



## HEALTH INSURANCE - PRODUCTS, NEW CHALLENGES AND OPPORTUNITIES DURING COVID-19 AND BEYOND

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### Abstract

The pandemic has pushed an unexpected awareness across the importance of protecting investments, in particular in terms of the aspects of health and life security. The Covid - 19 pandemic has affected almost all industries and sectors across the country, including health insurance. The covid-19 pandemic has grown to become the highlight at the medical health insurance market in India. It has instilled a feel of worry in every person and has challenged our life style and modified our way of life completely. Corona virus has caused the increased awareness amongst people about the significance and advantages of health insurance

Insurance companies face an unprecedented situation and are performing at an accelerated pace to reinvent their operations. At present, health insurance is as low as 0.29% of GDP. Ayushman Bharat has provided insurance to the households below the poverty line. But the middle class remains largely uncovered. Design of simple need-based products, using simple wording to describe terms and conditions and quick claim settlements are the key areas for the insurance at present to concentrate on.

The pandemic has increased the urgency to innovate new health products and supply uninterrupted and exceptionally good customer service. The pandemic additionally gives the possibility for insurance companies to innovate and serve the evolving desires of a greater knowledgeable population. It will have impact on the insurance sector in terms of greater use of digital technology, on-boarding of customers, policy servicing, claims settlement and grievance redressal.

The health insurance industry is likely to keep growing as long as the pandemic continues and it generates a need for a health cover for the whole population.

**Keywords:** Corona Kavach, Corona Rakshak, Covid-19, Health Safety, IRDAI, Pandemic.

### Introduction

The coronavirus has changed the life style of the whole world drastically from the beginning of 2020. The disease has quickly become pandemic and forced the people of the whole world to kneel to its whims and fancies. 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. With the arrival of the COVID-19, the health, safety, and financial security has gained more importance than ever to consumers. Prevention and recovery from losses has become essential to consumers' well-being and insurance is one of the ways to provide financial protection. Insurance companies found themselves in the centre of the storm. A big challenge was thrown to the insurance sector to provide the needed protection against the corona virus pandemic.

As per the survey made by Max Bupa Health Insurance, only the 10% of people were interested in buying health insurance to cover new age diseases, but now 71 per cent people consider health insurance as a necessity to fight unforeseen pandemic like this. Insurance companies are facing an unprecedented situation and are working at an accelerated pace to reinvent their operations. Many carriers had to make their entire operations online within hours and days. They are finding the ways for changing their products and services.

Corona virus Health Insurance is an insurance policy which covers the medical treatment expenses incurred for Covid -19 disease. A Corona virus health insurance policy designed to cover hospitalisation expenses of the policy holder, irrespective of the disease he has been diagnose with (unless it is critical illness that is not covered). Since Corona virus is a viral infection and all the comprehensive health insurance plans cover hospitalisation expenses incurred on the treatment of viral infections, it also pays off pre and post hospitalisation expenses including in-patient and out-patient expenses, incurred on the treatment of Covid – 19.

### Products

Currently, health insurance covers only 0.29% of GDP. Ayushman Bharat has provided insurance to the households below the poverty line. But a large population still remains uncovered, especially the middle class. Design of simple need-based products, using simple wording to describe terms and conditions and quick claim settlements are the key areas for the insurance to concentrate on.



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There is also a shift in the consumer mind-set, with more and more people looking for products to safeguard their interests. The pandemic has increased the urgency to innovate products and deliver uninterrupted and unparalleled service to the customers.

For public interest, the Insurance Regulatory and Development Authority of India (IRDAI) directed all health insurance providers in India to offer two standard indemnity-based COVID-19 policies – Corona Kavach and Corona Rakshak policy. Both the policies came to the market in July 2020 to cover the COVID-19 disease. Corona Kavach Policy has been compulsorily offered by all general and health insurance companies from July 10, 2020. It covers all hospitalisation expenses which includes, cost of PPE kits, medicines, gloves, masks, doctor fees, ICU charges, ambulance charges etc. Under this policy, the hospital bill is reimbursed by the insurance companies as this is an indemnity-based plan. But in Corona Rakshak Policy, the 100 percent of the sum insured is to be paid by the insurance companies to the policyholder as it a benefit-based plan. It pays for hospitalization of a minimum of 72 hours and more as required for COVID-19 treatment in India. Corona Rakshak and Corona Kavach is also available under group health insurance policy.

A simple and inclusive standard comprehensive health insurance product called “ArogyaSanjeevani” has also been introduced by the IRDAI and directed all general and health insurers to sale the policy. It helps customers to select appropriate health insurance without getting confused on different terms and conditions.

The Covid Standard Health Policy offers a policy tenure of 3 ½ months, 6 ½ months, and 9 ½ months including waiting period. The features of other insurance policies like lifetime renewability, migration and portability are not permissible under the Covid standard health policy. The range of sum insured under Covid Standard Health Policy lies between Rs 50,000 to Rs 5,00,000. Anyone between 18 and 65 years can buy the cover and also cover dependent children between the day 1 of age to 25 years.

Since the treatment of corona virus can get very expensive especially for people with underlying diseases, it is advisable to opt for a higher sum insured amount so that one can appropriately covered for any circumstances. It is important to check the in-built waiting period under the policy. Almost all health insurance plans come with a waiting period of first 30 days. However, some insurance providers are offering 16 days waiting period only under their corona virus health insurance policy.

IRDAI also encouraging insurers to offer stand-alone products against vector-borne diseases like dengue, chikungunya, malaria and encephalitis.

The Chairman of IRDA, Mr. Subhash C Khuntia, IRDAI has emphasised on the need of offering simple products and using simple language in the policy documents. The insurers must issue “Key Feature Document” to policy holders mentioning there in simple and non-legalistic language the basic and essential features of the policy. Accordingly, ‘ArogyaSanjeevani’ for health insurance, ‘Corona Kavach’ for Covid-19 and “SaraJeevanBima” for term life insurance have been designed and rolled out.

It has been decided that the Insurance companies shall be guided by the Treatment Protocols prescribed by ICMR. A Schedule of rates for Covid-19 claims has been brought by the General Insurance Council after discussion with expert medical professionals who are employed by member insurance companies. These rates are basically based on the schedule of rates as suggested by NitiAyogPanel for covid-19 treatment and will be applicable to both cashless and reimbursement Covid-19 claims. The rates will be applicable in all States or Union territories or Cities where any Government Authority has not published standard charges for Covid-19 treatment. However, if any rates and charges have been published by any Government Authority, those charges shall be applicable to insurance claims with member companies. These charges shall be reviewed by Council every month to ensure that these represent Usual, Customary and Reasonable charges prevalent in the Indian market at that time and do not cause any hardship to insurance customers. All these movements cleared the doubts and fears of the policyholders and brought transparency in the treatment of Covid-19 insurance claims

## Challenges

The pandemic has not entirely been a bed full of roses for the health insurance market. Several challenges and uncertainties threatened the industry due to the pandemic The widespread Covid-19 pandemic is challenging for the health insurance industry on various fronts.

Since details around Covid-19 treatment is still emerging, it is becoming difficult for the insurance companies to underwrite the risk and determine the premium for products specifically targeting this disease. There is always been a risk for the insurance companies of under or overpricing their products.



The IRDAI has instructed insurers to accept Covid-19 related claims under active health insurance policies. But the risk of Covid-19 is not currently priced under active products and thus the claims may cause an additional burden for the insurance companies. The Covid-19 will have an impact on the profitability of insurance companies due to the increase in claims.

The IRDAI has also advised insurance companies to extend the grace or delay period by 30 days in case of policy lapse or renewal due to the wide business disruption. This might affect the liquidity position of insurance companies. They may also face the liquidity challenge due to the increase in claims for covid-19. The nationwide pandemic can also result in a significant increase in claims for health insurance companies beyond just Covid-19 which will also threaten the liquidity position of the insurers.

The use of digital technology definitely improves efficiency and reduces cost but there would be concern on data safety, security and confidentiality.

To ensure fast-track Covid claims processing, the IRDAI has directed insurers to communicate their cashless approvals within an hour of submission of the request by a hospital and ensure that patient gets discharged soon in compliance with the Order passed by Hon'ble High Court of New Delhi on 28.04.2021, Though the reason behind the directions is that there shall not be any delay in discharge of patients and the hospital beds are freed for Patients waiting for admission as in-patients but definitely it creates pressure on the insurance companies.

As Covid- 19 is a new illness with no established protocols and standardized treatment costs, this may at times result in raising questions on the amounts spend on the Covid-19 treatment by the insurance companies. This is becoming more challenging in case of reimbursement settlements. Many small nursing homes are charging huge amounts without any justification. This also creating a huge uncertainty in the minds of the insurance holders too.

### Opportunities

The fear of contracting the coronavirus and to get financial protection against it, people are interested in buying health insurance for financial health security. The insurance sector is likely to witness a dramatic increase during the Covid-19 situation and as a result it will help the healthcare ecosystem and the economy as a whole. It is obvious that this need will play out extremely well for providers with a robust digital distribution process and convenient access. There is a lot of digital adaptation across the industry during this pandemic. Work from home has increased significantly and it will have impact on the insurance sector in terms of greater use of digital technology, on-boarding of customers, policy servicing, claims settlement and grievance redressal. No doubt, tele medical assessment is therefore increasingly becoming the norm and it will only become easier and more widely accepted in the coming years.

The pandemic also provides an opportunity for insurance companies to innovate and serve the evolving needs of a more informed population. The industry has witnessed a promising 30-40% increase in health insurance adoption. The pandemic has created a sudden realisation about the significance of protective investments, especially for health and life security. Health insurance has definitely got more importance than any other return-based instruments. This might help health insurance to become to a “pull” product from a traditionally “push” product over a period of time.

As per the General Insurance Council, the health insurance premium segment amounted to 32.7 per cent of the total general insurance market in July 2020 and has emerged as the largest premium segment under general insurance. There is also an increase in the gross direct premium income by 10.44 % to Rs 18,415.5 crore for health insurance providers between the month April to July 2020.

Since the treatment of corona virus can get very expensive, people are mainly opting for a health cover between Rs 25 lakh to Rs 1 crore and hence, there has also been a significant increase in the sum insured. Before the pandemic, people were generally taking a health policy of Rs 5 lakh, but now most of them are opting for a sum insured of at least Rs 10 lakh due to the high treatment cost of Covid -19. It can be said that the health insurance industry is expected to keep growing as long as the pandemic continues as it creates the need for a health cover for everyone.

There is also a possibility for insurance companies to partner with their corporate customers for the benefits of their employees by increasing the health coverage including Covid-19 disease which will help in weathering the COVID-19 situation better. Many corporate customers are investing separately in such activities. Insurance companies can use this opportunity to increase the value of policies, to increase client stickiness as well as improve their portfolio and retention ratios.



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Dr S Prakash, Managing Director, Star Health and Allied Insurance Co. Ltd said that the insurance sector will witness an accelerated growth in post pandemic period. A massive change can be seen in the behaviour of the intermediary, customer and the insurer. For servicing the customers, insurers should introduce digital initiatives, robotics and automation at one end and digital enablement of the businesses on the other end. Covid specific products will also be launched to help the specific requirements of the customers. With this, people who cannot afford hefty premiums can avail the policies on low prices and will help them to experience the benefits of insurance products. This may also lead them in migrating to Mediclaim products later.

## Conclusion

The Covid-19 pandemic is challenging for the health insurance industry on various fronts but at the same time, it represents an opportunity. The pandemic has increased the importance of health insurance, the urgency to innovate different health insurance products and to deliver uninterrupted customer service. Customer attention spans are short, and the insurance companies needs to be quick to capitalise on them the digital initiatives and modernizing the insurance processes are also required. Building robust systems that can prevent cyber-attacks will be crucial and hence, there will be a need for cyber insurance too.

The Covid-19 specific policy has definitely come as a breather for people who can't afford comprehensive policies. But the challenges faced by the health insurers also need to be tackled wisely for the smooth functioning as well as to retain customers even after the pandemic is over. It all depends on how long the pandemic and its impact lasts and how quickly the industry clears the challenges thrown at it. Due to huge number of claims, many insurance companies have already stopped offering Corona Rakshak Policy and renewal of Corona Kavach policy. They are only allowing fresh policy under Corona Kavach.

Awareness and affordability are the two important areas which the industry should work upon to take insurance closer to the middle class. The middle class covering a vast population of 70 crores is described as the 'missing middle' in the insurance sector. To tap the middle class, government schemes should be extended to them with higher coverage, but without subsidy and also products have to be standardised. It will reduce confusion in choosing appropriate policies.

It is to be seen now whether the pandemic truly transform the way the industry functions for the better.

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