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General insurers brace for a rise in non-Coronavirus claims

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General insurers are bracing for a spike in non-coronavirus (non-Covid-19) health claims in the coming months as normalcy returns after the stringent lockdown is eased by the government.

The rise in claims will mostly come from elective procedures that were postponed on account of Covid-19. This, in turn, will impact the loss ratio of insurers in the health segment.

During the lockdown period, non-life insurers have seen an almost 40 per cent drop in non-Covid claims. This is because individuals have decided to postpone their non-essential procedures or elective procedures, fearing infection.

This adds to the uncertainty of non-life insurers at a time when the number of Covid cases is increasing, and may lead to more Covid claims in the coming weeks and months. However, so far, Covid claims for insurers have not moved up significantly.

"In the last 30-40 days, we have seen people wanting to wait it out as far as planned surgeries are concerned as they are bit concerned about the present situation. We are expecting people to go in for their planned surgeries as things ease out a bit. So, we are expecting a spike in the claims during June-July," said TA Ramalingam, chief technical officer, Bajaj Allianz General Insurance.

Another concern for the insurers



Most of the 60 resorts the firm operates are shut with a couple being open to help medical staff and doctors tackle the coronavirus epidemic

comes from hospitals revising their tariffs to cover losses. This is expected to have a significant dent on the loss ratios of insurers. Loss ratio indicates the underwriting performance of an insurer.

If it is above 100, then the premium collected is not adequate to pay claims. For the industry, in the corporate group health, the loss ratio is between 90 and 95 per cent. And, in retail health, the loss ratio varies between 60 and 90 per cent.

"The procedures, which were postponed, would result in increase in loss ratios once the lockdown gets relaxed.

During this period of Covid-19, it has also been observed that many hospitals have been revising general tariffs, which would also have an effect on loss ratios," said Shreeraj Deshpande, chief operating officer (CEO), Future Generali India Insurance.

"Initially, Covid cases were being treated in government hospitals. However, we have now seen a shift, with an increased number of cases being reported from private hospitals where the average treatment/claims cost is very high. We could see the loss

ratios increasing in the days to come," Deshpande added.

With non-Covid claims falling close to 40 per cent, many feel that loss ratios in the health segment for insurers will improve significantly. But insurers said the temporary gain may be offset by hike in claims in the future and costs by hospitals.

"Many surgeries, which are elective, have been delayed. And, with growing awareness, people are more likely to go for interventions. In fact, we should see a spike in claims. The other worry is hospital costs. This is because they (hospitals) would look to cover whatever they have lost in this period," said the chief executive officer (CEO) of a private insurer.

"The loss ratios for insurers will worsen. So, whatever gains the insurers have had in this period due to lower claims will be offset by a spike in claims in the coming months. So, the overall ratio will see a significant fall for the year," he added.

However, a few are of the opinion that there may not be significant impact on the loss ratio given that Covid claims have not risen at an alarming rate so far.

"There will not be too much impact on the loss ratios because the number of Covid claims has not been alarming so far. However, one can't predict what will happen one month down the line," said Ramalingam.