

Why demand for Covid health cover is infectious

The impact of Covid on health insurance has been phenomenal, but going forward, insurers expect lower traction as cases decline

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The Covid-19 pandemic has, in a way, redefined the perceptions around health insurance, acting as a catalyst for the growth of health cover.

According to insurers, it has given the biggest push to health insurance demand since liberalisation in the 1990s, triggering positive shifts in the perception, processes and products in the industry.

The catalytic impact of Covid on the health insurance scenario is quite phenomenal in terms of demand.

"There has certainly been an increase in demand for health insurance policies, owing to the awareness raised by Covid-19 pandemic," TA Ramalingam, Chief Technical Officer, Bajaj Allianz General Insurance, told *BusinessLine*.

The perception about health insurance has changed from a mere tax-saving tool to an indispensable financial security tool.

"We have observed that there has been approximately a 40 per cent year-on-year increase in demand for health insurance policies," said Ramalingam.

In a new trend, many customers are also looking to increase the sum insured of their base policy, he added.

There has been a realisation of the need to have an adequate cover to meet a major chunk of health expenditure in case of unforeseen risks such as Covid. "For



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instance, if a person has a ₹3 lakh health cover, they are looking to increase it to ₹5 lakh cover; a person with ₹5 lakh cover is interested in buying a ₹10 lakh cover. Additionally, they are also opting for super top-up policy to enhance their sum insured," said Ramalingam.

According to Sanjay Datta, Head -Underwriting & Claims, ICICI Lombard General Insurance Company, there has been much learning from the Covid experience.

"One of the major learnings is the recognition of the need to have a risk product to cover oneself and one's family members.

"The digital offerings, as well as

customer awareness of digital solutions to meet health cover requirements, have also gone up. There has been a lot of streamlining of processes as well," said Datta.

Product innovation and standardisation are now an integral part of the lexicon for all stakeholders - the Insurance Regulatory and Development Authority of India (IRDAI), industry players and customers.

Shift in demand

There are shifts in the nature of demand for health cover. Unlike last year, now there has been a decline in demand for Covid-specific

health insurance policy for two reasons. "This is being driven by reduction in Covid cases in our country. Secondly, and more importantly, people are now looking to buy comprehensive health insurance policies," said Ramalingam.

In a significant move, the insurance regulator had introduced standard Covid-specific products, Corona Kavach and Corona Rakshak, to be offered by non-life and life insurers mandatorily for a period of nine-and-a-half months in July last year.

Though the initial response was dull, the demand for Covid-specific cover picked up significantly between March and September 2020 in the backdrop of surging cases.

Assuming that there will be no third wave, general insurers expect greater demand for standard basic health cover policy, Aarogya Sanjeevani, introduced by the IRDAI before the attack of the pandemic.

It has been seen as a game-changer for health cover as it offers a simple, understandable basic health cover.

However, the product has been overshadowed by Covid concerns and people preferred Covid-specific policies to a standard health cover. Once Covid becomes history, this product could catch the attention of general public, feel experts.

Claims

"Due to the second wave, we have seen more than 100 per cent of

Covid claims in the first quarter of the current fiscal compared to the entire FY21. Covid-19 claims constitute around 45 per cent of overall health claims in Q1 FY22, compared to 17 per cent for the same period last year," Ramalingam added.

However, insurers expect lower traction, going forward. There is already a declining trend of Covid cases in some parts of the country, and insurers are hopeful that as the vaccination drive gains more momentum, there could be an even more decline in the number of cases.

Is it sustainable?

While all these factors have boosted demand since April 2020, industry experts are also hoping that the new levels of demand for health insurance will be sustained, going forward.

"The massive surge in demand is a welcome trend. However, there are fears of the ensuing third wave all around, which might have contributed to increase in demand. We are keeping our fingers crossed that the situation attains normalcy," said the CEO of a large private life insurer.

He also sees customer satisfaction as a challenge. "In most cases, an objective examination of Covid claims being made allows us to settle only a part of the claim, leading to disaffection. Insurance goes by defined norms in claim settlement. We need to educate customers, too, on this front," said the CEO.