
Impact of digital innovations on Healthcare in India (with special reference to ICICI Lombard)

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ABSTRACT: - Mediciam sector in India has witnessed rapid growth after the period of 2000. The first Mediciam insurance was launched in 1986 by General Insurance Corporation. During the period of 1950 to 1986 many initiatives in the field of Mediciam were taken by the government as social security measures. It was only in the year 2000; the government allowed Privatization of the insurance sector. The government also allowed FDI and entry of foreign players in the industry. Infact all foreign players were allowed to enter in joint collaboration with domestic players. Today there are 28 health insurance companies in India which include 24 private sector companies and four public sector companies. However public sector companies dominate the market since they were in the market for a long period. But they are facing stiff competition from the private sector which is affecting their market share and profitability. The present research explores the impact of the pandemic on the Indian health insurance sector with special reference to ICICI Lombard health insurer. ICICI has emerged as the largest private sector health insurer with 26.2 million policies issued and settled 1.86 million Mediciam. The findings of the research revealed that the insurance premium collected by the Industry has increased in the year 2021 but in case of ICICI Lombard it has gone down as compared to the year 2020. Though the number of policies issued declined from 26.22 million to 21.74 million. The profit after tax has increased from Rs. 11.94 billion in 2020 to Rs. 14.73 billion in 2021. The solvency ratio has increased from 2.17 in 2020 to 12.90 in 2021. Thus despite the decline in policies collected and decline in revenue the company has maintained good overall performance. Thus, ICICI Lombard has become one of the leading private sector non-life insurer in India since 2004. It has grown at the rate of 11.7 percent; the present market share of the company is 7 percent. The company has maintained excellent customer service. It has comprehensive and diverse product portfolio. Pandemic has resulted in rapid changes in the health insurance in the country. The premium collected by the industry has gone up from Rs 188917 crore in 2020 to Rs 198736 crore in 2021. Pandemic has benefitted the sector by increasing the penetration rate, creating greater awareness about health insurance. digitalisation of insurance selling, e-KYC, change in the product mix etc. Thus pandemic can be considered as a boon to the health insurance.

Key Words – Mediciam, Pandemic, digitalization, IRDA, Insurance Premium.

Introduction: In India the concept of Mediciam was emerged during 1980 to 1986 period, though most of the initiatives were taken by the government. The insurance penetration and density was very low as compared to other Asian countries and the global standard. It was only in the year 2000 the government allowed private sector entry into the health insurance sector. Since 2000, there is rapid growth of Mediciam sector in the country. Today there are 28 health insurance companies out of which four are public insurer and remaining 24 are private sector insurer. The four public sector insurers include New India Assurance, Oriental Insurance, United

India and National Insurance. Thus insurance sector was first in the private sector and then nationalized and again privatized. The top five companies on the basis of market share are New India General Insurance (16 percent), United India General Insurance (12 percent), National General Insurance (11 percent), Oriental General Insurance (9 percent) and ICICI Lombard (9 percent). The government companies enjoy large market share because they were in existence for a long time. However now some of the government companies are making losses. This has prompted the government to go for privatization of these companies or the merger of the companies. The government also provided financial grants to the public sector insurance companies to help them to tide over their financial problems. ICICI Lombard has emerged as the largest private sector general insurance in India. The company has gross written premium of Rs. 143.20 billion in the year 2021. The company issued 26.2 million policies and settled claim of 1.86 million. It has 273 branches and 840 virtual offices, 10236 employees. In the insurance sector, India is 4th largest insurance market in Asia and 14th largest insurance market in the world. This is despite the low penetration and density. Hence once there is increase in the insurance penetration and density, India can become one of the largest insurance markets in the world. The insurance industry premium has increased from Rs. 188917 crores in 2020 to Rs. 198736 crores in 2021. The share of public sector has declined to 43% and that of private sector has increased to 49 percent. The share of standalone insurer is 8%. Thus the public sector companies are losing their market to the private sector. The emergence of the corona virus pandemic has changed the landscape of Indian health care sector. It has resulted in increase in the penetration rate in the country. It has also resulted in development of innovative product mix to match the needs of the people. Hon'ble Prime Minister has urged the people of India at the time of demonetization encouraged to use digitalization and the Covid-19 compelled the people to use digitalization. Pandemic has created greater awareness of health insurance. It has changed the people's perception about health insurance. Digitalization has become the key factor with eKYC. There is change in methods of distribution of insurance products. The health insurance sector has provided better services to the customers in view of the pandemic conditions. Thus, pandemic has directly benefited the Medici claim sector. This may result in increase in insurance density as well as insurance penetration in the country.

Objectives: The major objectives of the research are:

1. To ascertain the present status of Medici claim sector in India
2. To find out the growth drivers of Medici claim in the country
3. To evaluate the impact of Covid-19 on the Medici claim sector in general and ICICI Lombard in particular.
4. To trace the future challenges and issues faced by the Medici claim sector

Review of Literature

1. **Rana Rohit Sing (2020)** elaborated on the health sector in the country since liberalization and privatization in 2000. The health care sector got greater momentum due to the entry of private health insurer, increase in health awareness among the people, rise in disposable income of the households, stiff competition between private and public health insurer and the absence of bureaucratic attitude in health sector employees. The share in the total premium collection is 52 percent of public sector, 24 percent of private sector and 24 percent of the standalone health insurer. The growth rate in the premium is 21.2 percent in 2018-19. The share of government in the lives covered is 76 percent, group business is 15 percent and

individual are only 9 percent. Government is the important player in the health insurance sector specially in Maharashtra has 31 percent share in health insurance(highest in the country)

2. **Binny and Meenu Gupta (2017)** highlighted the present trends of health insurance in India. Companies are innovating new products with variety of distribution mix so as to meet the changing needs of the customers. The insurance sector has become customer centric. India has become an important destination for medical tourism which will help insurance companies to expand their present market. There is rapid rise in the medical tourism over the period of time. India has the advantage of low cost and standard health care facilities.
3. **Insurance Dekho (2021)** focused on the impact of pandemic on the health insurance sector. Health insurance plans are included in the regular health insurance by the insurer companies. The other positive changes are product diversification, use of digital technology, changes in the distribution channels, greater awareness about health and medical check-up etc. This will benefit the health insurance to expand the size its market in the coming years.
4. **B. C. Lakshmana (2019)** conducted research to analyses the operational efficiency of selected General insurance companies in the country. There is significant growth in the insurance premium collection of public sectors as well as private sector insurer. During the period 2011 – 2013, the premium collection was ranging between 13.53 percent and 24.29 percent. But this trend declined in the year 2018 and the growth rate was 13.42 percent. There is stiff competition between the public sector and private sector health insurance companies. IRDA has developed standards and benchmark to be followed by all the insurer. Private sector provides better services to the customers to capture the larger market share.
5. **Madan Mohan Dutta (2020)** describes the rule and importance of health insurance. It is an important segment of general insurance and accounts for 29 percent of the total insurance premium. The major growth drivers of health insurance sector are change in life style, rapid rise in the number of non-communicable diseases, higher cost of medical treatment and financial burden on the family etc.
6. **NITI Aayog (2021)** in its report describes how covid-19 has disrupted the insurance sector in multiple ways. It has created market for higher growth and reversed many earlier trends. There is marginal decline in the number of policies issued, assets under management of the company declined, higher redemption of policies by the customers. Due to COVID-19 there is increase in life insurance claims by five to ten times and decrease in the general insurance claims. Post pandemic the health premiums have gone up by 16 percent and life insurance expanded by 21 percent in 2021.
7. **HDFC ERGO (2021)** in its annual report 2020 – 2021 highlighted the performance of the company during last one year. The company has achieved a dual milestone of Rs. 12444 crores in premium collection and Rs. 592 crores in profit after tax. The company has issued more than ten million policies and settled more than two billion claims. The share of health insurance has increased from 30 percent to 32 percent and that of motor insurance decline from 38 percent to 34 percent. Thus, covid 19 or the pandemic has immensely benefitted the company in expanding its market share in health insurance.

Research Methodology: The research methodology adopted for the present research can be seen as below:

- a. **Research Design:** There are three types of research design namely Descriptive, Exploratory and Casual. For the present research Descriptive Research Design is most suitable as it describes the current situation in a much-simplified way.
- b. **Sources of Data:** There are two sources of data namely primary and secondary. The present research has taken with consideration only available secondary data or the published data. The industry is highly organized and regulated. There is plenty of published data available on the subject.
- c. **Data Analysis:** The secondary data has been obtained from the annual report of the ICICI Lombard and it is analyzed in simple terms such as % rise and mean trends. The data has been presented in the form of tables and pie diagram to make it more meaningful. Thus, only trend analysis has been used in the data.
- d. **Limitations:** Some of the limitations of the present research are as under –
 1. The research has based on the available quantitative data and the qualitative data has not been considered.
 2. The present research is exclusively based on secondary data. The primary data has not been used in the research.
 3. The results of the micro level are applied or used only for one company and not for all the companies in the Mediclaim sector. Hence the findings cannot be generalized for all the companies at the macro level.

Data Analysis: The data analysis can be seen as below:

1. **Gross Premium Collection:** The details regarding gross premium collection of ICICI Lombard for the period 2019 to 2021 can be seen from the following table.

Table No. 1 – Gross Premium Collection

Year	Premium Amount (Rs. /billion)	% change
2019	147.89	0
2020	135.92	8.09
2021	143.20	5.39

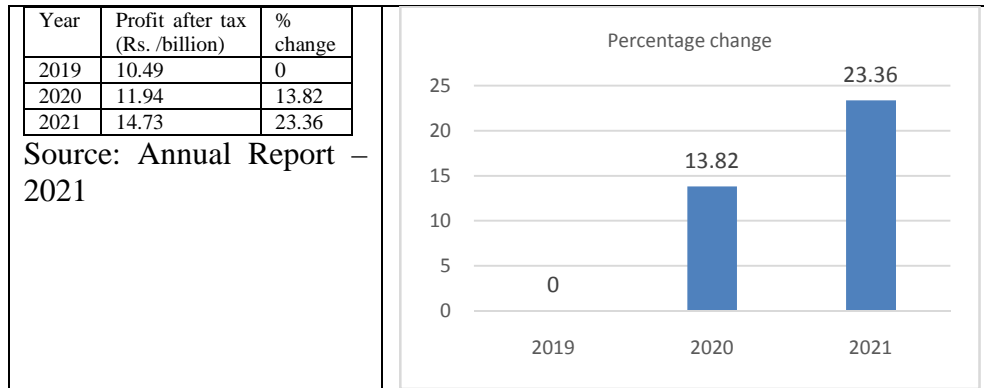
Source: Annual Report – 2021

Year	% change
2019	0
2020	8.09
2021	5.39

It can be seen from the above table that the total premium collection was 149.89 billion in the year 2019 which has declined to Rs. 135.92 billion in 2020. The decline in premium was 8.09 percent. This can be attributed to the covid 19 or the pandemic in the year 2021. The premium collection was Rs. 143.20 billion, a rise of 5.35 percent in other words post pandemic has positive effect on the medical insurance.

2. **Profit After Tax** – The details in this regard can be seen from the following table.

Table No. 2 – Profit after Tax

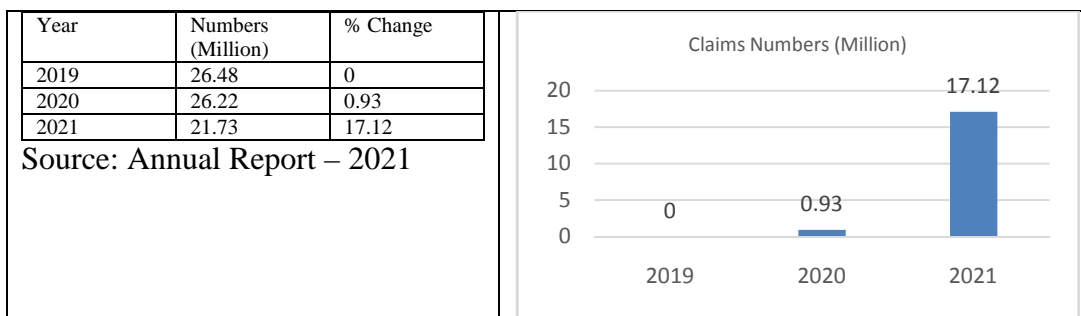


Source – Annual Report 2021

It can be seen that the profit after tax has increased from Rs. 10.49 billion in 2019 to Rs. 11.94 billion in 2020. The % rise is 13.82 percent. In the year 2021 it increased from Rs. 11.94 billion to Rs. 14.73 billion, registering a growth of 23.86 percent.

3 Policy Issued – The details regarding the number of policies issued by the ICICI Lombard insurer can be seen from the following table.

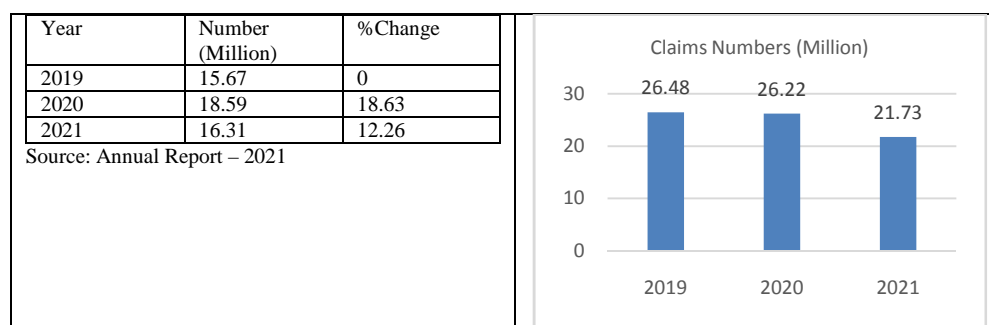
Table No. 3 – Number of Policies Issued



It can be seen that the number of policies issued shows a declining trend from 6.48 million in 2019 to 26.22 million in 2020. It declined by 0.98 percent. In the year 2021, it further declined to 21.73 million, a decline of 17.12 percent.

3. Claims settled – The details regarding number of claims settled during the last three years can be seen from the following table.

Table No. – Number of claims settled



It can be seen from the above table that the number of claims settled increased from 18.67 billion in 2019 to 18.39 billion in 2020, a rise of 18.63 percent. This can be attributed to higher pandemic claims during the period. However, the number of claims declined in the year 2021 from 18.59 billion to 16.31 billion, a decline of 12.26 percent.

4. Solvency Ratio: Solvency ratio is an important parameter for insurance companies. The IRDA has prescribed a solvency ratio of 1.50 percent for all insurers. The solvency ratio of ICICI Lombard company can be seen from the following table.

Table No. 5 - Solvency Ratio

Year	Solvency Ratio	% Change
2019	2.24	0
2020	2.17	3.12
2021	2.19	0.92

Source: Annual Report – 2021

Year	Percentage Change
2019	0
2020	3.12
2021	0.92

It can be seen from the above table that the solvency ratio of ICICI Lombard which was 2.24 in 2019 declined to 2.17 in 2020. It declined by 3.12 percent in the year 2021. The solvency ratio increased from 2.17 to 2.90, a rise of 0.92 percent.

Summary and conclusion:

1. Insurance sector in India was highly regulated. It was in the year 2000, the government opened up the sector for private insurers since then there is rapid expansion of the insurance sector in the country.
2. At present there are 28 Medici claim insurance companies out of which four are in the public sector and 24 are in the private sector. The market share of public sector insurer has declined to 43 percent and that of private sector increased to 49 percent. The share of standalone insurer is 8 percent.
3. The year 2021 witnessed increase in the industry premium collection from Rs. 188917 crores in 2020 to Rs. 198736 crores in 2021. In case of ICICI Lombard also there is an increase in premium collection from Rs. 135.92 billion in 2020 to /Rs. 143.,20 billion in 2021. Thus, both industry as well as ICICI Lombard experienced a positive trend in premium collection.
4. The growth drivers of insurance sector are large population, rise in disposable income, changing lifestyle, increase in life diseases. High course of medical treatment, increase in FDI, privatization, government policy initiatives etc.
5. The onset of pandemic has changed the landscape of the health insurance sector. The positive changes taking place are rise in penetration rate, changes in the product mix, greater awareness and health insurance; change in people's perception about insurance, digitalization is the key factor, E-KYC, changes in the distribution channels, innovative product development and so on.

6. ICICI has emerged as a largest private sector insurer in the country. It was established in the year 2001. It has 10236 employees, 273 branches and 840 virtual offices.
7. ICICI has issued 21.7 million policies and 90 percent issued electronically. It has settled 1.6 million claims during the year. However, the policies issued during the year 2021 declined from 26.4 million to 21.73 million.
8. The claim settled by ICICI Lombard has declined from 1.8 million in 2020 to 1.63 million in 2021.
9. Even though there is decline in the premium collection and number of policies issued, the profit after tax of the company has increased from Rs. 11.94 billion in 2020 to Rs. 14.73 billion in 2021.
10. ICICI Lombard has performed much better in term of overall financial performance. The company has 59545 individual agents and comprehensive and diverse product portfolio. The company has highest solvency ratio of 2.90 times against the standard norm of 1.50 times. The company has excellent customer's services. The overall impact of pandemic on the Mediclaim sector is positive.

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