



THINKING HATS

## Health Insurance – The Domino Effect of COVID-19

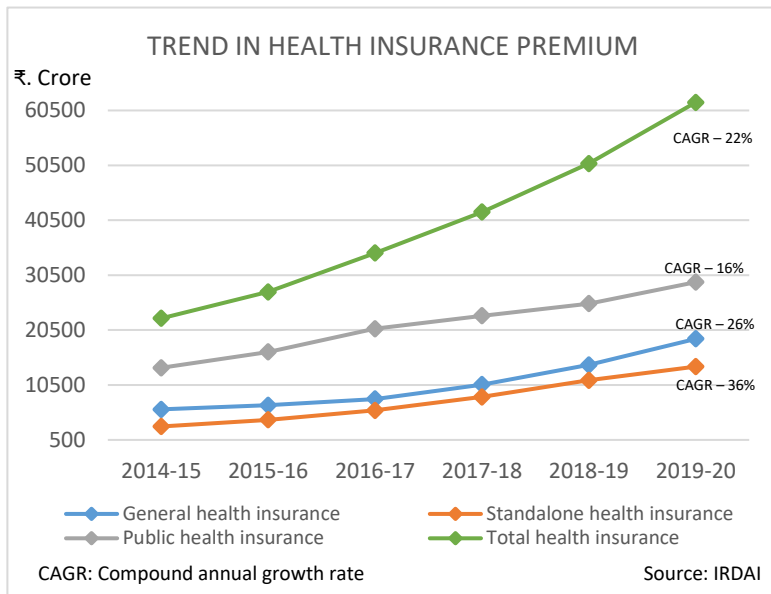
Novel situations could arise any time; and although a pandemic like COVID-19 is a rarity, it is a possibility, even more so now. Its effect on global economy can be seen as the world has entered into a stage of global recession. This has impacted many at an individual level with loss of jobs, salary cuts or having been furloughed. Cost of medical treatments have also been soaring over the years. Thus, it has become imperative for everyone to buy a health insurance policy irrespective of their age and income.



If we take a look at the '*Personal financial planning model*', 'protection' plays the pivotal role of foundation. To create a strong foundation for one's financial planning, one needs to have protection from any unexpected event that can jeopardize their long-term financial goals. Therefore, many financial planners or financial gurus' advice to start with buying an insurance first and then start savings or making investments.

In India, protection plans come in form of – Life insurance, health insurance & term insurance. Life insurance & term insurance come into play once an insured person is deceased, but in a situation like pandemic, having a **health insurance is more crucial** to cover any unexpected medical expenses. In spite of this, the total **health insurance penetration is very low**, with only **34%** of the country's population being covered under any health Insurance.





**Industry outlook:**

With more than 25 private insurance companies & 4 public insurance companies, the **overall health insurance** industry in India has been growing at a **CAGR of 22%** for last 5 years. The 5 year CAGR for public insurance companies stood at 16%, while among private insurance companies, the **general health insurance companies** are growing at a **CAGR of 26%** & **standalone health insurance companies** are growing at a **CAGR of 36%**.

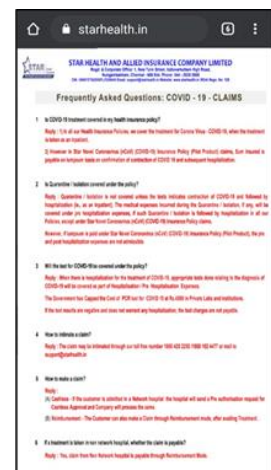
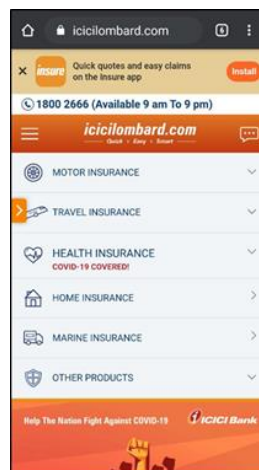
**Impact of COVID-19 on health insurance:** With gradual increase in cases in February & March, India went into a 21 day country wide lockdown on 25<sup>th</sup> March. Was the global pandemic able to create a sense of urgency among Indians to buy a health insurance?

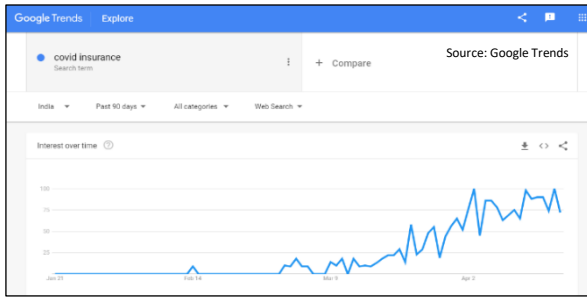
Premium Gross Income		
Health Insurer	2019-20 to 2018-19 % Change (Y-O-Y)	Mar 2019-20 to Mar 2018-19 % Change
General health insurance	33%	-17%
Standalone health insurance	22%	4%
Public health insurance	15%	-14%
Total Gross insurance	22%	-13%

The gross premium income has increased by 22% this year compared to previous year and is in line with category CAGR of 22%.

But the gross premium income in March 2019-20 saw a drop of 13% compared to March 2018-19, indicating many people showing hesitance to purchase health insurance.

This hesitance could be due to **lack of clarity** - whether normal health insurance policies would cover COVID-19 treatments or will they have to buy a separate standalone policy. With recent circulars from IRDAI to **cover COVID-19 related treatments under existing policies**, insurance companies have started **creating awareness** around it through their website & other media channels such as text messages & E-mails. The companies are also promoting **online health insurance policies** on social media.





These initiatives by health insurance companies are already showing positive inclination as the **Google search trends for “Covid insurance”** reveals an **upsurge** in the month of April, indicating we may see an increase in adoption in the April to June quarter, which otherwise see less adopters.

With many facing a first time pandemic situation, overall perception of health insurance has evolved. The government has also given it a giant push, by stating it to be covered under all existing policies. This might significantly alter the cost vs. risk evaluation by Indian consumers. Thinking Hats continues to track pivotal category changes and their impact on future growth trends.