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[Indian insurers see glimmer of hope as pandemic spurs insurance adoption](#)

Rising demand for medical cover sustained the country's insurers amid a difficult period last year

A surge in demand for health cover during the pandemic is helping India's insurance sector weather a slow period.

"There's a lot of focus as a result of the pandemic on healthcare and naturally, from the insurance perspective, there is a spill over effect," says Vivek Ramji Iyer, a partner and national leader of financial services risk advisory, at Grant Thornton Bharat, an assurance, tax and advisory firm.

An uptick in demand for medical insurance has helped to partially offset the negative impact that Covid-19 has had on other types of insurance policies.

Broader general insurance growth slowed to 2.5 per cent and life insurers' new business premiums fell by 1.7 per cent in the nine months to December 2020, according to a report released this month by Moody's Investors' Service.

But health premiums surged by 13.7 per cent over the same period due to customers' realisation of the importance of health insurance policies to cover medical expenses and regulatory changes that allowed insurers to offer Covid-19 protection, according to the ratings agency.

"We expect general insurance premium growth to remain in positive territory thanks to persistently strong demand for health and protection coverage", says Mohammed Londe, a vice president and senior analyst at Moody's.

Policybazaar.com, one of India's major online insurance aggregators, said it sold 400,000 health insurance policies between April and December last year, totalling over \$100 billion in the value of the sum insured.

Alongside Covid-19, Policybazaar.com said that other factors driving the trend included the "introduction of new innovative higher sum insured products" and straight forward "processes which makes buying health insurance a lot simpler and cheaper".

A major factor that spurred the insurance industry's growth is new policies that were introduced under regulations issued by the Insurance Regulatory and Development Authority of India.

Vivek Chaturvedi, the chief marketing officer at Digit Insurance, says that a Covid-19 product that his company introduced following a new regulation from the IRDAI "received an overwhelming response".

"We sold 4,000 policies in just three weeks, after which we had to stop it, as a limit that was set by IRDAI," Mr Chaturvedi says.

The launch of new Covid-19 products led to a 35 per cent growth in business between April to December 2020, he adds.

This came as other segments took a knock from the country's lockdown restrictions.

“During the months of extreme lockdown, the demand for motor insurance was hit considering that new vehicle sales was not happening,” says TA Ramalingam, the chief technical officer at Bajaj Allianz General Insurance.

But these other insurance areas are now starting to pick up now, he adds.

“With relaxation in restrictions and progress of the vaccination drive in the country, we see the demand across all lines of business gradually resuming to pre-Covid levels.”

The company is also optimistic that medical insurance sales will continue to grow beyond the pandemic.

“We are hoping that people who were first-time health insurance buyers and who bought Covid-19 specific policies will look at buying a comprehensive health insurance cover and the existing health insurance customers will look at increasing their sum insured,” says Mr Ramalingam.

Such a boost would be much needed for India's insurance sector. Despite the rise in medical insurance sales, the sector has been far from immune to the effects from the pandemic, and it is still significantly behind its pre-Covid expansion levels.

Aatur Thakkar, director at Alliance Insurance Brokers, says that amid the pandemic, “growth has been the biggest challenge in a sector that historically had been growing by 16 to 18 per cent”.

A hurdle for the sector is the fact that insurance is still not widespread across the population of more than 1.3 billion, particularly outside India's biggest cities. But this also means there is huge potential for future growth.

“The opportunity is so huge as a country because the penetration is so low – at less than 1 per cent of GDP compared to 4 to 5 per cent as an average in developed countries,” says Mr Thakkar. “We're trying to increase the size of the cake itself. This could be a game changer in overcoming the growth challenges that the sector is currently facing.”

Industry insiders believe that insurance is gaining traction.

“People have started realising the need of insurance,” says Sumit Bohra, the president of the Insurance Brokers Association of India (IBAI) and chief executive of GlobeSecure Insurance Brokers.

He projects that in the next quarter the insurance sector will return to double-digit growth, as other segments of general insurance could pick up as the economy recovers from the pandemic-induced slowdown.

“The outlook remains quite promising with opening up [of] all the sectors,” says Mr Bohra. “Green shoots are being seen in the insurance market as motor sales have started picking up due to preference for personal transport over public transport.”

Working in the insurance sector's favour is also the fact that the Covid-19 crisis has accelerated digitisation in India.

“Insurers are now more focused on expanding digital channels to meet the needs of their customers,” says Manav Verma, the chief business officer at E-Revbay, a Mumbai-based financial technology firm. “More than product development the emphasis now is on digitising sales, support and claim-handling.”

Insurance companies are also increasingly focusing on using digital technology for customer analytics, Mr Iyer says.

“The outlook is very positive,” he says. “The whole digital journey will help add more customers.”

Insurers are hopeful of a further boost from the Indian government's budget for the financial year beginning in April, which is set to be unveiled by finance minister Nirmala Sitharaman on Monday.

The industry expects the government to relax foreign direct investment (FDI) rules to allow more overseas capital to flow into the insurance sector, My Iyer says.

“That would help [insurers] have significant growth,” says Mr Iyer.

This comes as the sector has faced some solvency issues, with the Covid-19 crisis adding to already-high stress levels.

“Insurers' solvency remains inadequate, prompting government plans to inject capital into three government-owned insurers,” according to Moody's.

Capital infusion into government-owned general insurance companies could be announced in the budget. Industry experts are also expecting New Delhi to reveal plans for a stake sale in state-owned Life Insurance Corporation of India.

“In the private sector, solvency concerns are driving mergers and acquisition, while other players are planning public listings to raise capital,” Moody's says.

In the long term, the measures taken “will reinforce Indian insurers' credit strengths, adding transparency and improve their risk management and governance standards”.

In the near-term, with all eyes on Monday's highly-anticipated budget, insurers say they will also be looking out for tax benefits to incentivise more citizens to purchase insurance plans, especially medical cover.

“This pandemic has brought to the fore the importance of having health insurance and a large part of the Indian population is still without any health insurance,” says Mr Chaturvedi.