

An Empirical Study to Analyse the Impact of New Challenges and Products Emerged Due Covid-19 Pandemic on Indian Health Insurance Industry

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ABSTRACT: The Covid-19 pandemic has not only smashed the health of the masses but also has put a devastating repercussion on almost all sectors of the Indian economy. One of them is the Indian insurance industry which is striving to hold its stake in this pandemic. Under this study, researchers have identified the new challenges and products emerged due to the pandemic and has empirically analyse its impact on the new business premiums of the health insurers. Further, befitting conclusions has been drawn from the results obtained and based on it pertinent recommendations are provided, which is believed to be having significant socio-economic implications.

Keywords: Premium, Covid-19, Pandemic, Life and Health insurers.

JEL Codes: C12, C88, D53, G41, Y10

I. BACKGROUND

India experienced largest GDP contraction ever in 1st quarter (April- June) FY-2020-2021 at (-) 24% due to Covid-19. Covid-19 has also made a huge impact on Indian health insurance industry. Majority of population are now considering health insurance as a protection tool to fight such unforeseen situations like the one which has emerged now, as the situation demands for huge medial and hospitalization costs. While the demand for health insurance is expected to increase considerably, underwriting thresholds may also go up and thus the negative movement may not be offset by the increase in the new policies sold.

II. RESEARCH PROBLEM

In context of the present situation, it is witnessed that a comprehensive study of new products which has introduced by Indian health insurance companies during this pandemic and challenges experienced by Indian health insurance sector due to Covid-19 has been overlooked till

now. This area has a huge socio economic importance in the current pandemic situation.

III. RESEARCH OBJECTIVES

The study has been based on following research objectives:

1. To identify the challenges emerged before the Indian health insurance companies due to the Covid-19 pandemic.
2. To identify the new products introduced by Indian health insurance providers attributable to this pandemic.
3. To empirically understand whether there is any impact of the Covid-19 covers and products on the new business premiums collected by the health insurers.

IV. RESEARCH METHODOLOGY

The present research work is based on empirical analysis of secondary data relating to the new business premium of Indian health insurance companies and general insurance companies selling health insurance products. Under the study the present challenges faced by the health insurers and the new products launched in context of covid-19 have been identified. Henceforth, to empirically analyse whether there is any statistically significant difference in the new business premiums collected by the insurers in the past three quarters, Shapiro-Wilk test for normality and Kruskal-Wallis test (non-parametric test) has been done through SPSS 15.

The sample companies selected are on the basis of availability which includes six private sector health insurance companies, fourteen private sector general insurance companies (selling health insurance products) and four public sector general insurance companies (selling health insurance products). The three quarters selected are quarters ending March, 2020, June 2020 and September, 2020 on the basis of the fact that IRDA issued

guidelines on Covid-19 cover and products in the month of March and its impact is assumed to be witnessed in the succeeding quarters.

V. DATA PRESENTATION AND ANALYSIS

Challenges faced by Health Insurance Companies in the pandemic situation

Because of this pandemic Insurance Regulatory Development Authority of India (IRDAI) has instructed the insurers to accept Covid-19 claims under active health insurance policies. Since Covid-19 is not currently priced under their active products, these claims may cause an additional burden on the books of insurers if treated outside government hospital. Some of the major problems that presents in front of insurance companies are stated below: -

- Difficulty in determination product pricing: Covid-19 has forced insurance companies to introduce new products. Due to unavailability of proper data during lockdown related to patient profiles, morbidity rates, cost of treatment, insurance providers has faced difficulty in determining the premium for Covid-19 covered products, which is associated with the risk of under or over pricing of their products.
- Decline in interest rate: It has also impacted on profitability of health insurance companies. As per IRDAI guideline insurance companies should invest at least 50% of its total investments in central government or state government or other approved securities. For last few years, the Indian bond rates have been decreased day by day. But Covid-19 has accelerated decline in Indian bond rate significantly. Interest rate has dropped by 18

basis point from 6.38% (February, 2020) to 6.20% (March, 2020).

- Decline in purchasing power: Due to the nation-wide lockdown, purchasing power and premium paying ability of Indians have significantly declined. Though enquiry about the Covid-19 related cover has plunged up to 40% in the recent quarters but due to the liquidity crunch, the enquires are not converted into purchases, which presents a big challenge in the growth of health insurance business.
- Advent of digital disruption: Covid-19 has pushed Indian health insurance companies to operate their business in digital mode, but in India majority of population is not accustomed with this digital means. But increasing threats of cyber-attack presents a potential threat in growth of health insurance industry. Apart from this, insurance industry has been employee centric. Insurance companies use physical mode to sell business through agents. But lack of proper training to use digital means and transportation disruptions due to lockdown has adversely impacted policy sales.

Covid-19 Cover and Products launched by Insurers

Covid-19 has forced insurance companies to make new products to cater the need of people. Apart from this IRDAI has instructed all health insurers to accept Covid-19 claims under their existing health insurance policies and allowed 29 general and health insurance companies to market indemnity based Covid-19 standard health policy called Corona Kavach and single premium Corona Rakshak policy. IRDAI has also reduced the waiting period from 30 to 15 days.

Table 1: Covid-19 Products

Policy	Type	Sum Insured (Rs.)	Policy Tenure	Benefits
Corona Kavach	Single premium Indemnity health insurance policy	50,000 to 5,00,000	105 days, 195 days, 285 days.	Hospitalisation expenses, pre & post hospitalisation cost, home cares expenses, AYUSH treatment, emergency ambulance cost etc.

Corona Rakshak	Single premium	50,000 to 50,000 multiples rupees 50000).	2, (in multiples of	105 days, 195 days, 285 days.	Hospitalisation expenses, ICU cover, home care treatment cost, AYUSH cover, pre & post hospitalisation expenses, ambulance charges etc.
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Source: Data collected through IRDA website and compiled by MS Excel 2010

Impact of launch of Covid-19 cover and products on the New Business Premiums Collected by the Insurance Companies

Table 2: New Business Premiums of Health and General Insurance Companies (selling health insurance policies) (Rs. in Crore)

Sl. No.	Insurers	Quarter Ending March'20	Quarter Ending June'20	Quarter Ending Sept'20
Private sector health insurance companies				
1	Aditya Birla Health Insurance Company Limited	1324.71	376.81	304.43
2	HDFC Ergo Health Insurance Company Limited	4251.08	696.07	585.55
3	ManipalCigna Health Insurance Company Limited	1026.09	228.98	186.11
4	Star Health & Allied Insurance Company Limited	11766.67	2498.15	2431.00
5	Max Bupa Health Insurance Company Limited	2093.20	484.81	413.25
6	Religare Health Insurance Company Limited	4073.30	740.63	658.55
Private sector general insurance companies (selling health insurance products)				
1	Acko General Insurance Limited	167.41	22.46	93.20
2	Bajaj Allianz General Insurance Company Limited	4141.84	770.70	4142.41
3	Bharti AXA General Insurance Company Limited	683.25	189.16	1047.04
4	Cholamandalam MS General Insurance Company Limited	588.77	159.23	1089.00
5	Edelweiss General Insurance Company Limited	120.58	26.01	57.52
6	Future Generali India Insurance Company Limited	723.63	135.98	924.91
7	HDFC Ergo General insurance Company Limited	2384.01	430.50	3346.08
8	ICICI Lombard General Insurance Company Limited	5284.77	1282.25	3189.25
9	IFFCO Tokio General Insurance Company Limited	2380.10	559.51	2493.46
10	Reliance General Insurance Company Limited	2794.93	719.61	2648.65
11	Royal Sundaram General Insurance Company Limited	730.51	145.18	635.63
12	SBI General Insurance Company Limited	1345.74	401.71	2414.50

13	Tata AIG General Insurance Company Limited	1879.96	350.18	1982.04
14	Universal Sampo General Insurance Company Limited	291.73	148.95	935.03
Public sector general insurance companies (selling health insurance products)				
1	National Insurance Company Limited	9403.63	1718.12	4452.17
2	The New India Assurance Company Limited	17498.07	5479.94	6583.33
3	The Oriental Insurance Company Limited	8237.58	1814.15	3438.96
4	United India Insurance Company Limited	9882.02	3358.78	4273.08

Source: Data collected through IRDA website and compiled by MS Excel 2010

Analysis:

H₀₁: The data is normal

H₁₁: The data is not normal

Shapiro-Wilk test has been done to test the normality of the three quarters individually. The significant values for quarter ending March 2020 (0.000), June 2020 (0.000) and September, 2020 (0.024) are less than 0.05. Therefore, it can be statistically concluded that we failed to accept the null hypothesis at 5% level of significance. Hence, the data is not normally distributed. (Computed by the researchers through SPSS 15)

As the data is not normal with more than two samples, non-parametric test statistic Kruskal-Wallis test has been used to understand whether there is any statistically significant difference in the new business premiums collected by the health insurers.

H₀₂: There is no significant difference in mean new business premiums collected by select health insurance companies relating to quarter ending March, 2020, June, 2020 and September, 2020.

H₁₂: There is significant difference in mean new business premiums collected by select health insurance companies relating to quarter ending March, 2020, June, 2020 and September, 2020.

The significant value for Kruskal-Wallis test (0.317) is greater than p (0.05). Therefore, the null hypothesis is accepted at 5% level of significance. Hence, it can be concluded that there is no significant difference in mean new business premiums collected by select health insurance companies relating to quarter ending March, 2020, June, 2020 and September, 2020. (Computed by the researchers through SPSS 15)

VI. CONCLUSION AND RECOMMENDATION

From the above discussions and results derived, researchers have come to a conclusion that

there is no statistically significant impact on new business premium collected by health insurers pertaining to quarter ending March, 2020, June, 2020, and September, 2020. In spite of the launch of Covid-19 related covers and products, Insurance companies failed to reach the masses to inform about the new launches and its potential benefits. Moreover, due to reduced purchasing power due to the lockdown, the majority of the inquirers enquirers failed to turn into policy holders.

The recommendations suggested by researchers are as follows:

- Health insurance providers must educate its potential customers about the benefits of the Covid-19 products, that is, to make a mass reach.
- Health insurance companies must provide proper training to their employees to cope up with digital architecture of doing business.

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