT	Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) Only				
	No.of policies Issued	No. of persons Covered	Gross Direct Premium	No. of claims paid	Amount of Claims Paid
Chhattisgarh	3	12200	35735	263992	17246
Gujarat	8	16126	16626	12368	1174
Jharkhand	1	23982	34895	74578	7330
Maharashtra	2	3420	7476	9535	853
Nagaland	1	700	1036	200	24
Tamil Nadu	9		4000		389
West Bengal	1	1242	5782	535	25
Total	25	57669	105550	361208	27041

Source: IRDAI Reports

(Note: No of policies and no of claims in actuals)(No. of persons in '000)(Premium and Amount of claims in Rs. Lakh)

From the above table it is clear that, still in many states the awareness about the Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana schemes are very low. Government needs to take necessary steps to spread the awareness.

HEALTH INSURANCE PENETRATION OVER THE YEARS

Year	GRAND TOTAL (AB-PMJAY, GROUP BUSINESS, GOVERNMENT SPONSORED, INDIVIDUAL BUSINESS)				
	No. of policies Issued	No. of persons Covered	Gross Direct Premium	No. of claims paid	Amount of Claims Paid
2014 – 15	10929205	288033	2009622	9235780	1822293
2015 – 16	11815931	358962	2444754	8034533	2175890
2016 – 17	13137428	437455	3039171	11039078	2754598
2017 – 18	14729756	481987	3702863	14544736	3024404
2018 – 19	20681566	472035	4487276	15912560	3498283

Source: IRDAI Reports

(Note: No of policies and no of claims in actuals)(No. of persons in '000)(Premium and Amount of claims in Rs. Lakh)

Based on the above table it is clear that the penetration of health insurance in India is very low on comparing with the entire population.

SUMMARY OF INDIAN LIFE INSURANCE SECTOR

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
No of companies (Nos)	24	24	24	24	24	24
No of life offices (nos)	11032	11033	11071	10954	11112	11279
Insurance penetration (in %)	3.1	2.6	2.72	2.72	2.76	2.74
Number of new policies issued In Lakhs	408.72	259.08	267.38	264.56	281.97	286.48
Total Premium in cr	314301.66	328102.01	366943.23	418476.62	458809.44	508132.03
Market share of LIC (based on Total Premium) in %	75.39	73.05	72.61	71.81	69.36	66.42
No of individual agents	2188500	2067907	2016565	2088522	2082667	2194747

Operating Expenses related to Insurance Business In lakhs	3746541	3685916	3877789	4613888	4881966	5113026
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Source: IRDAI Annual Reports

Channel Wise-New Business - No. of Lives Covered (Individual plus Group)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Individual agents	484.37	285.89	248.01	237.03	241.78	281.09
Corporate agents-Banks	56.10	69.00	85.16	57.77	195.89	455.08
Corporate agents-Others	53.23	344.16	288.74	69.96	109.77	131.42
Brokers	41.09	57.94	87.62	141.36	175.02	214.33
Direct selling	713.68	725.22	1270.20	1546.75	1416.11	1392.26
Common Service Centres(CSCs)		0.02	0.08	0.06	0.24	0.27
MI Agents		5.08	5.49	6.86	17.36	53.58
Web Aggregators			0.00	0.19	0.60	1.31
IMF			0.00	0.03	0.05	0.09
Online			2.05	2.60	2.92	3.17
Point of sale					0.14	0.35
others if any			0.01	0.00	0.13	0.00
Total	1348.47	1487.31	1987.36	2062.61	2159.86	2532.95

Source: IRDAI Annual Reports

From the above table it is clear that majority of the sales are happening through Individual agents followed by Direct Sealing and brokers because of that majority of their operating expenses are increasing rapidly. Companies need to concentrate on other channels too for marketing their insurance products.

REASONS FOR LACK OF PENETRATION

HOSTILE MARKETING

Nowadays insurance products are promoted in a hostile way by the private companies and the agents have no option but to sell aggressively. Often, many of the insurance agents show a performance chart to the proposer which shows sky-high returns of 15% over a period of one year. Many times customers of ULIPS's complain that they were told that they need to pay the premium only for three (or five) years and would receive tax-free returns, but when they check the actual condition after three years they get stunned to see that their actual value of the fund.

DEARTH OF SKILLED AGENTS

Most agents do not take this profession sincerely and end up terminating their agencies sooner than later. The policies sold by these unskilled agents become “orphan policies” and without servicing they lapse. In the financial year 2010-11, 10.45 lakh agents left the insurance business while only 7 lakh joined which has led to a fall of 35 %. The companies are finding it really hard to recruit good agents.

LACK OF TOLERANCE

After the customer agrees to buy the policy, most of the agents didn't explain the policy terms and conditions clearly or else they will skip up something. They are in a rush to close the sales and they don't even study the features properly. Even though agent explain about the product insured is also responsible to check what they have purchased. Prompt inspection of the policy documents and policy regarding details are the need of the hour.

Conclusion

Health is a basic requirement of the human beings. The lack of healthcare insurance in India has compounded in creating a varied number of problems which are further responsible for creating mess in the country. The most condemning fact that must immediately be remedied is the appalling expenditure incurred by the patient during the course of the treatment due to the out of pocket expenditure. However, the middle socio-economic group do have some access to the insurance plans, however, this does not hold true to the residents of India who are suffering from poverty.

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