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An Analytical View of the Health Insurance in India during Covid-19 Pandemic Perspective and Challenges

***Dr. Kailash Kumar**

Associate Professor, Maharshi Dayanand University Centre for Professional & Allied Studies, Sector-40, Gurugram, Haryana

Abstract

Hospitalization costs are covered by all health insurance policies. COVID-19 would not be classified as a pre-existing disease. As a consequence, all insurance companies would typically respond to hospitalization assertions. People suspected of being afflicted are being quarantined, and those who test positive for COVID-19 are being treated. Health and professional floater medical insurance accounts for less than 15% of all people provided by insurance and government-sponsored health insurance coverage. The objective of this research is to provide insight into the problems and perspectives of health insurance in India during COVID 19 pandemic.

1. INTRODUCTION

COVID-19, which began as a medical crisis, has now evolved into an economic meltdown. With the business environment collapsing and various sectors suffering significant financial losses, the healthcare industry has viewed as a prominent component of the new economic paradigm. According to a McKinsey assessment, the gross Domestic product (gdp might return to pre-COVID proportions as early as the 4th quarter of 2020 or as late as the third quarter of 2022. The epidemic has prompted a approximately 23 percentage drop in the reinsurance indices, resulting in a 25.9% reduction in stock prices. According to one of PwC's estimates, the healthcare corporation's two most profitable months - March for insurance coverage and April for Non-life Corporation renewals have been hammered by approximately 30% and 15%, correspondingly. Let us just take a closer look at how well the COVID crisis has impacted different healthcare businesses as well as what the future might hold for each (refer, [1], [2], [3], [4]). The economic impact of the epidemic has brought individuals to value life insurance products' protection and fall in terrible times. The second session of the fiscal year 2020-21 showed a 16% YoY rise in premium income and a greater number of consumers opt to purchase guaranteed investment insurance. The psychological condition of the COVID-19 epidemic can be ascribed to this, yet people move towards pure security measures like health insurance instead of insurance plans such as ULIPs. The affordability and accessibility of term strategy have increased as more and more people are seeking insurance coverage. Customers are seeking for improved life insurance products, as well as customised solutions, in the aftermath of the epidemic. Some of the most centric model in the post-pandemic insurance industry involve the need for adaptability in payouts, innovative products, internet based methods of transaction (contactless buying and renewal as well as the additional benefits to current policies from COVID-19 health coverage).

1.1. Individual health insurance industries are affected.

Whereas the healthcare business, like most other industries, has been affected hard by the epidemic, the corporation's growth outlook are promising. An examination of the constraints and prospects with in personal healthcare business is provided following.

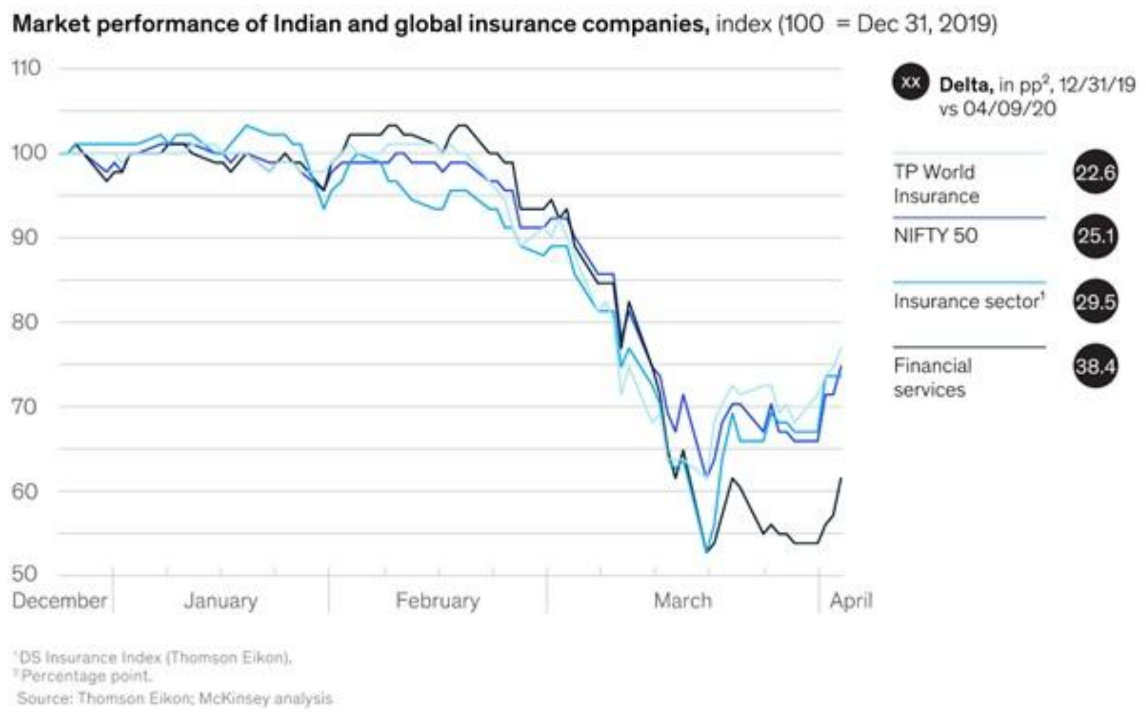

Image Source: McKinsey & Company

1.1.1. Insurance in general

Generic health coverage is benchmarked with such a country's GDP to gauge company's profitability because it comprises the value of assets and enterprises and also their entire commercial growth. As a consequence, the profitability of industry sectors and individual enterprises influences a substantial amount of the General Insurance market. As a result of the shutdown disrupting the business community, the General Insurance system has deteriorated. Even as global financial system settles down by 2022, the aggregate industry is expected to improve.

1.1.2. Medical Coverage

Whenever it comes to mental health coverage, India does have a history of being underinsured. The deficit has also been largely addressed by government policy measures including such Ayushman Bharat, which attempts to guarantee the poorest and most vulnerable, but Private Health insurance Programmes have acknowledged reaching approximately 20% of the urban areas and slightly more than 16% of the rural communities. In addition to the substantially higher growth of health health coverage, insurance and reinsurance threshold values may emerge as well as the pessimistic mobility therefore should be counterbalanced. The IRDAI has ordered that all ordinary and healthcare companies begin providing Corona Kavach – an indemnity-based health care plan – and Corona Rakshak – a predetermined benefit healthcare insurance – policies to their clients due to the continuing rise in the amount of patients as well as the length of the crisis. These strategies are intended to cover COVID 19 patients' hospital and health expenditures.

1.1.3. Procuring Life Cover

People's livelihoods and prospective financial security are predominantly protected by insurance policies. As a consequence, insurance coverage is directly related to people's revenues, company performance and net value. There has been a stampede to raise your coverage since the pandemic started. Term life covers need to see a renewed concern, and therefore a rise in demand, based on the current PwC report. Whilst also long-term ensures are alluring, insurance companies face additional challenges as interest rates collapse, with consumers increasingly cautious of their investment opportunities, which leads to an unstable financial markets. What is the industry's response to the challenge?

The insurance sector retreats into certain branches. Thus, the sector is likely to have problems to sustain its momentum except if the economy in general rebounds or even the healthcare industry discovers business in previously uncovered areas. The COVID-19 catastrophe has presented the insurance companies with both instantaneous and prospect adversities in the foreseeable future. In order to ensure the smooth transformation process from industry towards the world after COVID, the insurance companies implement a strategy. The insurance sector is about to undergo a massive transformation, from the front offices pushing customers to interact electronically to assisting their representatives economically in such troubled periods by paying advance commissions. The greatest upheaval will be driven by digitization, which is already happening in the healthcare business around the world, however the COVID issue has hastened the change. This essentially means that digital clients of the business should expect only improved options and better distribution channels in the future days. Because the front offices are modifying how the insurance sector performs and communicates with it's own clients, the back offices are expected to offer insurers a variety of exemptions and improved regulations. In the case of certain risks, the insurance industry reckons with the prospect of claims that are made on a coverage for another seven various years. As a consequence, the durability of investment gains including profitability for long-term contracts in medical and retirement benefits will need to be recalculated. Ultimately, the sustainability of business must be re-examined. Whereas the insurance sector must plan for long-term implications, the following characteristics should receive immediate attention:

- Employees have always been at the center of the insurance sector. There'll be an influence on the industry's enormous personnel bases in the near future as a result of the emergence of technological transformation. Notwithstanding the shift to digital, the great majority of the working class will still require yet another contact. As a consequence, businesses must guarantee that their employees have accessibility not only to the office-based safety features, but also the systems and applications they need to work securely from home.
- Because the insurance sector is designed to assist other sectors, it can't afford to ignore any threats to its own survival. In light of future disturbances, including natural disasters, environmental concerns, political and economic crises as well as the consequent uncertain global norms, they must strategize for business planning.

- Industry must be expected to cut cash flows by refusing to pay premiums or postponed renewal payments.
- The investment strategy also important to closely measure reduced returns as interest rates decline from government measures in addition to making business more successful.

Finally, it can be made clear that progress should be taken in the insurance industry and the solution chosen should be pragmatic and quick, instead of finding perfect solutions to the future challenges of the industry. As insurers adjust to the new normal, industry experts should help them develop a strong and resilient operational framework (refer, [5], [6], [7], [8]).

2. Insurance operations constraints in COVID-19

Insurance is a massively complicated business with various processes in which established regulations, prices for new businesses, sales of new businesses, renewal policies, customers' requests and processing claims are administered. The highly complex interaction between insurance providers and their network services, such as brokers and agents, keeps adding to this intricacy. As a result, it's no wonder that perhaps the COVID-19 situation presents insurers with a diverse variety of obstacles in maintaining their activities as typical working practices are substantially disturbed. So how do insurers approach, what are all the essential quests, and what significantly longer modifications can we see as a consequence in the future?

2.1. Shift to remote operation

This is absolutely true in several industry sectors. Everything around 90% of the employee works full time for most countries, with a relatively small portion of the staff on site operating for crucial jobs that can be performed remotely. In nations where the virus was initially detected, such as China, a handful of employees have returned to work, most probably in consecutive A and B team routines.

According to the input we've received, there have been some hiccups at first, but it's now generally functioning. Insurance companies have adequate hardware (laptops and smart applications), and remote connectivity mechanisms are in place. Teleconferencing is widely used, just like it is everywhere else. In several respects, the circumstance has expedited an already existing trend (and aspiration). Numerous insurers have also been seeking for strategies to expand their digital footprint and connection while reducing their dependency on physical co-locations of personnel. The notion that they had been prepared to implement this in action within just 2-3 weeks rather than 2-3 years is a major accomplishment in a timeframe that most individuals wouldn't have envisioned. Because of the speed with which the system is being overhauled, some concepts and checks are much more critical than before. Leadership must communicate clearly, effectively, and frequently so that employees are properly updated and comprehend the objectives as the categories encompass or alters. The engaging of line managers who arrange 'virtual coffee' with their team members to catch up, maintain their mental toughness elevated and pay attention to all issues, or even more frequently deem for certain regions of study to achieve compatibility problems and measure progress against deliverables.

2.2. Managing Overload Channels

Amongst the most significant problems is that this is really taking place at the same time as there is a significant increase in customer connections. Customers are inundating insurers with questions about what they may or may not be covered for, as well as how to make a claim, whether it's for health cover, medical expenses, healthcare insurance, business disruption, or some other concern. In the UK, for example, one nondepository {financial institution} has shared with USA that they need seen a staggering one thousand % increase in client inquiries, claims and complaints regarding their travel insurance. Service and decision centres related to retirement merchandise also are obtaining vital inquiries starting from understanding their account balance changes to choices for withdrawal as customers face increasing financial hardship. However, alternative products akin to motor became a lot of quieter - with a twenty percent or additional visit motor claims over the previous couple of weeks. These problems necessitate variety of reactions. Firstly, insurers are wanting to insist that customers contact them by phone with solely the foremost pressing of inquiries; everything else must be routed online. It conjointly means insurers have to be compelled to cross-check their internal resources method} they're designed - probably moving as many of us into claims as possible, albeit that's not their usual job. they have to regulate their specialist groups too - akin to transferring workers out of areas like motor claims and into hotspots like travel. This additional agile way of working, some are occupation 'volume shifting' might be one of the new ways in which of operating initiating of this situation.

2.3. Digitized information is more efficient.

Those insurers with much more advanced digital assessment, claims, and institutional arrangements are unquestionably in a good situation than the others, even if processing times have become slower than in typical circumstances. Those who lack these competencies or reliant on less sophisticated technology procedures are much more likely to have issues. Customers may be lost to even more digitally-enabled rivals in the future, especially in general insurance, where several customers' patience with non-digitized operations is diminishing. Including the surge in client contacts, insurers are concerned that their own staffing levels may suffer if many personnel become unwell with the infection (or are less productive working due to caring responsibilities). According to some estimations, in the worst-case scenario, available workforces in adversely afflicted countries might decline by 25%-45%. Certain insurance companies are looking specifically into eventualities, including in Germany, in which some insurers are in discussions with third-party service providers regarding continuing to support them with claims queries and processing if necessary.

Numerous insurance companies are easing the claims process by waiving certain standards and reducing the documentation required in order to relieve stress and give the best possible customer service. Dealing with complex and/or high-value disputes, where analyzing relevant facts and receiving expert reports in person is typically a critical component of the process, remains a difficulty. In an evolving crisis, there have been no easy explanations, but we may have seen an increase in the usage of drone or imaging technologies to aid loss assessors for those who are unable do site inspection. There is already a wider development viewpoint to take into account: examples of country regulations that obstruct creative work. Insurers can loosen up their processes and procedures to accommodate unusual circumstances, but they cannot modify federal level laws and regulations. This exacerbates an already challenging situation ([9], [10], [11]).

2.4. The risk of fraud increases

Every one of these considerations start raising a further significant trend: trying to mitigate the cases of abuse. We have already been starting to hear of an increase in dishonest assertion efforts, such as those involving travel assertions, where customers, after being rebuffed by their tour operator or aviation for cancelled transportation, go to their insurer as well as invent an illness or even other situation in order to protect reimbursement. Nevertheless, the risk of fraud is not limited to consumer claims. The increasing adoption of remote working is probably to result in an increase in hacker attacks by malicious people attempting to exploit vulnerabilities for a variety of reasons, including obtaining consumer data, obtaining account statements, or disrupting operations. Employees must be provided with clear instructions on remote connectivity protocols and methodologies, particularly file access and data transmission. As system stress increases, it's critical that cybersecurity and forensic teams collaborate with IT organizations on a regular basis, if necessary, moment by moment, to analyze for problems and analyze for anomalous behavior.

2.5. Weak links in the chain: offshore centres?

A further significant problem that is swiftly gaining attention is the danger that certain insurance companies confront as a consequence of their use of overseas distribution centres. India, the Philippines, Eastern Europe, the Republic of Ireland, and China are at least five among the most popular places used throughout the sector for managerial functions such administrative support assessment, reimbursement, and policy administration.

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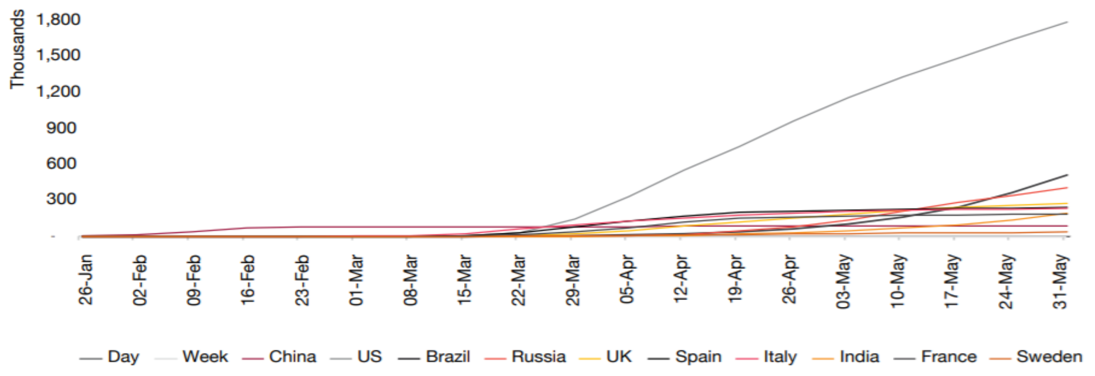
2.6. Maintaining the distribution channels

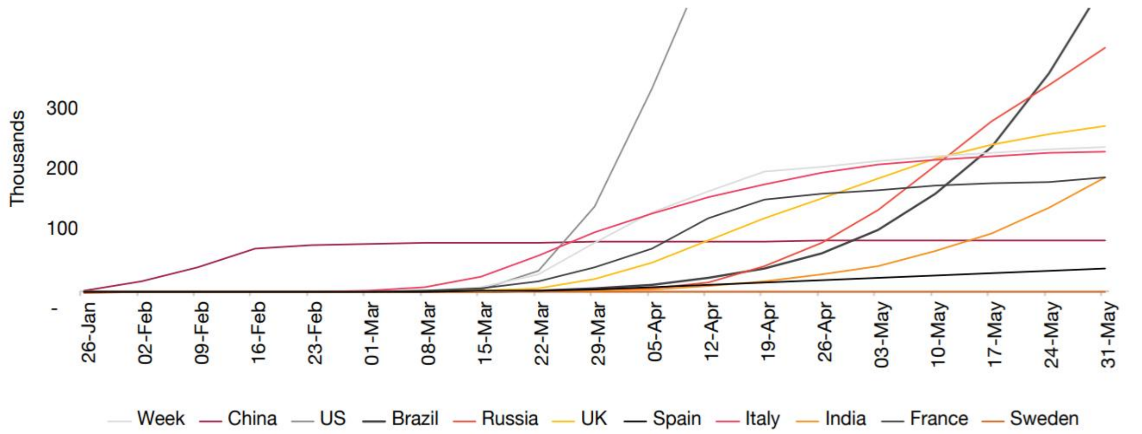
Interactions between insurers and brokers and intermediaries are yet another critical operational area. Several other brokers with limited IT infrastructure have a much more harder time providing administrations; for example, in the United States, we have noticed of unstaffed corporate offices not forwarding calls to Customer Service Representatives at residence to just provide assistance or issue Certificates of Insurance. Acquiring recertification details, which would include knowledge about exposure levels, is complicated. Insurers must find ways to reduce the quantity of knowledge required from brokerage firms for renewals, such as by implementing advanced assumptions and making better usage publicly available data.

3. Cases of COVID-19 in the top seven countries versus India, China, and Sweden



Source: https://coronavirus.jhu.edu/map.html

COVID19: A more in-depth look at India cases in comparison to other key geographies



Source: https://coronavirus.jhu.edu/map.html

Source- * https://www.worldometers.info/coronavirus/

In these difficult times, insurance companies are trying a variety of methods to remain relevant in social structure. The following are among the measures taken by insurance providers:

- Almost all insurance companies have successfully transitioned all of their employees to a work-from-home environment while maintaining full service availability to their customers.

- Many have approached customers proactively in order to connect via digital channels rather than in person at branches or other offices.
- Many more have set up devoted call centers to manage COVID-19-specific questions.
- Insurance firms have begun to provide their consumers digital services, ranging from policy information to the ability to pay premiums via electronic payment options.
- Some few insurers have enhanced the annuity on life insurance policies on their own initiative.
- A few other insurers have implemented progress commissions to sustain their operatives economically during this time of uncertainty.
- Due to the development in digital activities, the majority of insurance companies are focused on cyber security measures and evaluating remote operating and businesses continuation planning (BCP) infrastructure.
- Numerous insurers have begun to open branches in a measured way, with reduced capacity and social distance, since insurance has been classed as extremely important.
- A number of brokers have conducted webinars on terms of ideology, potential claims, and cyber security measures.
- The majority of insurers are squeezing their budgets and examining all possible cost-cutting measures.

4. Significant effect on healthcare coverage industries

India has been a traditionally underinsured country, with only approximately 20% of the urban population covering private health insurance schemes and just over 15% of the rural population. Although Ayushman Bharat, who tried to secure poor and vulnerable people, has somewhat bridged the gap, most of India remains under-assured in healthcare. Due to the broad COVID-19 pandemic, health insurance undertakings are faced with a number of challenges and have an impact in the areas below.

4.1. Payment for claims and cash

- The IRDAI has instructed insurers to accept related COVID-19 claims under effective health insurance plans in order to dispel all general misunderstandings regarding the applicability of the healthcare policy to COVID-19 matters. Given that COVID-19 risk does not currently apply to active products, such assertions may create additional burdens for insurance books if they are processed outside government hospitals.

- In the future, community transference could result in an affected populace from all socio - economic classes, with claims totaling a few crores. Healthcare insurance businesses, on the other hand, would witness a modest effect on overall financial statements this financial year, thanks to the recent premium base of INR 51,637 crore.

- Because the majority of the costs are expended in public hospitals, the impact on private hospitals, which are much more valuable, is expected to be minimal. Furthermore, only 12%-18% of the Indian population has healthcare coverage. Due to the prosperity of the traveler base above the national average and thus more probable to contract CoVID-19, socioeconomic transmission is anticipated to spread disease which will influence the portion in a lesser manner. As a consequence, assertions are unlikely to be substantial enough just to stimulate pandemic coverage acquired from reinsurers instantaneously. Long-term advancements must be closely monitored.

- The scale of cases in India was modelled by a study conducted by the India Institute of Actuaries (IAI). The variation from approximately 5,21,000 to 11,00,000 affected individuals modelled as on June from a lock-in case to the worst case situation If this scenario were reversed, both in aspects of dispensation and amount would be place strain on hospitals and medical insurance policies. This would result in an increase of 6-14 percentage points in its claim ratio, which might seriously damage portfolios without pandemic reinsurance cover, on a business sector which is based on approximately INR 51.6372 crore.

- Because of its comprehensive coverage, the Ayushman Bharat scheme would have seen a higher number of claims than private medical insurance firms. The expense of establishing isolation wards cannot be influenced by this scheme. As isolation of hospitalized patients is vital in order to avoid further dissemination to the community, this expenditure will add up to the government's responsibility. Numerous insurers work with the government on a PPP agreement and have to readjust their financial resources (refer, [11], [12], [13]).

4.2. Development of new products

Following the pandemic, people have become more concerned and informed about their health, and inquiries regarding health insurance coverage have grown by 30–40%. The epidemic also presents a chance for insurance firms to innovate and meet the changing needs of a better-informed public. COVID-19 insurance policies were released by a number of insurance providers in March 2020. Other businesses may follow suit and launch similar items. Such policies are often short-term and have pre-defined advantages that compensate a set sum above and beyond the hospitalization programs. Many companies had filed and received authorization for risk cover in exceptional situations, therefore the IRDA Sandbox came in handy at this time.

4.2.1. The following are some product concerns for health insurance companies:

- Because facts about COVID-19 therapy and prognosis are still emerging, insurance companies lack information about patient characteristics, increased mortality, medical expenses, and so on. This information is needed to assess the risk and set the premium for products that expressly target this condition. As a result, businesses risk underpricing or overcharging their goods.
- Insurance firms will need to evaluate the notion of assertion escalation state-by-state or district-by-district based on the increasing evidence of COVID-19 claims. The trends could then be utilized in conjunction with the healthcare system to ensure that customer support is efficient and to undertake future price assessments, as insurance companies are currently using geobased costing in medical insurance.
- Insurance firms should quantify the probability of a lengthy pathway of chronic illness escalation solely on medical studies and in collaboration with the pharmaceutical and healthcare sectors, which may necessitate health insurers to reprioritize their present hospitalization packages. Inadequate data may currently stymie such analysis, but cooperation between insurance and their actuary, as well as healthcare workers and organizations, can emerge in models that have never been considered earlier. Insurance undertakings can obviously partnern with their company clients in order to improve the health quota and the ability to effective deal with the COVID-19 situation when it comes to employee's benefits.
- As a consequence, the effectiveness of insurance will grow, and assertions will decrease as people become more aware of the issue, including chronic conditions and co-morbidities. Many employers who offer healthcare benefits for employees are

making distinct investments in these initiatives. Insurance firms can take advantage of this opportunity to develop consumer loyalty and also diversification and retention ratios.

5. **The need for reserves**

As a result of the epidemic, the government has taken initiatives to minimal bond interest and repossession rates, posing issues for insurers in order to keep greater reserves (that are higher for insurance companies than for insurance companies), financial risk, creditworthiness, and etc. In light of these difficulties, the regulator may be forced to give some momentary respite from the reserving requirement for insurers that are on the verge of going bankrupt.

Here are a few things to think about when it comes to healthcare insurance firms' financial health:

- In the event that an increase in claims and policy liabilities, etc., would result in relatively low taxable income, COVID-19 would have a bearing on the profits of health insurers, this would influence their performance to proclaim the dividends of shareholders. If insurance businesses choose to assert a discount for revenues derived under the proposed section 80M of the Income-tax Act, 1961, their ability to declare dividends to their shareholders may limit the amount of reduction they can seek in subsequent income-tax returns. Insurance businesses may face larger tax leakages as a direct consequence of this.
- Because the degree of rules for both policyholders and insurers is so high, security, and also the financial solvency and management of Insurance companies are highly strict, and there is no oversight. The failure or structural issues are expected in the as of yet, in the industry.

- The long-term profitability of the healthcare industry is determined by portfolio sustainability. This can be influenced in both directions.

- Life insurance firms had around 67 percent of their portfolio in government securities as of March 2019, while general insurance providers held 42 percent. The decrease in Indian bond rates has quickened in the previous month, despite the fact that they have been on a decreasing trend for the past year. Bond rates fell from almost 7% to around

6% from Sep. 2019 to Feb. 2020, a 40 basis point reduction in just 5 months. Bond rates fell 18 basis points to 6.05 percent in about a fortnight from the end of Feb. to the 16th of March 2020. Life insurance firms had around 67 percent of their portfolio in government securities as of March 2019, while general insurance providers held 42 percent. The decrease in Indian bond rates has quickened in the previous month, despite the fact that they have been on a decreasing trend for the past year. Bond rates fell from almost 7% to around 6% from Sep. 2019 to Feb. 2020, a 40 basis point reduction in just 5 months. Bond rates fell 18 basis points to 6.05 percent in about a fortnight from the end of Feb. to the 16th of March 2020 (refer, [14], [15]). Long-term investments would have to be marked down mostly on balance sheet if the market remained volatile.

- Falling bond rates would have had a cascading effect on insurance companies' businesses, revealing them to increased investment potential losses in the longer term. In the brief period, however, this may consequence in a realized divergence from projections, as insurers may be forced to liquidate these investments to maintain working capital if claim liabilities rise. Variable bond prices may necessitate the identification of changes in provisions for assets that insurers continue to hold.

Conclusion

Organizations and economies around the world are debating a neo-normal situation that is expected to emerge following the COVID-19 crisis. For the insurance industry, the post-COVID-19 period will involve more than just the separation of WFH and office or the digitalization from certain industry processes. The industry is a crucial component of the financial infrastructure, and it supports all the other industrial sectors. As a consequence, wider questions must be questioned, responses must be debated, and the precise nature of how the COVID-19 crisis and its aftermath will influence the sector along with assistance in the penetration of insurance industry in India must be mentioned.

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