

## Covid19 and Health Insurance Sector of India



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### Abstract

In general, healthcare is to provide and promote quality care, focus on emerging diseases and invest in promoting and preventive healthcare. The policy is patient centric and quality driven. It addresses health security for drugs and devices. Covid19 which was declared as pandemic by WHO in March 20 forced Indian Health Insurance sector to face the unpredicted challenges. This paper intends to focus on the challenges and opportunities that the Indian health insurance sector have been going through during this pandemic and coming future.

**Keywords:** *Pandemic, Health care, Insurance etc.*

## Introduction:

Pandemic is a type of outbreak of an infectious disease which has crossed the international boundaries and affected a large number of people. On 11<sup>th</sup> March 2020 the World Health Organization (WHO) declared COVID-19 to be a pandemic when it became clear that the illness was severe and that it was spreading quickly over a wide area. The number of lives lost in a pandemic depends on:

- Number of people infected
- How severe of an illness the virus causes (its virulence)
- How vulnerable certain groups of people are
- Prevention efforts and how effective they are

In this situation demand for health insurance has to be increased as the concern for health has been increased. It is observed that enquiries about health insurance have been increased by 30% to 40% during this pandemic.

## Challenges faced by health insurance sector in India

In pandemic it is expected that demand of health insurance would be increased or the benefit of availing health insurance facilities has been increased. But India has been an underinsured country, with private health insurance schemes covering only 18% of the population in urban areas and a little over 14% in rural areas. Due to the widespread COVID-19 pandemic, Indian health insurance companies are facing various challenges and are anticipating an impact in the following areas:

- Under Priced Products: Since the risk of COVID-19 is not currently priced under active products, these claims may cause an additional burden on the books of insurers if treated outside government hospitals. Apart from various other things, a nationwide pandemic can result in a significant increase in claims for health insurance companies beyond just COVID-19. Some studies have shown that COVID-19 affects those

with co-morbidities such as diabetes, renal and other chronic diseases adversely, and hence prolonging of such co-morbidities can result in a longer trail of non-Covid-19 chronic claims for an extended period beyond COVID-19.

- Lack of data: Since details around COVID-19 treatment and prognosis are still emerging, insurance companies do not have data related to patient profiles, morbidity rates, cost of treatment, etc. This data is required to underwrite the risk and determine the premium for products specifically targeting this disease. Companies are consequently at risk of under or overpricing their products.
- Possibility of long trail chronic disease: Based on clinical research and in conjunction with the healthcare and pharma industries, insurance companies should calculate the possibility of a long trail of chronic disease escalation which may require health insurers to re-price their existing hospitalisation products. As of now, insufficient data may hinder such research but collaboration between insurers and their actuaries and healthcare professionals and institutions can create models which had not been attempted until now.

#### **Guidelines of IRDA to wrestle the situation of COVID-19:**

In order to dispel any general misconceptions about the applicability of health insurance policies to cases of COVID19, the IRDAI has instructed insurers to accept COVID19 related claims under active health insurance policies. Some of the important guidelines for dealing with this emergency situation issued by IRDA are as:

- On March 4<sup>th</sup> 2020 IRDAI Guideline no. IRDAI/HLT/REG/CIR/O54/03/2020: For meeting health insurance requirements of various sections and has advised the insurance companies to design products covering the costs of treatment for COVID19.
- On March 23<sup>rd</sup> 2020 IRDAI Guideline no. IRDAI/LIFE/



CIR/MISC/072/03/2020: Dispensing the directions to the insurance companies to provide for specific information, on their website about admissibility, or otherwise COVID19 claims, for all the products covering the contracts already issued to the policyholders (product wise).

- On March 30<sup>th</sup> 2020 IRDAI Guideline no. IRDAI/INSP/CIR/MISC/O77/03/2020: Directed the insurance companies to process the claims arising on account of COVID – 19 promptly and efficiently. Though the normal response time for policyholder complaint redressal is 15 days, however due to pandemic situation, an additional 21 days is allotted to the policyholder in respect of all complaints received on or after 15.03.2020 and up to 30.04.2020.

However, this additional response time is not applicable to complaints pertaining to COVID – 19 for which the extended timelines will continue to apply.

- On June 26<sup>th</sup> 2020 IRDAI Guideline no. IRDAI/HLT/REG/CIR/163/06/2020: Issued to all General and Health Insurers (except ECGC & AIC), provides detailed guidelines on Covid19 Standard Health Policy. It says all general and health insurers to offer Individual Covid19 Standard Health Policy following these guidelines as well as IRDAI (health) regulations 2016 with the following objectives:

- To have a Covid19 specific product addressing basic health insurance needs of insuring public related to Covid19.
- To have a standard product with common policy wordings across the industry

These guidelines cover issues like Base Cover (COVID hospitalization expenses, Homecare treatment expenses, AYUSH treatment, pre and post hospitalization expenses) and Optional Cover. It also talks about construction of the terms and conditions of the policies.

It specifies that the nomenclature of the product shall be "**Corona Kavach Policy**", succeeded by the name of the insurance company. No other name is allowed in any of the documents. The key features of "**Corona Kavach Policy**" are

- i. **Product Type:** Available on Individual and Family Floater Basis
- ii. **Type of Cover:**
  - Base Cover on Indemnity Basis- Covid19 Hospitalization cover
  - Optional Cover on Benefit Basis- Hospital Daily Cash
- iii. **Sum insured:** Rs 50,000 to Rs 5,00,000 (in the multiples of fifty thousand)
- iv. **Waiting Period:** 15 days
- v. **Policy Period:** Three and half months (3.5 months), Six and half months(6.5 months), Nine and half months (9 ½ months) including waiting period.
- vi. **Eligibility:**
  - Policy can be availed by persons between the age of 18 to 65 years.
  - Policy can be availed for self, spouse, parents, parents-in-law and dependent children up to 25 years of age.
- vii. **Hospitalization Expenses:** Medical Expenses of Hospitalization on diagnosis Covid19 shall be admissible.
- viii. **Pre Hospitalization Expenses:** 15 days
- ix. **Post Hospitalization Expenses:** 30 days
- x. **Sub-limits:**
  - Home care treatment: Maximum up to 14 days per incident.
  - Ambulance Charges: Rs 2000 per

hospitalization.

- **Optional Cover of Hospital Daily Cash:** 0.5% of Sum Insured per day subject to maximum of 15 days in a policy period for every insured member.

**xi. Home Care Treatment Expenses:**

Cost of treatment incurred by the Insured person on availing treatment at home for Covid on positive diagnosis up to 14 days per incident, which in the normal course would require care and treatment at a hospital but is actually taken while confined at home.

**xii. Premium payment: Single Premium**

**xiii. Hospital:** For the purpose of this policy any set-up designated by the government as hospital for the treatment of Covid19 shall also be also considered as hospital.

**xiv. Co-morbidities:** Any co-morbid condition triggered due to Covid-19 shall be covered during the period of hospitalization.

Apart from the above guideline IRDA also gave guidelines in the following important aspects of Covid19:

**Quarantine Period:** During this period the patient also goes through medical supervision and treatment. Thus expenses are incurred on recurring basis.

After IRDAI's circular, insurers are mandated to cover hospitalization as well as quarantine expenses if the patient test positive. Insurance companies will pay admissible medical expenses even during quarantine. This does not require a separate out-patient (OPD) cover and treatment taken while in quarantine will be paid as hospitalization expenses which are covered under a regular health insurance policy.

**Health Workers:** The Ministry of Health and Family Welfare in its Press Release on 26.03.2020, under the



umbrella of Pradhan Mantri Garib Kalyan Package, announced an insurance cover of Rs50,00,000 (Fifty Lakhs) for a period of 90 days to public healthcare providers including community health workers, who may have to be in direct contact and care of COVID – 19 patients and who may be at risk of being impacted by this. The said insurance cover also includes accidental loss of life on account of contracting COVID – 19. The insurance provided under this scheme would be over and above any other insurance cover availed of by the beneficiary.

Although there is specific guideline of IRDA regarding Corona virus only few public and private sector insurance companies have come along with Corona Specific Policy. These companies are:

- ❑ National Insurance,
- ❑ United India Insurance,
- ❑ Oriental Insurance,
- ❑ ICICI Lombard,
- ❑ Bajaj Allianz,
- ❑ Star Health.

#### **Opportunities of Health Insurance Sectors:**

Corona is going to be the biggest challenge that the industry has seen so far. The disease is spreading very fast in exponential rate. Treatment of the disease would be costly. Though most people are having some sort of insurance coverage (personal or corporate) but the new and unique nature of the virus is creating lot of confusion. One of the prime concern being whether they are to be covered under existing policies or not. To address the concerns of the policyholders and to bring clarity on the coverage of Corona virus, insurance regulator IRDAI came up with guidelines for the insurance companies on March 4<sup>th</sup> 2020. The IRDA guideline stated: "Where hospitalisation is covered in a product, insurers shall

ensure that the cases related to Coronavirus disease shall be expeditiously handled." However, with recent announcement of coronavirus as a notified disaster, the cost for managing COVID-19 infected patients would be at the rates fixed by the state government, which may come as a cushion for everyone.

This may also be an opportunity for the health insurance industry to prove its metal and win the trust of the prospective customers. In this highly challenging scenario, the ability of all insurers to speedily assess claims, detect fraudulent claims and disburse genuine payments under the policies will go a long way in tempering the pandemic's impact. We could expect a lot of co-operation between the IRDAI, insurers, network hospitals and intermediaries for standardisation in COVID-19 claim settlements to meet the need of the hour. This event is likely to re-enforce the need for a health cover which could be a positive boost for the health insurance industry.

Though insurance offices are included under the list of exempted services under the lockdown however but with restrictive movements and closed market scenario there is hardly any chance of new business. Still Insurance players with robust digital infrastructure should be able to fare better than others, when there is a sharp rise in COVID-19 cases and the situation becomes more precarious or it worsens. One of the biggest challenges for insurers could be enabling alternative work arrangements for their employees and sales force. Arrangements should be such that they are more resilient and able to deal with increasing claims in shorter response times.

Even when the crisis settles down, the weakness in economy is bound to persist and in the days to come the threat of pay cut and job losses will be persistent. The next few months or the coming year will show us as to how insurance sector tackles the corona issue and the post corona market scenario.



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