

CRITICAL PERFORMANCE ANALYSIS OF THE HEALTH INSURANCE SECTOR IN INDIA DURING COVID-19 OUTBREAK

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ABSTRACT

INTRODUCTION:

Health insurance is one of the main non-life insurance sectors, which contributes nearly 29% of general insurance premium income. Almost every industry in the world has been affected by the COVID-19 outbreak and its associated lockdowns, including the Indian insurance industry, which makes a significant contribution to a nation's Gross Domestic Product (GDP) and economic development.

OBJECTIVES:

This review of literature aims to critically evaluate the performance of Indian health insurance companies along with examining various opportunities and challenges during the time of COVID-19 pandemic.

METHOD:

The present study is a combination of both exploratory and descriptive literature review types and was entirely based on published secondary data. Literature searches were performed using Google Scholar, Research Gate, ProQuest, and Scopus databases for articles published between 2020 and 2022. The study also used various annual reports of the Insurance Regulatory and Development Authority of India (IRDAI), the internet, newspaper articles, and company websites for the study.

RESULTS:

Even though there was a lack of literature on this topic, 19 articles were identified for review based on the keyword search that most closely matched the topic of the study. The study assesses the effectiveness of various Indian health insurance companies using four key metrics: gross health premium income, incurred claim ratio, number of policies issued or covered and amount of claim paid. Results of the study have shown that as more people get health insurance during the COVID-19 pandemic, there is a notable growth seen in the overall performance of the health insurance business.

CONCLUSION:

Health insurers faced both opportunities and challenges as a result of the COVID-19 pandemic, including the imperative need to develop more customer-centric new products and services that enable them to provide a significant health insurance benefit to the large untapped population of the Indian market.

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KEYWORDS

Health Insurance Sector, COVID-19 pandemic, Performance, Opportunities and Challenges.

INTRODUCTION

Health insurance is a mechanism that gives financial protection to the insured against sickness or injury. India has made remarkable progress in the health sector in the last few decades but the Indian health insurance system is still lagging behind that of many other developed and developing countries [1]. Health insurance covers partially or wholly against the risk of high medical expenses. In India, 59 insurance companies offer insurance, out of which 35 are non-life insurers, and health insurance is one of the major sectors in general insurance [2]. The front-line corona fighters, like as medical practitioners and doctors, are under great mental pressure as a result of the significant increase in hospitalisation and death rates [3]. The deadly spread of the COVID-19 pandemic and strict lockdowns enforced adverse effects on healthcare systems as well as the life and non-life insurance industries in India.

The present study is an attempt to critically assess the performance of the health insurance companies during the period of the COVID-19 outbreak. The Insurance Regulatory and Development Authority of India (IRDAI) developed two plans, "Corona Kavach" and "Corona Rakshak," to help people of India with high medical bills in the wake of this difficult crisis. People were forced to buy online health insurance due to the severity of the COVID-19 pandemic and the stringent lockdowns [4]. The presence of various private companies, rising household income, improved awareness of health insurance, all contributed to the health insurance growth [5].

The introduction of new policies, improvement of insurance, and more customised health insurance schemes are some of the innovative approaches by which the industry is shifting and matching its values with the changing needs of customers.

Therefore, the present work explores the changes made by health insurance companies and evaluates their performance during the period of the COVID-19 pandemic. We also discussed the opportunities as well as challenges open to health insurance companies.

NEED AND SIGNIFICANCE OF THE STUDY

The Indian insurance sector contributes greatly to overall national economic growth. The insurance sector is crucial for economic growth since it protects lives, encourages investment and household savings, and gives mass employment to the people of India. The deregulation and privatisation of the insurance industry in 1999 broke down the monopoly and has resulted in double-digit growth in both the life and non-life sectors [6]. Health insurance is a part of the general non-life insurance industry. India is the second largest country in the world, and unfortunately, the percentage of people covered by health insurance benefits is very low or insignificant compared to other developed countries. The pandemic has pushed businesses across sectors, and it has been observed that more people have now started to invest in health plans. There has been a positive impact experienced in times of the COVID-19 Pandemic [7].

Health insurance in India has been an emerging insurance sector in the past few decades. The rise of the middle class, the mounting cost of hospitalisation, digitization, and more people's awareness towards insurance were some of the major drivers of the health insurance market's growth in India [8]. According to the India Brand Equity Foundation (IBEF) report 2020 [2], the insurance and banking sectors account for 7% of the country's Gross Domestic Product (GDP) and various public, private, and standalone health insurers provide protection against medical risks and related financial needs [2]. With the rising number of Corona cases, people now realise the importance of health insurance in their lives and, therefore, a significant growth in demand for online health insurance has been observed that is up to 30% [8]. The insurance industry has a lot of potential to expand more by focusing on the vast untapped rural and urban populations.

The study was an attempt to comprehend India's health insurance as well as to critically analyse the performance of public, private and stand-alone health insurance companies during the period of the COVID-19 pandemic. It also aimed to outline the numerous opportunities and challenges that this industry is currently facing.

LITERATURE REVIEW

In the last few years, the health insurance service sector has been expanding in India. The government and private sector firms offer health insurance in India. After deregulation, a large number of private insurance companies entered the market and now provides customers with a wide range of cutting-edge products. [9]. A lot of advancements have been made in the Indian healthcare industry in the last ten years [2]. The growth of the health insurance sector contributes nearly 29% of the total income of general insurance premiums, making it crucial from the perspective of the general insurance industry's overall growth [3]. The development of technology and the use of the internet are helping in the expansion of this sector especially in the rural areas where insurance penetration is quite low [3]. During the pandemic, the insurance industry experienced both a rise and a fall in business. There have been more claims in the health insurance sector, which has decreased cash flow, but there have also been more new insurance customers, which indicates company growth [4]. According to [5] a critical turning point in the insurance industry happened in 2020. Health insurance companies have evaluated their customers' needs and operating procedures in the wake of the COVID-19 outbreak. Many insurers experiment with new models or modify existing models, or develop new products in order to succeed in this uncertain environment. Technology can be used to bridge the gaps in service offering, improve service performance, ensure efficiency, and lower costs [6]. COVID-19 also provides insurers with the opportunity to bring insurance plans which are up to the requirements of people at large. In March and July 2020, many insurers issued COVID-19 insurance products [7]. India's healthcare system is undergoing a significant transition as a result of higher income levels, improved health awareness, pricing liberalisation, and the entry of private healthcare finance [8].

The key challenge is ensuring that the poor and the needy people get benefit from increased health insurance services at reasonable costs [2]. The performance of the insurance industry is measured on four main indicators - premium income, new policies issued, market share and claim settlement ratio. If the insurance industry is to continue to be cost-competitive, both life and non-life insurers must improve their distribution techniques and focus on developing products that positively influence consumer behaviour [4].

COVID-19 Special Health Insurance has been integrated into an insurer's basic policyholder health insurance. The popularity of health insurance policies has risen considerably in recent years as consumers have realized the need of acquiring sufficient coverage in the event of an outbreak. The Insurance Regulatory and Development Authority of India (IRDAI) made products of health insurance more customised and users oriented during the COVID-19 crisis, with the goal of getting as many people under the insurance umbrella as possible [9].

METHODOLOGY

The present study is based on a narrative literature review which summarises and synthesises the available content pertaining to the topic or subject matter [10]. A review of the literature gives an important insight into a particular topic and compiles literature from different sources and also critically examines these sources [10].

The main aim of this review article was to carry out a critical performance analysis of Indian health insurance providers during the time of the COVID-19 pandemic. Publications for three years 2020 to 2022 were sourced from different databases such as Google Scholar, Scopus, and Web of Science, annual reports of IRDAI, newspaper articles and company websites were used that best matched with the study objective. From this literature search only 19 articles were cited for this study. The present study is both exploratory and descriptive in nature and was entirely based on secondary data. The relevant secondary data is comprised of research papers, newspaper articles, data from annual reports and literature available on the internet and company websites. The current research is exploratory and descriptive in nature and entirely supported by secondary data that was gathered from various annual reports of IRDA, insurance journals and literature available on the internet. The data gathered has been collected and examined in the form of bar charts. Secondary data includes all types such as from public, private and standalone health insurance companies.

PERFORMANCE ANALYSIS OF HEALTH INSURANCE COMPANIES DURING COVID-19 OUTBREAK IN INDIA- LITERATURE REVIEW

The growth of the health insurance industry is important from the perspective of the general insurance market's overall development. With the deregulation of the insurance industry, many private players entered and have witnessed tremendous growth since then. The overall

performance of health insurance companies has been improved during COVID-19 pandemic times. The profit of health insurance companies depends on the amount of premium income received [4]. There are four key metrics to measure the performance of health insurance sector such as gross premium income, incurred claim ratio, number of policies and claim paid [4],[11],[12],[13].

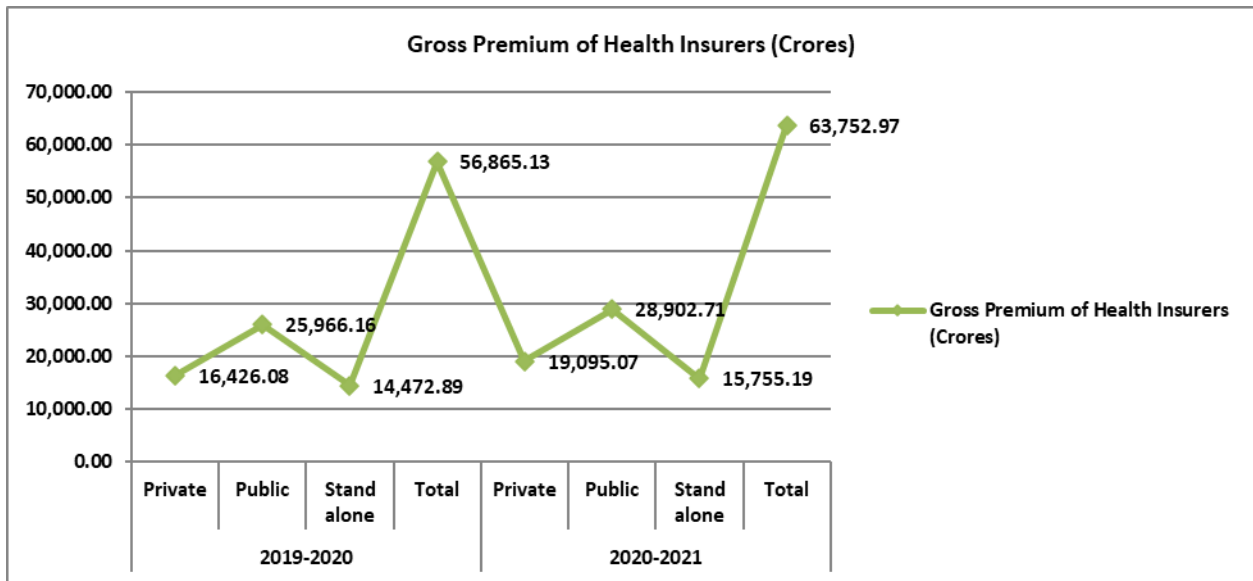
In this research we have analysed the performance of various health insurance companies during the COVID-19 periods from 2019-2020 to 2020-2021, in terms of the overall changes in percentage that take place in health gross premium income, incurred claim ratio, claims paid, and number of policies issued.

TABLE 1: HEALTH INSURANCE COMPANIES' PERFORMANCE DURING COVID-19 IN THE YEAR 2019-2020 & 2020-2021

Year/s	Type/s of Health Insurers	Gross Premium of Health Insurers (Crores)	Incurred Claim Ratio of Health Insurers (in percentage)	Health Insurance Business (Number of Policies covered) in lacs	Claims Paid during the period (in Rs. Crores)
2019-2020	Private	16,426.08	72.55	1,263.91	41,977.62
	Growth %	16.00		(23.77%)	(16.21%)
	Market share%	28.89			
	Public	25,966.16	102.91	733.50	56,887.50
2020-2021	Growth %	2.55		(0.07%)	(-1.09)
	Market share%	45.66			
	Stand alone	14,472.89	64.13	92.18	6,435.43
	Growth %	27.47		(16.63%)	(35.47%)
2019-2020	Market share%	25.45			
	Total	56,865.13	85.70	2,089.59	1,05,300.55
	Growth %	11.87			
	Market share%	100			
2020-2021	Private	19,095.07	78.44	1,259.72	42,984.80
	Growth %	16.25		(-0.33)	(2.40)
	Market share%	29.95			
	Public	28,902.71	101.02	684.27	54,604.65
2020-2021	Growth %	11.31		(-6.71%)	(-4.01)
	Market share%	45.34			
	Stand alone	15,755.19	75.43	105.41	6,779.09
	Growth %	8.86		(14.34%)	(5.34)
2020-2021	Market share%	24.71			
	Total	63,752.97	89.51	2049.4	1,04,368.54
	Growth %	12.11			
	Market share%	100			

(Source: IRDA Annual Report 2020-2021, pp. 18-22) [11]

GRAPH 1: GROSS PREMIUM INCOME OF THE HEALTH INSURANCE COMPANIES IN CRORES DURING THE YEAR 2019-2020 & 2020-2021



1. Gross premium Income- The total premium or amount paid by the policyholder is known as the "gross premium." Premium amounts depend on age, extent of coverage, type of policy etc. There is a total of 33 non-life or general insurance companies, including public, private, and stand-alone life insurance companies. There has been a significant increase in the amount of gross health insurance premium income recorded in the years 2020 and 2021.

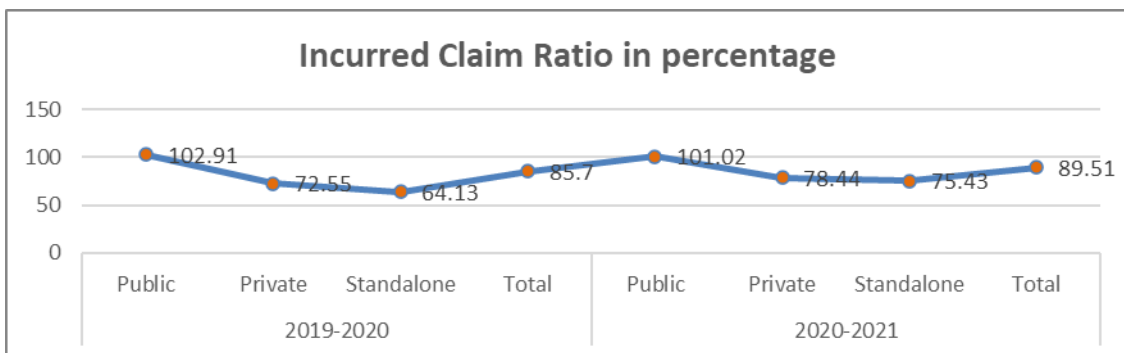
Interpretation: It is inferred from Graph No. 1 that the total gross premium income was ₹ 56,856.13 crores in the year 2019 to 2020 as compared to ₹ 63,752.97 crores in the year 2020 to 2021, showing a growth of 12.11 percent. The premium income received by public general insurance

companies were comparatively higher than private and stand-alone companies, with a significant growth of 12.11% in the year 2020–2021 as against 2.55% in the previous year 2019–2020 [14].

2. Incurred claim ratio- The incurred claim ratio is critical for analysing the company's risk associated with the settlement of claims. The increased claim incurred ratio indicates the negative performance of health insurance companies. [3].

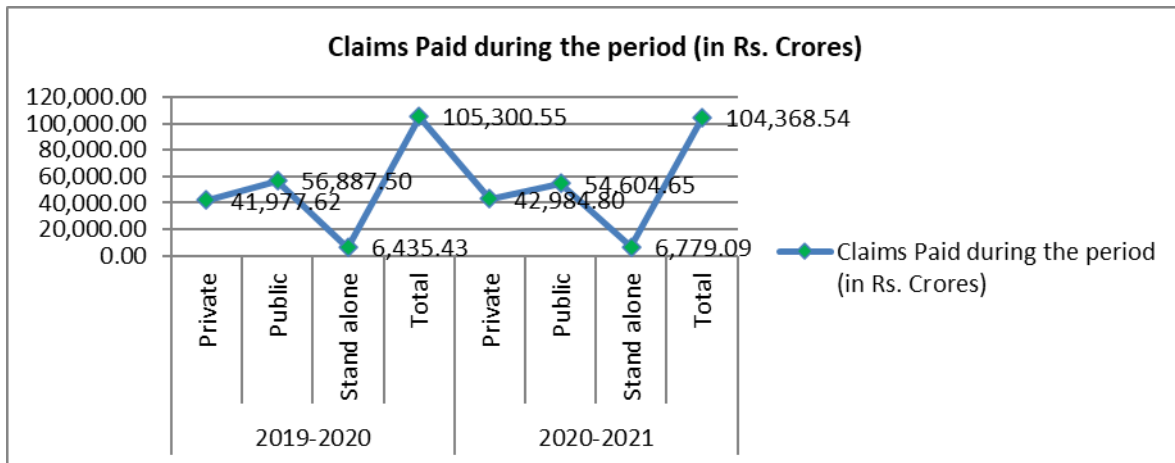
3. Claim paid- It refers to the total number of claims paid by various health insurers to the beneficiary. The claim settlement ratio is one of the important metrics for assessing the operational effectiveness of the insurance sector [12].

GRAPH 2. INCURRED CLAIM RATIO OF HEALTH INSURERS IN PERCENTAGE DURING THE YEAR 2019-2020 & 2020-2021



(Source: IRDA Annual Report 2020-2021, pp. 23)

GRAPH 3. CLAIM PAID IN CRORES OF GENERAL AND HEALTH INSURERS IN PERCENTAGE DURING THE YEAR 2019-2020 & 2020-2021)



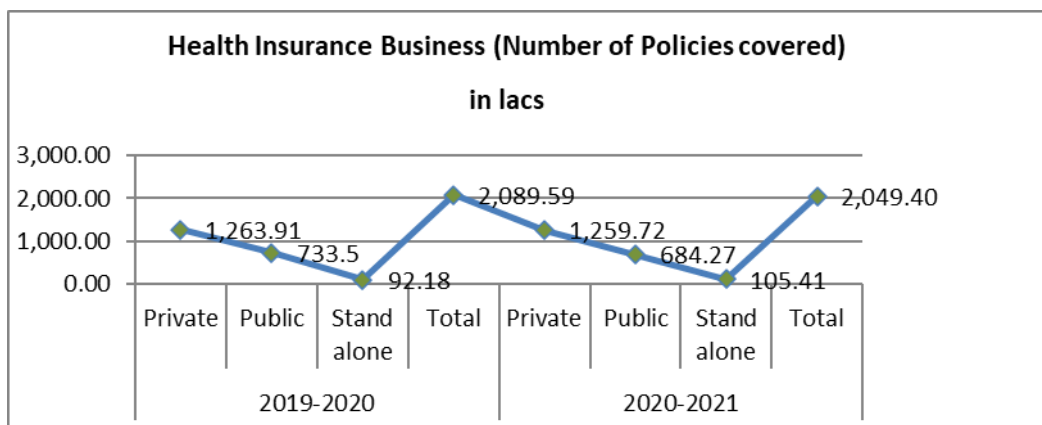
(Source: IRDA Annual Report 2020-2021, pp. 22)

Interpretation: According to Graphs 2 and 3, the health insurers' incurred claims ratio (net incurred claims to net earned premium) was 89.51 percent in 2020-21, up from 85.70 percent the previous year 2019-2020. In the year 2019-2020, the public sector incurred claims ratio was 102.91 percent, as against 101.03 percent in the year 2020-2021. Stand-alone health insurers accounted for 72.55 percent of private sector health insurers in 2019-2020, compared to 78.44 percent and 75.43 percent in 2020-2021. It is the net claims incurred divided by the net premiums collected [14]. When the ICR is between 50 to 100 per cent then it

indicates that the health insurance company is making a healthy profit [4],[15]. Among the various segments, Health segment had the highest claims ratio at 89.51 per cent against a claim ratio of 85.70 per cent of previous year (annual report 2020-2021). The amount of claims paid in 2019-2020 was 1, 05, 300.55 crores, compared to 1, 04,368.54 crores in 2020-2021.

4. Number of Policies Issued - The number of policies issued or covered shows the industry's potential to grow through attracting customers towards insurance products [12]. More number of policies means more premiums collected by companies.

GRAPH 4. NUMBER OF HEALTH INSURANCE POLICIES ISSUED IN LAKHS DURING THE YEAR 2019-2020 & 2020-2021



(Source: IRDA Annual Report 2020-2021, pp. 22)

Interpretation: It is inferred from graph no. 4, that the total number of health policies issued was 2089.59 lakhs in the year 2019 to 2020 and it declined to 2,049.40 lakhs in the year 2019 to 2020. An insurance policy is a legal agreement

between both the insured and the insurance company. The number of policy issues means more people have invested in health insurance, which is a good indicator for insurance providers.

HEALTH INSURANCE SECTOR IN INDIA DURING PANDEMIC - CHALLENGES AND OPPORTUNITIES

Health insurance is an arrangement that gives financial protection against any medical emergency to an individual or group. 2020 marks a turning point in the insurance industry. The COVID-19 pandemic presents both opportunities and challenges on various fronts for the health insurers. It gives health insurance companies a chance to develop new policies and services and adapt to the needs of a more informed population [13].

The COVID-19 outbreak pushed many insurance companies to reconsider their clientele and business practises. Insurance Regulatory and Development Authority of India (IRDAI), India's insurance regulatory agency, has released rules for the claims submitted under the COVID-19 pandemic to general insurers and health insurers in response to the COVID outbreak [5]. The Corona Rakshak and Corona Kavach policies were two major policies introduced in India in accordance with the Insurance Regulatory Development Authority of India (IRDA) guidelines and directions [9]. In response to the pandemic, insurance providers added a COVID-19-specific health insurance plan to their customers' like "Arogya Sanjeevani," a comprehensive standard health insurance plans [14],[9],[5]. The prolonged lockdown that followed COVID-19 has compelled insurance companies to prioritise the use of digital technology for everything from selling new policies to settling policy claims [8].

Private healthcare will become more expensive due to unregulated insurance companies, and this will become the biggest threat to health insurers. Thus, a huge population of India is not insured by any health insurance schemes [7]. The General Insurance Council reports that between April and July 2020, the gross direct premium income for health insurance providers increased by 10.44 percent to ₹ 18,415.5 crore. Additionally, the overall sale of health plans has increased significantly during and after the outbreak as people become more alert of the importance of health insurance benefits [17]. In a nation like India, the IRDA plays a very vital role in ensuring that the insurance industry expands rapidly and that the benefits of the insurance go to a large number of consumers. With the privatisation of the insurance industry and the entry of several private insurers and stand-alone health insurance businesses, a significant yearly rise of 17.16% in gross direct premium in the health insurance sector has been noted [8]. The fluctuations of the incurred claims ratio (ICR) during the past few years have become the main concern facing the

health insurance sector. A growing middle-class population and income, more aware and health-conscious people, and tax benefits are some of the factors driving the growth of the health insurance industry.

In India, COVID-19 has changed various sectors, and the health insurance sector is one amongst them. The health insurance sector has altered positively in a lot of aspects, like putting more emphasis on clients, making cost-cutting initiatives, and utilising modern technology will support business growth or expansion [9]. Indian consumers are very price conscious; thus insurance companies need to find more effective ways to control product pricing and cut claim expenses [7]. Hence, the pandemic changed the minds of Indian citizens about health insurance programs, and people have started to realise the value of health insurance and its benefits.

CONCLUSION & FUTURE IMPLICATIONS

During this pandemic in India, health insurance companies saw a rise and a fall in business and many new customers have purchase health plans [18]. The Covid-19 epidemic not only presents opportunities for the health insurance industry in many ways, but also poses challenges. The insurance sector is highly crucial for economic growth since it protects lives, encourages investment and household savings, and gives mass employment to the people of India [19]. The insurance industry consists of both life and non-life or general insurance. The impact of COVID-19 on the insurance sector was not uniform, meaning some products saw a significant increase and some showed a decline [19]. The pandemic has increased the need for health insurance, encouraged the development of new health insurance solutions, and emphasized the importance of health insurance benefits in times of uncertainty. For companies to enhance their insurance business and customer base must opt to new business models with innovations. The health insurance industry in India has to turn around and start to earn a profit with the help of better technological know-how from foreign partners and involvement by the Insurance Regulatory Development Authority of India (IRDAI). The COVID-19 pandemic presents a number of challenges for the health insurance sector while also giving opportunities to insurers to attract new customers [4].

It is clearly revealed from the given Table 1 that there is a significant increase in the gross premium income of health

insurers and the number of new policies issued during the period of the COVID-19 pandemic. This is a positive sign for the growth of the health insurance industry, but the increase in incurred claim ratio indicates that more premium money has been used to pay policyholder claims. Technology may be used to boost service performance, promote transparency, and to cut costs. The insurance companies should build strategies keeping in mind the different market forces and ready for the changes happening that the sector will experience [14]. In India, the health insurance market is a very promising and developing industry. A universal health insurance scheme is required in India in order to improve people's access to healthcare, especially for low-income households [17].

Limited research has been completed on evaluating the performance of health insurance during the COVID-19 pandemic, particularly in the Indian context. Therefore, more research is required with a focus on the operational effectiveness of the health insurance sector during and post pandemic by taking more factors into account.

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