

The reflection of covid-19 on the health insurance industry in Kerala

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ABSTRACT

The COVID-19 pandemic has affected almost all nations in the world including India. The pandemic and resultant lockdown has had a significant impact on business all over the world. Indian economy is among the 15 economies most affected by COVID-19. The lockdown in major cities in India seriously affected the working of public establishments like restaurants, amusement parks and movie theatres and they were shut down completely leading to a huge losses in their revenues. The pandemic and lockdown have also had a major impact on health insurance sector, which is one of the largest revenue sources for the general insurance industry. This paper is a report of an empirical study of the challenges faced by private health insurance companies and the mitigation strategies to overcome the crisis created by COVID-19 pandemic.

KEYWORDS

COVID-19; Pandemic; Health insurance; mitigation strategies

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INTRODUCTION

A healthy and competent citizen is the most valuable resource of any country. Therefore, every progressive nation should be keen in ensuring healthcare of its citizens. World Health Organization (WHO) defines health as complete physical, mental, and social wellbeing and not merely the absence of disease and injury. According to WHO, a country's health system comprises all the organizations, institutions and resources that are devoted to produce health actions (World Health Report, 2000). Health insurance was introduced in India in 1986 in the form of Mediclaim by the public sector general insurance companies. Post liberalization, several private insurance companies entered the market with attractive packages, providing health insurance scheme of some form or other to the clients.

The COVID-19 pandemic has brought into sharp focus the need for health care reforms that promote universal access to affordable care. Although all aspects of Indian health care system will face unlikely challenges in the coming months, the patchwork-way we govern and pay for health care is unravelling in this time of crisis, leaving people vulnerable and requiring swift, coordinated action to ensure access to affordable care. The state of Kerala, well known for educational and social advancement equaling the levels of developed countries, has seen a surge in Covid cases, particularly in Thiruvananthapuram and Ernakulum district, sparking fears of community transmission. People are undertaking various healthy and safe measures to avoid infection including self-isolation and social distancing. But this cannot ensure forever health security. People may have to face sudden health hazards. The government is taking all possible measures to make sure that COVID-19 does not spread in India as it did in other countries. The keywords in these trying times are – social distancing and health insurance. People have started considering medical check-up and preventive healthcare as means to have better health management. Therefore, health insurance is expected to have a huge for growth.

STATEMENT OF THE PROBLEM

Being healthy is as simple as getting the right amounts of exercise and sleep, as well as consuming a balanced diet. But, even these modest, basic rules seem challenging at times. The recent Corona virus pandemic has grappled the nation and cornered us in lockdown. Amid this chaos, the health-conscious generation includes everything in their fitness routine that, they think they need to do to keep themselves fit and build immunity- from working out at home to meditating to going on morning walk. While they are all working to keep themselves mentally and physically healthy, there are always chances of unexpected exigencies owing to the infectious diseases. Given the current world health scenario due to the global Corona virus pandemic, it has become indispensable to encourage people to gain a greater sense of control over their physical and financial health.

Health insurance plays an important role in medical emergencies. It takes care of medical expenses and protects the wealth of individuals and it is expected to have a huge potential to grow. Although in the near future, growth is going to be impacted given the COVID-19 crisis, as health insurance is a sector where people have to commit themselves for the long term. Currently, given the way the crisis is evolving; people will take care of 'here and now' first and then only they may invest in their long-term goals. This sector may have to wait till the end of the year and see how the customer sentiments change. The industry trend in China shows that the crisis first hit the insurance industry, but then slowly, the demand for insurance picked up. The Indian health insurance industry will also move in a similar direction. After a year or so the situation may get better, thanks to the awareness of life insurance among the common people: though slowly, but it is showing a positive trend. The COVID-19 pandemic, is challenging health insurance industry on various fronts. This study explores the roadblocks and hurdles faced by private healthcare insurance sector in the wake of global corona virus pandemic and suggests the measures to be adopted by the sector to sustain through the COVID-19.

SIGNIFICANCE OF THE STUDY

The insurance industry seeks to protect a country's people, assets, and businesses. Hence, the business of insurance has always been closely linked to a country's business performance and asset ownership. The COVID-19 pandemic, is challenging the health insurance industry on various front. At the same time, it also offers an opportunity. Health insurance is expected to cushion the blow the pandemic blow in the case of low- and middle-income families. While being extremely relevant to society, using appropriate mitigation strategies, insurance companies may be able to steer further through product development and wider market penetrate activities.

OBJECTIVES OF THE STUDY

- (1) To analyse the challenges faced by private health insurance companies in Kerala due to COVID-19 pandemic.
- (2) To identify the mitigation strategies adopted by the private healthcare insurance companies in Kerala during the period of COVID-19 pandemic crisis.

MATERIALS AND METHODS

Research Design: The study has adopted analytical research design to gather relevant knowledge on the topic under study.

Sample Design: The sample design for the present study is described below:

Sample Techniques: The research employed stratified random sampling method. This method can be considered as representatives since the units from the population are chosen randomly.

Selection of Sample: For selecting the sample, the State of Kerala was first divided into three zones-South, Central, and North. From each of these zones, one district each was selected at random, the districts having Trivandrum, Ernakulam and Kollam from the South, Central and North zones respectively. There were 500 Health insurance company branches in the private sector in the selected districts, altogether (200 in Thiruvanthapuram, 200 in Ernakulam and 100 in Kollam). Ten percent of them were chosen at random for the study. Thus, the total number of samples came to 50.

Zone	Total number of companies (branch count)	Number of companies selected as sample
South	200	20
Central	200	20
North	100	10
Total	500	50

Collection Method: Self-completion survey was found to be the most suitable way of primary data collection for the study. Bryman and Bell (Bryman Ep Bell, 2007) provide a list of advantage of self-completion survey mentioning that this type of survey can be conducted either as a postal survey or electronic-based survey. Due to time constraints and limited resources, it was decided to distribute the questionnaire in electronic form rather than by post. Electronic-based questionnaire is more convenient not only for the researchers but also for the respondents because it is less time consuming. Also compared to postal survey, it takes only lesser efforts for them to respond electronically.

Data Collection: Both primary and secondary data were collected for the purpose of the study. For this study, collection of primary data was very important. The primary data were collected from the sample respondents using structured questionnaires. The secondary data were collected from various publications including reports, magazines, journals, and newspapers.

Procedure of The Study: The survey questionnaire was sent to the respondents. A reminder was also sent. For the analysis of the data obtained, SPSS software was used. Before the analysis, the responses were coded into an excel worksheet. After this, the coded result was coded, analysed and interpreted using different analytical tools.

REVIEW OF LITERATURE

Cutler and Zaczachaus, (1998) conducted a study which reveals that people with higher expected medical expenditures (measured in a variety of ways across studies) are more likely to buy insurance or pay for health insurance at higher premiums than those with lower expected medical expenditures.

Wagstaff and Pradhan, (2005) conducted a study which reveals that some people underestimate their accident probability, and thus don't buy insurance, but are also less willing to take precautions, leading to a higher probability of a health shock.

Rothschild and Stiglitz,(1976) in their study reveals that health insurance markets will suffer from adverse selection, which occurs when less healthy people or people who are more risky with their health are more willing to purchase health insurance because they know that the amount they spend on healthcare will be larger than the premium they will pay.

Xu and Evans, (2003) in their study which analyses how the health care expenditures are met by different group of people in India shows that, for nearly three fourth of the cases, the expenditures are met from personal sources. In comparison with USA or European countries where the personal spending component is about one fifth, this is quite high. It is also observed that 40% of the families facing a major health problem must either sell land, household property or become indebted for long term. People, particularly in poor households, can be protected from catastrophic health expenditures by reducing a health system's reliance on out of-pocket payments and providing more financial risk protection. Increase in the availability of health services is critical to improving health in poor countries, but this approach could raise the proportion of households facing catastrophic expenditure; risk protection policies would be especially important in this situation.

Mikael, (1998) in his study conceptualize healthcare insurance. Healthcare insurance in India also provides for the list of authorized hospitals and nursing homes where the insured can get him treated as part of the policy.

Since the name and details of the said health centres are fairly described, one has to get himself treated in one of the centres in order to avail the health insurance benefits. Some insurers however provide treatment at any of the healthcare centres within a stipulated budget. The budget or the higher limit of the treatment cost to be reimbursed is determined by the premiums that are paid and according to the policy availed as part of the healthcare insurance coverage.

DATA ANALYSIS AND INTERPRETATION

The present study on “Reflection of COVID-19 on Health Insurance Industry” was conducted with two major objectives – analysis of the challenges faced by private health insurance sector and the mitigation strategies adopted by them. The data for the study were collected from 50 respondents and analysed using appropriate statistical methods. The data were represented in the form of table and respective interpretation of each given below.

CONSTRUCTS AND MEASURES USED IN THE STUDY

(1) Challenges Faced by Private Healthcare Insurance Sector Due to Covid 19 Pandemic.

To understand the challenges faced by private healthcare insurance sector during Covid 19 pandemic crisis, descriptive technique was used. The data collection was done on 5-point likert scale ranging from 1 = strongly disagree and 5= strongly agree. The table shows the challenges faced by healthcare sector. The challenges or constraints are categorized into Marketing constraints, Resource constraints, Finance constraints and Technical constraints.

TABLE 1: Challenges Faced by Healthcare Sector

Statement	Mean	SD
Product Innovation are limited	4.42	.859
Health Claim paid out Ratio	3.64	1.083
Significant Underwriting losses	3.40	.969
Inefficient service delivery system	3.64	1.083
Under/Over pricing of products	3.76	1.021
Cost Control is a big Challenge	3.78	.987
Delay in the payment of insurance premium	3.86	1.010
Simplification and explanation of product	3.40	.969
Problems with distribution Channel	3.54	1.234
Fraudulent Claims	3.40	.969
Cyber security issues	3.38	.987
Reduced workforce Productivity	3.54	1.234

Source: Primary Data

The table 3.1 shows the mean value of each variable that act as a challenge faced by healthcare sector during the Covid 19 pandemic crisis. The outcome of the analysis shows that Product Innovation act as a major challenge with mean value 4.42 followed by delay payment of insurance premium by client with mean value 3.86. Controlling cost is another challenge faced by the sector with mean value 3.78. Under/ over pricing of product is yet another challenge faced with mean value 3.76. Inefficiency in service delivery, fraudulent claims and cyber security issues have mean values 3.40 and 3.38 respectively.

In the wake of the pandemic, there has been greater concern and awareness about health, and enquiries about health insurance policies have increased by 30–40%. The pandemic also provides an opportunity for insurance companies to innovate and serve the evolving needs of a more informed population. The launching of COVID-19 insurance products that tend to be short term and carry fixed benefits, covering a fixed amount more than the hospitalization schemes, is considered to be one of the biggest challenges faced by the health industry in the wake of the pandemic.

(2) Fiscal Status of Health Insurance Companies

The table below shows the financial status of Health Insurance companies in the wake of pandemic attack.

TABLE 2: Fiscal Status of Health Insurance Companies

Statement	Mean	SD
Decrease in revenue	3.88	1.042
Adverse Impact on profitability	3.64	.964
Effect on ability to declare dividend	3.64	.964
High tax leakages	3.64	.964
Increase in cost	3.76	1.021
Deterring Investment plans	3.86	.857
Financial burden due to lack of standard pricing of Covid19 indemnity plans.	3.70	1.129

Source: Primary Data

The above table reveals the financial status of respondents during pandemic, among them decrease in revenue has the highest mean value of 3.88, followed by cancelling or deterring of investment plan with mean 3.86. Increase in cost and financial burden due to under/over pricing of products has the mean value 3.76 and 3.70 respectively. Adverse impact on profitability, inability to declare dividend and tax leakages have the least mean value of 3.64.

(3) Mitigation Strategies Adopted by Health Insurance Sector

In the present study, the mitigation strategies adopted by private health insurance companies has been classified under two major headings:

- (3.1) Financial actions
- (3.2) Social actions

(3.1) Financial Actions Considered as A Result of Covid 19

The table below exhibits the financial actions to be taken by the private health insurance companies to sustain the pandemic crisis.

TABLE 3: Financial Actions to Be Considered as A Result of Covid19

Statement	Mean	SD
Implementing cost containment	3.88	1.042
Deferring or cancelling planned investment	3.86	.857
Changing companies financial plan	3.64	.964
Changing M&A strategy	3.64	.964
Standardized pricing of product	3.64	.964
Investing in R&D	3.76	1.021
No financial action	3.76	1.021

The table reveals the financial actions to be considered because of Covid 19, amongst them implementing cost containment have the highest mean value of 3.88, followed by cancelling the planned investment with mean value 3.86. Investment in R&D and taking no financial action has mean value 3.76. Changing companies current financial plan, changing M&A strategy and standardization of product's price have the least mean value of 3.64.

The survey also shows that cost containment and deferral/ cancellation of investments are the actions most frequently considered by CFOs because of COVID-19.

(3.2) Steps Taken to Stay Relevant to Society

The table below shows the multiple steps adopted by private health companies to stay socially relevant at the time of COVID-19 pandemic crisis.

TABLE 4: Social Actions to Be Considered as A Result of Covid19

Statement	Mean	SD
Work from home configuration	4.13	.725
Approach customers via digital channels	3.92	.713
Dedicated support via call centres to handle queries	4.07	.772
Provide information on policies via digital channels	3.69	.827
Allowing payment of premium via digital payment method	4.23	.556
Support to agents in the form of advance commissions	3.88	.726
Organized webinars on policy conditions, possible claims, and cyber security policies	4.02	.776
Reach out the existing customers through continuous digital campaign	4.13	.725

Source: Primary Data

The survey reveals that allowing the customers to make premium payment via digital payment method, work from home configuration provided to the workforce and reaching out the existing customers and making them awareness about the policies is considered to be the most important social action taken by the companies with mean value 4.23 and 4.13 respectively, followed by providing support via call centres to handle queries with mean value 4.07.

The study reveals that to remain socially relevant during COVID-19 crisis is very essential. The insurance companies have taken multiple measures to ensure their social presence amongst them allowing premium payment via online payment method is very significant action adopted by them.

RESULTS AND DISCUSSION

The chapter deals with the findings of the study and the suggestions in connection with the impact of COVID-19 pandemic on health insurance Industries. This study was a significant endeavour in understanding the challenges faced by them during pandemic attack and the strategies adopted to mitigate.

FINDINGS BASED ON INFERENTIAL ANALYSIS

Launching COVID-19 insurance products that tend to be short term and carry fixed benefits, covering a fixed amount more than the hospitalisation schemes is considered to be one of the biggest challenge faced by the Healthcare Industry in the wake of the pandemic.

The study reveals that majority of respondent agrees that there is decrease in revenue followed by cancelling or deterring of investment plan due to the pandemic attack.

The survey also shows that cost containment and deferral/ cancellation of investments are the actions most frequently considered by CFOs because of COVID-19.

The study reveals that to remain socially relevant during COVID-19 crisis is very essential. The insurance companies have taken multiple measures to ensure their social presence amongst them allowing premium payment via online payment method is very significant action adopted by them.

SUGGESTIONS

Indian insurers should consider performing targeted activities to protect community interest and build more trust in the society. Some of the activities that might help attain a superior customer experience include:

Immediately offering to enroll more people under health schemes to cover COVID-19.

Offering more coverage and fast-track services to those who are occupationally more exposed to the threat of COVID-19. Extending claim filing periods.

Developing a transparent communication process for all customers to intimate them about any changes in policies and operating procedures.

Paperwork in insurance business related to underwriting and claim processing should be replaced with complete digitisation, with all processing methods with authentication available through the Internet.

Organise webinars on policy conditions, possible claims, and cyber security policies.

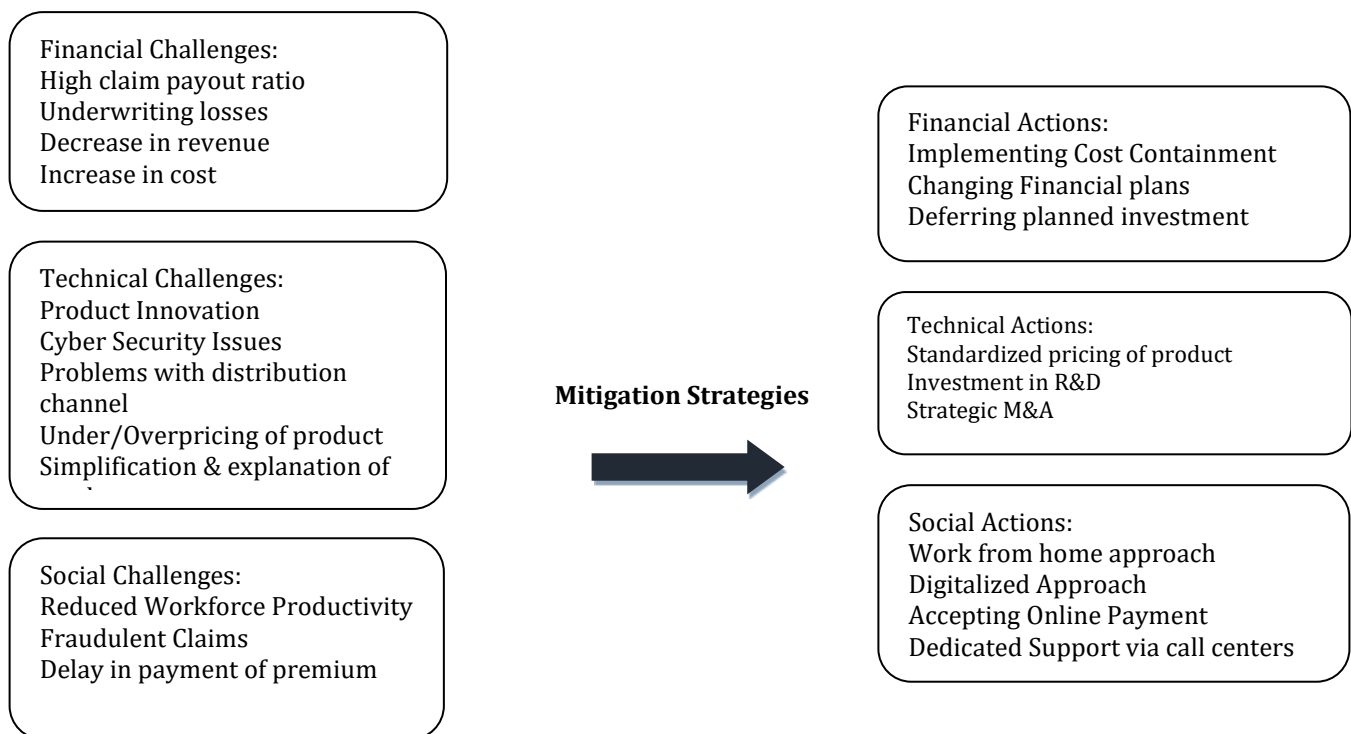
Insurance companies should analyse the available data in conjunction with healthcare companies and medico-legal experts and try to understand the estimated insured loss on all front due to COVID-19. It is possible that insights gained from such a process may help in reducing risk exposure as well as finding new opportunities and strategies for succeeding soon.

Insurance companies can reach out to their existing customer’s proactively through continuous digital campaigns and make them aware of the COVID-19 crisis to stop it from spreading further. Customers usually do not use mobile applications designed by insurance companies frequently as the relationship is transactional. Companies can design campaigns on COVID-19 and provide their customers with relevant information to maintain relationships and reach.

CONCLUSION

The COVID-19 pandemic, thus, is challenging for the health insurance industry on various fronts; at the same time, it represents an opportunity. Health insurance is expected to cushion the blow that this pandemic will deal. While being extremely relevant to society, using appropriate mitigation strategies, insurance companies may be able to support it further through product development activities and ensuring their reach is extensive.

CONCEPTUAL MODEL: REFLECTION OF COVID 19 ON PRIVATE HEALTH INSURANCE SECTOR



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