

COVID-19: IMPACT ON INDIAN INSURANCE INDUSTRY

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Abstract : *The advent of the Corona virus since late 2019 has contributed to disturbances in almost every sector of the global economy; collapsing markets and leading supply crunches as the virus spreads and peaks around the global. A variety of sectors such as Travel & Transportation , Power, Manufacturing , Retail and Hospitality have been seriously affected by the COVID-19 pandemic. With the world battling a new coronavirus pandemic, the impact has been felt in every sector and every day of life. We may be studying the effects of this pandemic on the insurance industry. For certain cases, insurers have already started to take the appropriate steps to protect their companies, which have left certain customers behind in this difficult period. On the other hand, the overall reputation of insurers is getting worse as consumers and businesses come to terms with the fact that most insurance policies do not cover pandemics. During the pandemic, service providers receive numerous queries regarding coronavirus coverage and whether their regular health plans provide coronavirus coverage. The insurance industry is generally well positioned for significant loss events, like pandemics, but the financial impact will take time to play out and will be (re)insurer-specific. Insurers respond to the growing outbreak of COVID-19 on multiple fronts — as claims payers, employers, and investment managers. Each has its own distinct problems, not only for the insurance industry, but for the global economy and society as a whole. With a recession threatening the global economy and an increasing number of insolvencies, the insurance industry and its investment are under pressure as never before. However – the infectious disease proclaimed to be a pandemic by the World Health Organization (WHO) has created a testing ground in India for the implementation of a need-based insurance policy package. The pandemic has forced businesses across industries to adjust the way they work, and the insurance industry is no exception. From selling new policies to settle claims, the extended lockdown in the wake of Covid-19 has pushed insurance companies to rely heavily on their digital architecture.*

Key words : *Pandemic, recession, world health organization, digital architecture.*

A number of industries such as Travel & Transportation , Energy, Manufacturing , Retail and Hospitality have been severely affected by the COVID-19 pandemic. Although the impact on the insurance sector is less serious. According to a report by the insurance industry professional services firm, the two productive months for the insurance industry — March for life insurance and April for non-life business renewals — were affected by around 30% and 15% respectively. This also highlights the improvements that insurers would have to bring in in terms of their product categories.

Impact on health insurance industry :

According to the report, private health insurance plans cover just 18% of the population in urban areas and a little over 14% in rural areas. Insurers claim that the uncertainty around Covid-19 has driven people to purchase health insurance. According to the report, health insurance policy investigations have increased by about 30-40 per cent. However, the current issue is the lack of data on patient profiles, morbidity rates, and the course and cost of treatment needed to underwrite the risk and determine premiums for products specifically designed for covid-19. As a result , companies are at risk of being under or overpriced by their products.

In order to dispel any general myths about the applicability of health insurance policies to COVID-19 situations, IRDAI advised insurers to consider COVID-19 based claims under active health insurance policies. Since the risk of COVID-19 is not currently priced under active medications, such claims will pose an extra burden on insurers' books if they are treated outside government hospitals. In the coming years, the migration of the group could result to an affected community across the socio - economic classes and could lead to claims of up to a few cores, as reported in the study.

The disease is expected to spread through social transmission, which will have less impact on this segment. Claims are also likely not to be sufficiently severe to cause pandemic coverage that would have been bought immediately from reinsurers. Ayushman Bharat may have a higher number of claims than private health insurance companies due to widespread coverage. This scheme may not have added to the cost of setting up isolation offices. Given that the isolation of hospitalized patients is crucial to the prevention of further community spread, this cost will create an additional burden to be borne by the Government. Many insurers are implementing the scheme under the Public PrivatePartnership Agreement with the Government and will have to recalibrate their finances as per the report.

Impact on General Insurance Industry :

In the case of general insurers that have a mixed bag of goods, motor claims are lowered due to locking and social distancing, which means that their risk ratio is also lower. A significant proportion of this sector relies on industries and companies such as cars, transport, hotels and infrastructure. As a result of the lockout, the problems in these sectors may cause additional issues.

Even before the pandemic began, the automotive sector witnessed a slowdown. The more than 70-day shutdown leading to job losses and pay cuts across most industries would place the purchase of new vehicles on the back burner, further damaging the motor insurance market. Animesh Das, Head of Product Strategy, Acko General Insurance, said that for every insurer, the portfolio of motor vehicles dipped in April-May, as customers delayed renewals and the sale of new cars was minimal. It will take two-three months for normalcy to return because the production of new vehicles is gradually getting back on track. In the case of motor insurance, the number of claims has decreased to less than 5% of the normal amount, which has led to some savings for insurers.

According to the report, the entire automotive sector was already undergoing a dip in 2019-2020. New car purchases constitute a major portion of the premiums and, as a result, a lockdown and virtual shutdown may exacerbate the situation. The challenges facing the auto insurance industry would include:

- The shortage of purchasing of new vehicles is one of the biggest obstacles. This will usually be offset by increasing the net coverage of new cars, the vast majority of which fall out of the insurance system in the third and fourth years. But that would be difficult to do, given the lack of distribution of the feet on the street.
- Claim surveying will be affected by the lockout, as surveyors will not be able to perform vehicle damage surveys, either at all or on time. Since the survey above a certain estimated claim value (Rs 50,000 earlier, which has now been increased to Rs 75,000) is to be carried out by independent surveyors, their unavailability during the lockdown will be problematic.
- Though, very few vehicles have been playing since the lockdown began. As a consequence, very few incidents are expected, resulting in very low claims on current policies.
As a result, short-term profit is expected to be seen in the portfolio since the lock-up began in March 2020 and the year-end figures are expected to show a decline in claims due to a reduction in vehicle movements in the last 15 days of March 2020.

Long-term persistence of social distancing can mean two things:

- More private cars will be on the road than usual, because public transport will be avoided by those who can afford it, which will result in higher claims afterward.
- Purchase of more two-wheelers and used cars or low-end cars due to traffic migration based on perceived low risk of infection, thereby rising company. Naval Goel, CEO and founder of PolicyX, an online insurance aggregator, said the fall in sales of new vehicles directly impacts the growth of new premiums. Overall, the industry has seen a de-growth of 11% in the motor segment until June. The slowdown will continue for the next quarter, and expectations are set for the festive season.

Impact on the life insurance industry :

With a situation like this, there's a scramble to increase one's coverage. Pure life cover, according to the report, should see renewed interest, and since it is largely an online market, there should be an increase in demand. Since the pandemic has changed the way people look at insurance and forced insurers to modify their marketing strategies, the study says there are opportunities to re-imagine operations. As per the report, the life insurance industry normally deals with pure risk-term policies, investment-linked policies and savings policies with guaranteed / semi-guaranteed long-term returns. There will be an influence across the board, but the explanations for each group will be different.

Term insurance:

With any crisis, there is a rush to increase one's cover. Pure life covers should see renewed interest, and since that is largely an online market, it should see a boost in demand. However, given that people's cash status is precarious, there might be a reluctance to take higher cover. Often, higher covers put in medical examinations, which people are hesitant to do.

Long-term savings insurance:

Long-term guarantees will be attractive, but insurers will face restrictions on the continued marketing of these products as interest rates plummet. In addition, people will also begin to discount liquidity and, as a result, long-term pension plans will be under stress. Commutation may increase and the overall propensity for these long-term products may decrease.

Investment-linked insurance:

Consumer confidence in the stock market will be severely affected and, as a result, only a few smart customers who believe in buying at the bottom are now starting new policies. Existing customers will be well advised to stay put and not attempt to redeem unnecessarily as the SIP rupee cost average is going to benefit them.

The advent of the Corona virus since late 2019 has contributed to disturbances in almost every sector of the world economy; collapsing markets and causing supply crunches as the virus spreads and peaks throughout the world. Nevertheless – the infectious disease deemed to be a pandemic by the World Health Organization (WHO) has created a testing ground in India for the implementation of a need-based insurance policy package.

The Indian Insurance Regulatory and Development Authority (IRDA) issued a circular in the first week of March asking insurance companies to develop policies to cover the treatment of Corona virus. The regulatory authority had previously indicated that it was open to experiments by issuing its Sandbox Regulations – which allow insurers to experiment with products not covered by existing frameworks, albeit for a limited period of time.

Bengaluru-based Digit Insurance launched its cover against Corona virus in the first week of March, as the virus was still in its infancy in the region. The drug launched under the IRDA Sandbox Regulations includes a 100 per cent payout in case of positive cases and a 50 per cent payout in the Government or Army Hospital of Quarantine – even if one of the subsequent tests is negative. Certain exclusions, such as those with a history of travel to virus hotbeds or those over the age of 60, apply.

Vivek Chaturvedi, Head of Marketing and Direct (Online) Sales at Insurtech Start-up, said that the need-based policy was introduced to identify the unique benefits people needed, as most health insurance coverage does not cover Pandemics. The insurer, which has a client base of 65 lakh customers and a market share of 1.15 per cent in India, aims to slot the cover as a supplementary benefit to one's health coverage.

Digit has sold more than 2000 policies since the launch of the Covid-19, and has also seen a 25 per cent increase in sales of Digit's comprehensive health insurance company. In addition, Chaturvedi sees the introduction of more needs-driven insurance coverage focused

on tropical outbreaks in the near future, such as Dengue-related insurance, which usually spikes in the months of July and August.

To date, India has reported 110 cases of Corona virus-the highest cases in Maharashtra. Authorities have taken a range of steps to combat the epidemic, close schools , hospitals, malls and movie theaters in a variety of states in order to limit interaction between individuals. On Sunday, Prime Minister Narendra Modi proposed to the South Asian Association of Regional Cooperation (SAARC) countries to set up an emergency fund to help India contribute \$10 million to the war against the virus.

The pandemic has forced industries across sectors to change the way they work, and the insurance industry is no exception. From selling new policies to settle claims, the extended lockdown in the wake of Covid-19 has pushed insurance companies to rely heavily on their digital architecture. Comparatively, there has been a decline in the sale of physical insurance (through agents or companies directly). According to news reports, due to strict adherence to social distance standards, there was virtually no sale of physical insurance policies after March 25.

As is understood, many workers prefer to purchase policies for tax planning in February or March. But this year, post corona and lock-down, online sales have been growing. While the latest figures on premium collections are being kept for the full month of March, the gross receipt of premiums for non-life insurance, including health, car, property and credit cards, among others, shows a healthy increase. Health, for example, witnessed around 40 per cent increase in premium collections for FY20 compared to FY19.

"Situations like this demand for companies to evolve and generate new ideas for even better customer service in these tough times," Mathur tells Business World. Whereas the organization guarantees the full end-to - end digital distribution of insurance to all customers. To order to further improve online sales, Policybazaar has collaborated with life and health insurance providers to offer a policy to the customer via tele-medical consultation instead of a physical medical examination. "A significant proportion of health and life policies have already been sold via tele-medical consultation on our website," adds Mathur.

During the pandemic, service providers are receiving multiple questions about coronavirus coverage and whether their existing health plans cover the coronavirus or whether a new plan is required. Policybazaar.com also notices patterns in how few have started buying simple low-cost health coverage and are later upgraded to the higher desired amount of insured (up to 1 crore) through purchasing mega top-ups whenever they are relaxed.

Conclusion :

The outbreak of coronavirus (COVID-19) is a cause of widespread concern and increasing economic hardship for all consumers, businesses and communities. Since the private sector has now been allowed to treat COVID – 19 patients – insurers have received health insurance claims. COVID-19 affects the insurance industry in a variety of ways; from claims for approval to claims for admission to force majeure to routine enforcement, not

every field in the insurance sector has become straightforward. Indian insurers should consider carrying out targeted activities to protect community interest and create more confidence in society. Some of the activities that might help attain a superior customer experience include:

- Immediately promising to enroll more people in insurance systems to support COVID-19.
- Offering more coverage and fast-track programs to those who are more vulnerable to the threat of COVID-19.
- Extending the filing period for claims
- Easing pre-authorization and certification laws
- Deferral of rate rises, premium fees, renewals and cancellations
- Deferral of co-payment commitments
- Developing a transparent communication process to inform all customers of any changes to policies and operating procedures
- Paperwork in insurance sector related to the underwriting and processing of claims should be replaced by full digitisation, with all verification processing methods accessible on the Internet.

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