

# 37th India Fellowship Webinar

Date: 23/06/2022

Way Forward for Nirogya Bharat Insurance Company in the post pandemic world

Guide : Isha Khera

Presented By : Group 5

1. Ridhi Anand
2. Gulshan Garda
3. Anuradha Sehgal
4. Anuradha Balasubramanian
5. Ishaan Wadhwa



# About the Guide

## Isha Khera



Isha is a Fellow member of Institute of Actuaries of India (FIAI) and Institute & Faculty of Actuaries, UK (FIA). She graduated with B.Sc. (Hons.) Statistics from the Delhi University and also holds a Diploma in Insurance Management from Symbiosis, Pune.

She is currently working as Appointed Actuary of Iffco Tokio General Insurance Company Limited and is responsible for Actuarial Valuations, Shareholder Reporting, Product Pricing and Financial Risk.

Isha has over 13 years of experience in the actuarial domain. Prior to joining Iffco Tokio General Insurance she worked with KPAC, Max Bupa and Royal Sundaram.

# Agenda



1. Health care industry in the post pandemic world
2. Impact on population and financing of healthcare spending
3. Future of the Health Insurance Industry
4. Impact on NBIC and way forward
5. Recommendations
6. Summary

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Healthcare industry in post pandemic world

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# Healthcare Industry



## Healthcare Providers

Hospitals, Nursing Homes, Medical Centres, Health professionals providing outpatient care, Teaching and Research

### Private healthcare

Provides for **62% of total healthcare infrastructure** making out of pocket expenditure nearly 65% of the total Health expenditure according to National Sample Survey office

Largely present in **Tier I and Tier II cities**

### Public healthcare

**Primary healthcare** provided by primary healthcare centers and sub-centers

**Secondary and Tertiary care** at district hospitals, medical colleges, community health centers

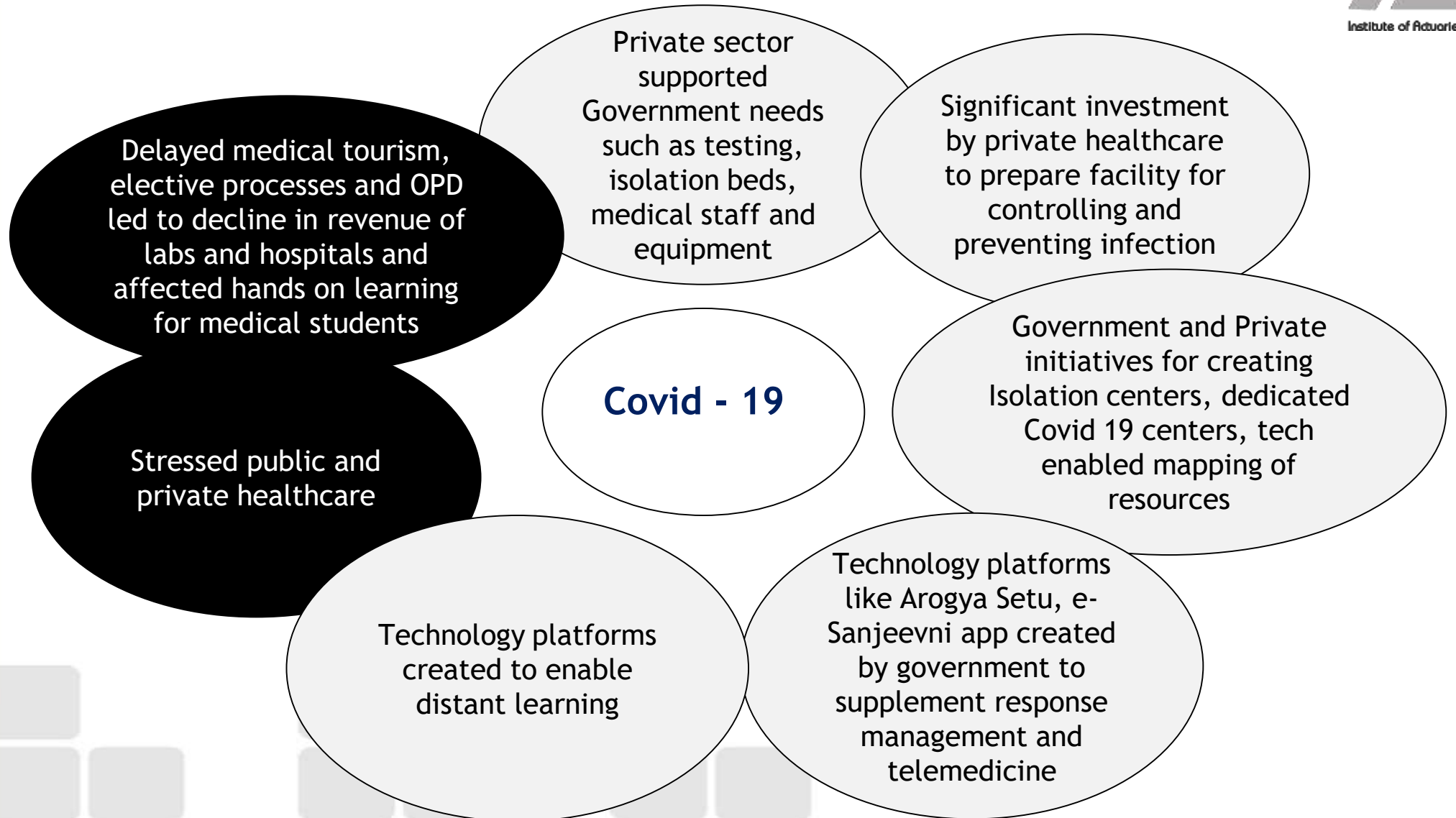
## Life Science

Drug and Medical Equipment Manufacturers

## Healthcare Financiers

Central and State Government, Private Insurers

# Impact of Covid-19



# Healthcare Providers in the post-pandemic world



## Increase in Demand for Healthcare Services

|                          |   |
|--------------------------|---|
| Preventive care          | Increase in awareness for the need for early intervention |
|                          | Includes doctor consultations and diagnostics             |
| Mental Health Treatment  | Psychological impact of the pandemic                      |
| Post Covid complications | Long term health issues                                   |
| Medical tourism          | Availability of quality services at lower cost            |

## Digitization

|                                 |  |
|---------------------------------|--|
| Telemedicine                    | Online consultation for people of specific demographics and financial stance   |
| Use of Artificial Intelligence  | Maintaining health records to provide best treatment   |
| National Digital Health Mission | Government Initiative to create an integrated system linking practitioners to patients digitally giving access to real time health records |

# Healthcare Providers in the post-pandemic world



## Increase in Investment

|                                 |   |
|---------------------------------|---|
| CAPEX                           | Structural changes and fresh investment in medical equipment  |
| Stronger Medical Infrastructure | Focus on increasing capacity due to shortage witnessed during second wave especially in Tier II and Tier III cities |
|                                 | Ensuring adequate diagnostic services   |
| Human Resources                 | Skilled medical and paramedical workforce crucial to meet accumulating demand                                       |
| Strengthening Primary Care      | Through collaboration with Private Sector   |

*The hospital industry is expected to reach \$132 bn by 2023 from \$61.8 bn in 2017; growing at a CAGR of 16-17% as per National Investment Promotion and Facilitation Agency*

## Teaching and Research

|          |  |
|----------|--|
| Teaching | Remote learning opportunities through teleconsultation, videoconferencing, virtual simulations, digital podcasts |
| Research | Resurgence of interest in vaccine research   |



# Life Science in the post-pandemic world



- ❖ **Digitization**  
Predictive data analysis, process simplification for better drug delivery system through apps such as Cowin and Arogya Setu
- ❖ **Speedier Development of Medicine**  
Enabled through regulatory simplification, emergency use authorization (EUA) and voluntary licencing
- ❖ **Emphasis on Employee Safety**  
Safety protocol documents in place and comprehensive set of practices deployed across companies
- ❖ **Improvement in Recruitment and Retention of workforce**  
Remote working opportunities
- ❖ **Increase in Demand**  
Need for quality healthcare, lifesaving drugs and preventive care

# Healthcare Financiers in the post-pandemic world



## Central and State Government

- ❖ Need for an increase in healthcare spending
- ❖ Fiscal incentives, sustainable public policy crucial for growth of private sector
- ❖ Expected increase in penetration of Ayushman Bharat Health Cover
- ❖ Awareness campaigns for need for healthcare insurance

## Insurers

- ❖ Increase in Insurance penetration
- ❖ Increase in Investments fuelling competition
- ❖ Changes in nature of products, terms and conditions and type of coverage
- ❖ Short term and long term impact of the pandemic on the cost of health insurance
- ❖ Digitization of processes
- ❖ Higher retention and recruitment due to options to Work from Home

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# AMR in the backdrop of COVID

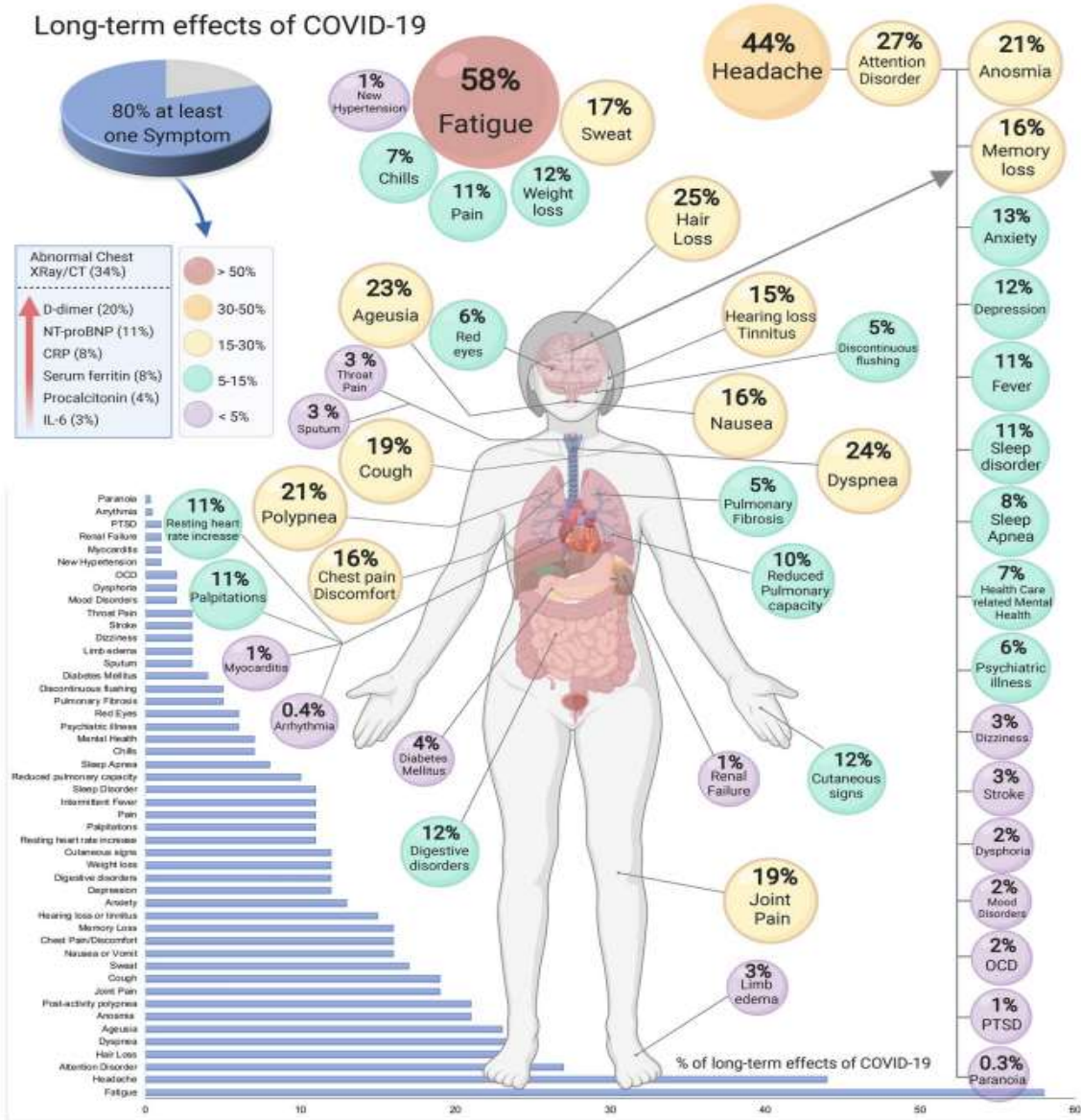


- ❖ Interaction between COVID-19 and Antimicrobial Resistance ('AMR')
- ❖ Fear of secondary infections - escalation in antimicrobial use
- ❖ India - the largest producers and consumers of antimicrobials
- ❖ Self-medication and excessive use of antimicrobial hygiene products
- ❖ Expected to claim 10 million lives globally and 2 million lives in India, per year by 2050.

Source: [Delineating the impact of COVID-19 on antimicrobial resistance: An Indian perspective - ScienceDirect](#)

# Long COVID - A New Syndrome

Long-term effects of COVID-19



- ❖ Symptoms or signs persisting for two or more weeks after COVID-19 onset
- ❖ 80% of individuals detected with Long Covid
- ❖ In total, 55 effects being the most common
- ❖ Measurable organ impairment
- ❖ 66% - single organ impairment and 25% in multi organ impairment



# COVID Impacts Mental Health



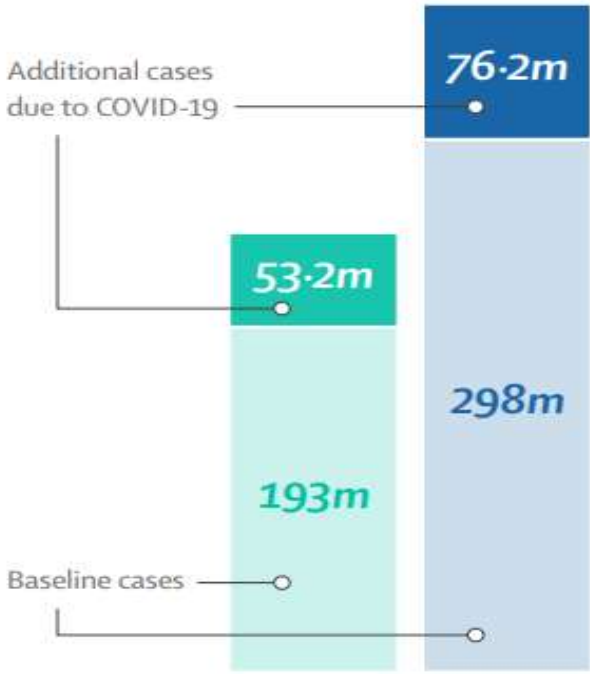
Institute of Actuaries of India

## Cases of mental disorders rose sharply during the pandemic

Cases in 2020

Major depressive disorder

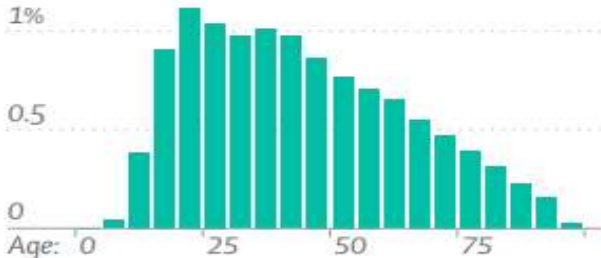
Anxiety disorders



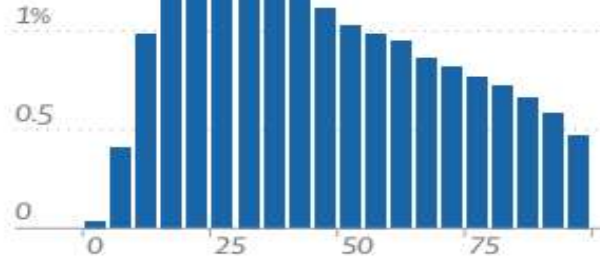
## Younger people were hardest hit

Additional prevalence due to COVID-19, by age

Major depressive disorder



Anxiety disorders



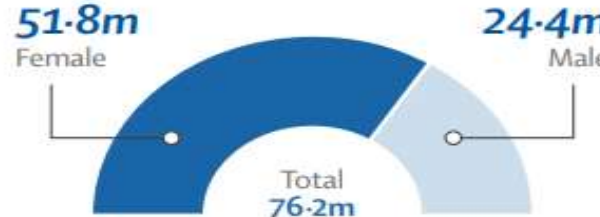
## Increases were higher among females than males

Additional cases due to COVID-19, by gender

Major depressive disorder



Anxiety disorders



Source: <https://www.thelancet.com/infographics-do/covid-mental-health>

# Financing of healthcare spending



## ❖ Government Policies:

- Indian government aim to increase healthcare spending to 2.5 % of GDP by 2025
- NR35,000 crore earmarked for COVID-19 vaccine
- Ministry of Health and Family Welfare allocated 10% higher budget
- New allocation of INR 30 crore for National Digital Health Mission

## ❖ Health Insurance Industry:

- Health insurance accounted for 29.7% of premiums collected by non-life insurers
- In post-pandemic phase, the momentum came from individuals buying policies
- Premiums paid on individual policies increased by 34% compared 16% on group policies

### IN THE FIRST HALF OF 2020-21, HEALTH PREMIUMS OCCUPIED TOP SPOT IN NON-LIFE SEGMENT



# Financing of healthcare spending



## ❖ Individual Out-of-pocket ('OOP') Spending:

- Average cost of COVID-19 treatment increase
- Average OOP on Indian household twice of Government spending
- Share of reimbursements by Central and State Government at 49.57 per cent and 47.92

## ❖ Is Financing of health care spending SUFFICIENT?

- Spending on public health - India ranks 147th out of 184 countries
- Indian household pays around 65% of health expenditures
- 3 % of GDP can reduce out-of-pocket (OOP) expenditure by half.



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# Future of Health Insurance Industry The Growth Story

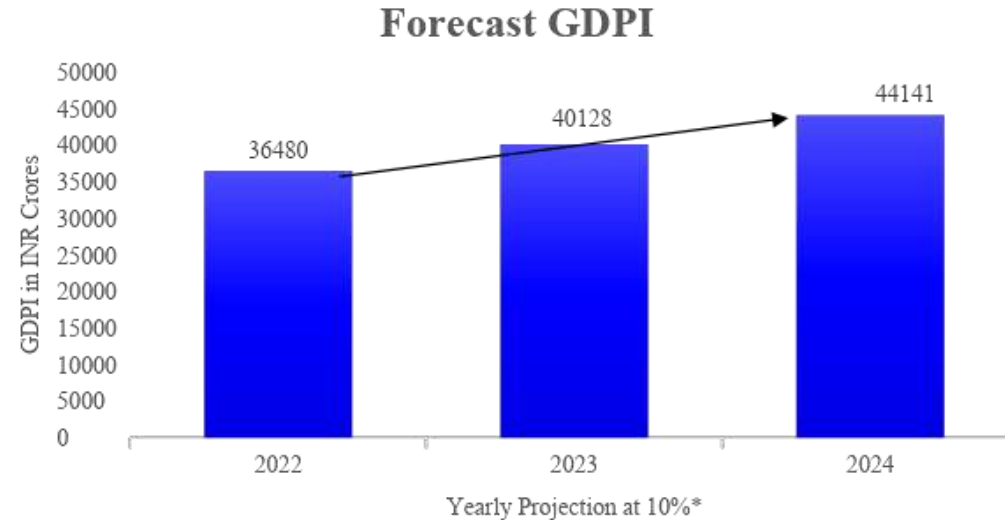


Chart data for 2022 using flash figures of GDPI from GIC council.  
\*Assumption of 10% [representation only]

## In the past:

- ❖ Percentage growth in health gross premiums of 25% in FY2022,
- ❖ 32% from stand alone health insurers and 23% general insurers
- ❖ Surge in claims related to COVID, 12% of health claims paid in FY2022 relates to COVID

## Expected in the future:

- ❖ ICRA expects the gross direct premium income (GDPI) to grow by 10-12% in FY2023
- ❖ GDPI of PSU insurers expected to grow @ 4-6%, private insurers expected to grow @ 13-15% in FY2023.
- ❖ Combined ratio expected to improve in FY2023

\*\* sources <https://bfsi.economicstimes.indiatimes.com/news/insurance/general-insurance-industrys-gdpi-to-grow-by-10-12-pc-in-fy23-report/91138760>  
[Segmentwise report \(gicouncil.in\)](https://www.gicouncil.in)

# Future of Health Insurance Industry

## The Growth Story



### In the past observed:

- ❖ Pandemic transformations with respect to Sales and renewal.
  - Ease of policy issuance / end to end sales process due to digitalization
  - Online KYC, No physical signatures required
- ❖ Health insurance providers enabling flexible payment premium payment options
- ❖ Standardization of certain health products (travel)
- ❖ Elevated loss ratios along with medical inflation have raised premiums of both Retail and Group Health plans
- ❖ IRDA driving greater inclusion in products, updated definition of pre existing disease

### Expect to continue:

- ❖ Increase in customer demand expected to drive innovative products
  - Comprehensive health covers
  - More awareness about unknown diseases
- ❖ Change in business mix as more millennials and women enquire about cover
- ❖ As health insurance penetration increases, can expect to see lesser revisions in premiums
- ❖ Also lower claims from Covid could be expected as effects wane
- ❖ Effects of health technologies and digitalization in distribution, risk selection / pricing and claims settlements expected to lower upfront and renewal expenses

# Future of Health Insurance Industry

## Hurdles to Cross



### Challenges:

- ❖ Rise in medical inflation leading to hike in premiums.
  - India recorded the highest medical inflation in the Asian region at 14% in 2021
- ❖ Low penetration rates
- ❖ The missing middle: 30% of the population i.e. 40 crore individuals are devoid of any financial protection for health.
- ❖ Appropriate utilization of governmental schemes [Ayushman Bharat etc]
- ❖ Rising incurred claims ratio due to recurrent or unknown covid strains in the future
- ❖ Unknown longer term impact of Covid and vaccines

### Opportunities:

- ❖ IRDAI's latest "use and file" procedure for all categories of Health Insurance.
  - The above expected to bring in swift launch of newer/innovative products
- ❖ Increase of Insurance penetration including untapped geographies
- ❖ Expansion of existing governmental schemes
- ❖ Integration of government and Private health insurance
- ❖ Partnerships with Healthcare tech companies to lower up front and other expenses
- ❖ More innovative features and designs of products that meet consumer changing needs
- ❖ Newer entrants [like Paytm] to bring in tough competition with respect to premiums, claims settlement and distribution

# Future of Health Insurance Industry Digitalization as a Game Changer



## Sales & Distribution

- ❖ Significant Increase in online channels of distributions in the recent past
- ❖ Expected to continue Omnichannel Insurance distribution for driving sales
- ❖ As the health tech grows, we expect to have a reduction in the reliance of broker/traditional channels

## Underwriting, Pricing and Product Development

- ❖ Newer health care start ups like e-clinic, Credihealth, Lybrate and etc.. Focused on online services Plum and Onsurity focused on providing access to group health insurance plans primarily catered to SME, SMSE and start up companies.
- ❖ Chat bots to understanding customer needs helping in quicker issue resolution and escalations
- ❖ Evolution of hyper personalization, we can expect to see dynamic pricing based on Customer profile

## Claims Settlement

- ❖ Technology companies and TPAs work together to create components that can be integrated into the claim process.
- ❖ Use of AI and ML technology integrated into the existing invoices and discharge summaries.
- ❖ Uses of AI driven technology can also help turnaround time in claims settlement through automated claims assessment, real-time QC and fraud and risk assessment

# Future of Health Insurance Industry

## The Building Blocks of the Future



# *The Future Operating Model*

A Blended Approach [Tech + Human]

**Rural and the  
under-insured**

**Future of  
pandemic**

Customer awareness  
/Longer term impacts

**Product  
Innovation**

Newer generation of  
health insurance plans

**IRDAI**

**Government  
Schemes**

Increase or Decrease  
over time

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# Assumptions made about NBIC

- ❖ Medium Sized Health Insurance Company
- ❖ Selling more Retail Products and a few Group Schemes
- ❖ Distribution through Tied Channel and Bancassurance
- ❖ Very recently added another Channel through Digital
- ❖ Includes latest Products Corona Rakshak and Corona Kavach Indemnity based products
- ❖ Experiences growth in Business in Retail market particularly during pandemic
- ❖ Recent exposure to Pandemic increased loss ratio and consequent increase in premiums
- ❖ Covid Specific products and the resultant claims depressed the profits



# Claims outgo due to Pandemic



- ❖ Changing Health Profile of Customers
- ❖ Unvaccinated pose higher risk for Corona Kavach and Corona Rakshak
- ❖ Laboratory Tests - Home Tests and retrievals for Corona
- ❖ Volatility in claims
- ❖ Deferred care pose more risk
- ❖ Increase in accessibility : More bed capacity in Tier II and III
- ❖ Providers spend more on staffing and preventative measures (but reduced post pandemic)
- ❖ Changes in Supply Chain Mechanisms- Local Productions- Larger Inventory
- ❖ Relaxations by Regulator
- ❖ Approval of home care
- ❖ Tests at other centers - home retrieval
- ❖ Lower public health expenditure
- ❖ Overburdened Health Care systems - Unable to carry out screening tests
- ❖ Long covid sufferers with prolonged mental and physical illness
- ❖ Decentralization of Resources

# Claims outgo due to other care



- ❖ Disruption in service leading to worsening of other care
- ❖ Diagnosis of other critical conditions at advanced ages
- ❖ Transformation in Aged Care systems
- ❖ Collateral Damage
- ❖ High Medical Inflation
- ❖ Increased Accidents
- ❖ Rebound of Other Care deferred during the pandemic
- ❖ More diagnostic procedures
- ❖ Pandemic era behavior- Poor Nutrition and life style (lack of exercise) and mental health issues
- ❖ Increase in care cost due to increased demand
- ❖ Changes in Old age care system
- ❖ Telemedicine
- ❖ Medical Tourism

# Expense Outgo due to Pandemic effect

- ❖ Volatility of Claims
- ❖ Increase in number claims
- ❖ Increase in resources for settlement/administration
- ❖ Follow up for renewals
- ❖ Regulatory compliance with new guidelines
- ❖ Systems development for digitization
- ❖ New controls
- ❖ New Business increasing the NB strain
- ❖ Diversification/Expansion in other segments
- ❖ Training Sales force/admin staff to the new norms
- ❖ Changes in terms and conditions and policy wordings
- ❖ Any legal issues??

# Impact on Income due to Pandemic effect



- ❖ Non- Renewal due to Pandemic
- ❖ Delayed renewals
- ❖ Non - Renewal due to deferment of care
- ❖ Non-Renewal due to loss of job
- ❖ Uncertainty in renewals
- ❖ Impact of Regulatory guidelines
- ❖ Closure of certain business leading to closure of group schemes
- ❖ Uncertainty in setting premium rates due to data issues

# Impact on Income: New opportunities



- ❖ Increased Awareness. More demand for Health Insurance
- ❖ Lower public health expenditure
- ❖ Employers expanding the voluntary coverage
- ❖ Shift from plain vanilla products to comprehensive coverage including consumables
- ❖ Increase in tax benefits
- ❖ Employees' health and safety coupled with ESG and Corporate strategy
- ❖ Increased investment in health and well being programs
- ❖ A few small players exiting the market
- ❖ Market expansion to other segments
- ❖ Digitization leading to cheaper premiums and reaching out many

# Overall Impact



- ❖ Increase in capital requirement
- ❖ Increase in Reserves requirement like PDR
- ❖ Increase in premiums leading to reduced competitiveness
- ❖ Customer satisfaction???
- ❖ Employees' morale due to increased work load
- ❖ Regulatory intervention and compliance
- ❖ Competition Pressure
- ❖ More Reinsurance
- ❖ Depressed Profits
- ❖ Uncertainty in Claims/Renewals/NB Levels

# The way forward



- ❖ Reducing the profit margin for the next few years
- ❖ Encouraging renewals with monetary relaxations
- ❖ ICD coding for differentiating the severity of the claims
- ❖ Digitization
- ❖ Better Claims control through mechanization
- ❖ Operational efficiency/Audit to deter frauds
- ❖ Staff re-alignment
- ❖ Reviewable Premiums based on the experience in the portfolio
- ❖ Negotiation for Better Reinsurance terms
- ❖ Innovative products with level commission to encourage renewals
- ❖ Monitoring solvency level to avoid Regulatory Intervention
- ❖ Infusing additional capital
- ❖ Delayed /Reduced Dividend Distribution
- ❖ Expansion/Diversification to reduce the risks

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## Recommendations

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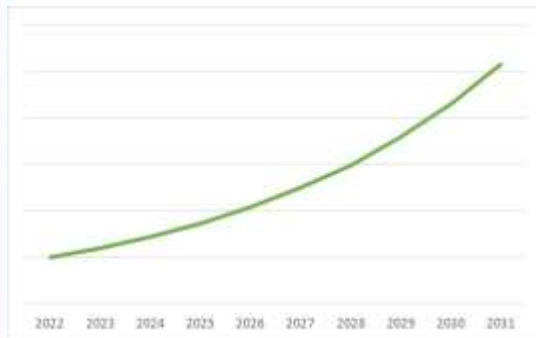
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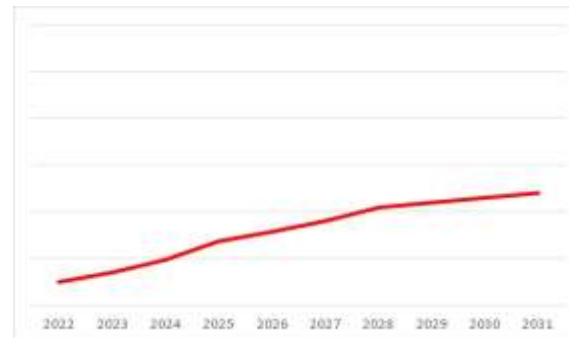


# Recommendations(1 of 5)

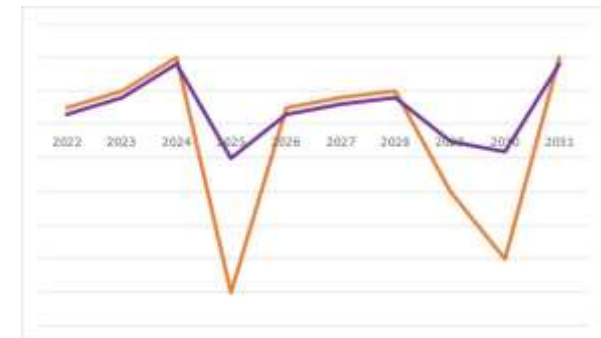
## Business Growth



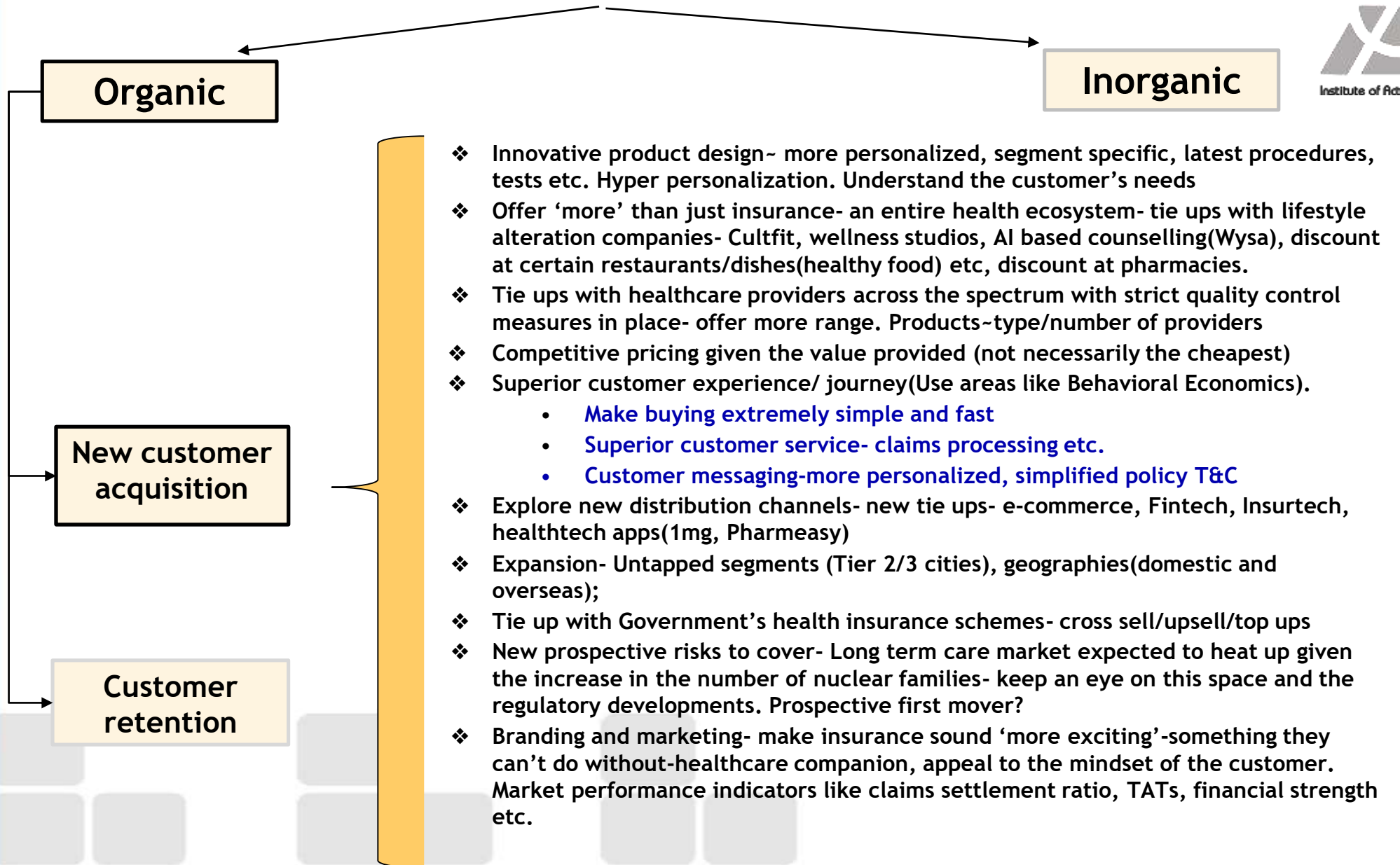
## Expense Control



## Enterprise Risk Management

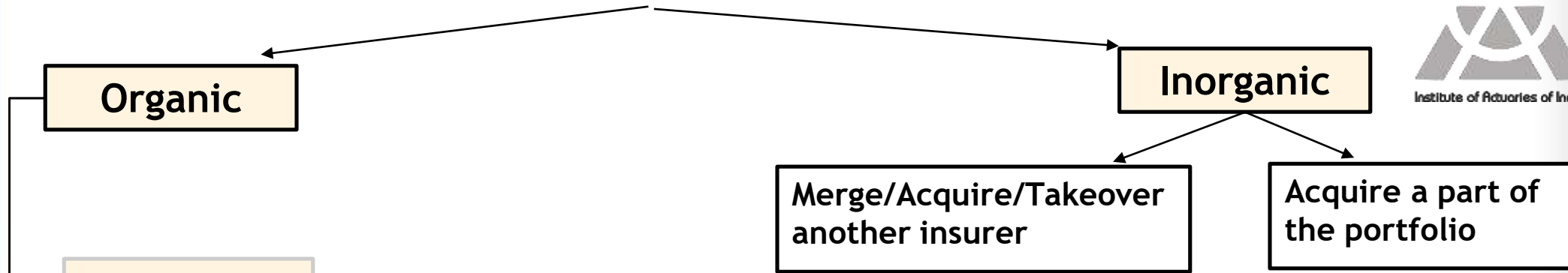


# Business Growth



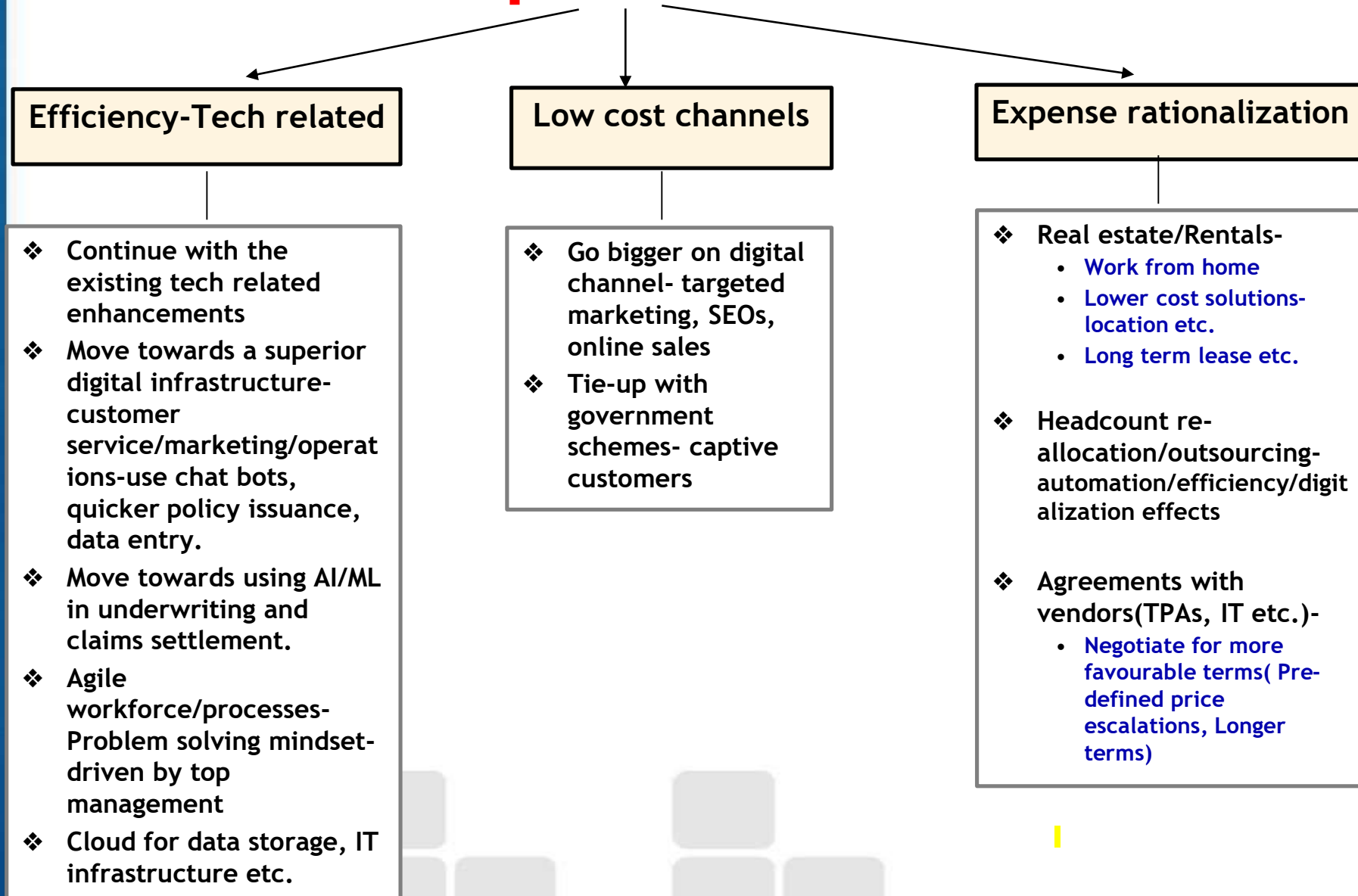
- ❖ Innovative product design~ more personalized, segment specific, latest procedures, tests etc. Hyper personalization. Understand the customer’s needs
- ❖ Offer ‘more’ than just insurance- an entire health ecosystem- tie ups with lifestyle alteration companies- Cultfit, wellness studios, AI based counselling(Wysa), discount at certain restaurants/dishes(healthy food) etc, discount at pharmacies.
- ❖ Tie ups with healthcare providers across the spectrum with strict quality control measures in place- offer more range. Products~type/number of providers
- ❖ Competitive pricing given the value provided (not necessarily the cheapest)
- ❖ Superior customer experience/ journey(Use areas like Behavioral Economics).
  - Make buying extremely simple and fast
  - Superior customer service- claims processing etc.
  - Customer messaging-more personalized, simplified policy T&C
- ❖ Explore new distribution channels- new tie ups- e-commerce, Fintech, Insurtech, healthtech apps(1mg, Pharmeasy)
- ❖ Expansion- Untapped segments (Tier 2/3 cities), geographies(domestic and overseas);
- ❖ Tie up with Government’s health insurance schemes- cross sell/upsell/top ups
- ❖ New prospective risks to cover- Long term care market expected to heat up given the increase in the number of nuclear families- keep an eye on this space and the regulatory developments. Prospective first mover?
- ❖ Branding and marketing- make insurance sound ‘more exciting’-something they can’t do without-healthcare companion, appeal to the mindset of the customer. Market performance indicators like claims settlement ratio, TATs, financial strength etc.

# Business Growth



- ❖ Product design/richness of benefits
- ❖ Need based selling- Understand your customer- his/her requirements
- ❖ Reward for healthy behaviors- data from partners(gyms, wellness companies) wearables etc.-premium discount/higher SA
- ❖ Discounts at gyms, lifestyle companies-sports goods (Decathlon), Healthify app, pharmacies
- ❖ Superior customer service- TATs around claims processing, grievance redressal- Being proactive at understanding customers' problems and solving them/ Simplified policy T&C /High claims settlement ratio.
- ❖ Ease of renewal/payment options/tie ups with credit companies-lack of liquidity
- ❖ Specific team to look into renewals- contact customers etc.
- ❖ Persistent branding/marketing- being in the mind of the customer always.
- ❖ Always a work in progress.

# Expense Control



# Enterprise Risk Management



## Business Risks

- ❖ Diversify the portfolio-geography/age/gender/lifestyle/occupation wise
- ❖ Monitor the actual experience on an ongoing basis -  
Claims/Expenses/Renewals
  - Especially for new innovative products/risks
- ❖ Assess suitability of rating factors- add/remove subject to credibility etc.
- ❖ Encourage healthy/preventative behavior from customers-marketing/discounts etc.
- ❖ Expand provider network/hire more specialised claims staff
- ❖ Use AI/ML etc. to detect fraudulent claims.
- ❖ Customer retention tools as per previous slides
- ❖ Tools around expense controls

## Capital

- ❖ Capex in the short term on digital enhancements etc.- well capitalized at all times
- ❖ Optimize the level/type of reinsurance in the book

## Operational Risks

- ❖ Tech upgradation-properly done
- ❖ More frequent reviews-forensic/systems
- ❖ Cyber security ~increased digitalization.
- ❖ Ethics and legalities around using customers' data.
- ❖ Regulatory/industry bodies' engagement on an ongoing basis
- ❖ Attract good talent-relevant talent (tech, data science etc.)
- ❖ Employees' retention and succession planning
- ❖ Good PR firms at disposal

## Implement ERM

- ❖ Best practices in corporate governance
- ❖ Risk mindset across the organization
- ❖ Set the risk appetite
- ❖ Identify Key Risk Indicators-Loss ratio, solvency ratio, expense ratio, renewal rates, liquidity ratio
- ❖ Set acceptable minimum limits subject to the risk appetite(Min>Regulatory Minimum).(SR~200%?)
- ❖ Risk reporting (risk register) with prospective management actions in place. More than regulatory.
- ❖ Early warning indicators- identify

# Summary



- ❖ The healthcare sector is growing at a tremendous pace owing to its strengthening coverage, services, and increasing expenditure by public as well private players.
- ❖ Impact of pandemic on population to last in medium to long term. Gap in meeting healthcare financing - calls for innovation/changes in health insurance industry.
- ❖ Future of health insurance rests on providing smarter products to meet the ever changing needs of customers and making the best possible use of existing infrastructure, resources and technology.
- ❖ NBIC adversely affected by pandemic. But gains made on the digital transformation side. Monitor the financial, business and operational impacts on an ongoing basis.
- ❖ Enter untapped segments, launch innovative products, offer superior customer experience- highly efficient organisation-manage all the emerging risks.

# Thank You!