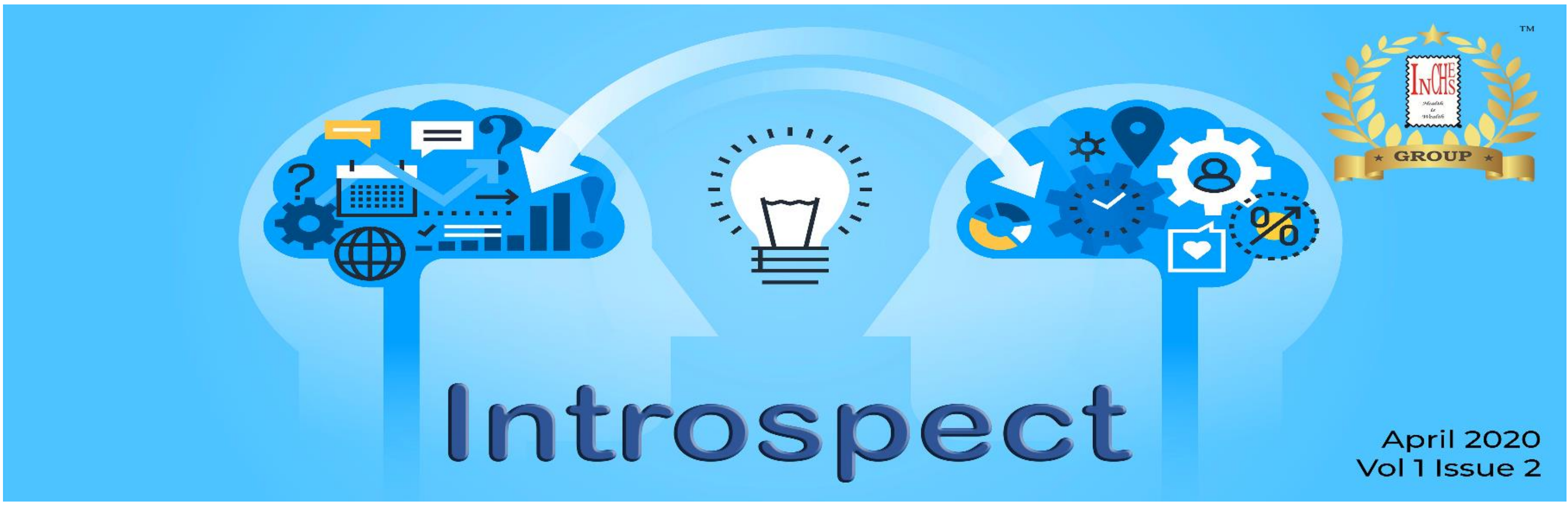
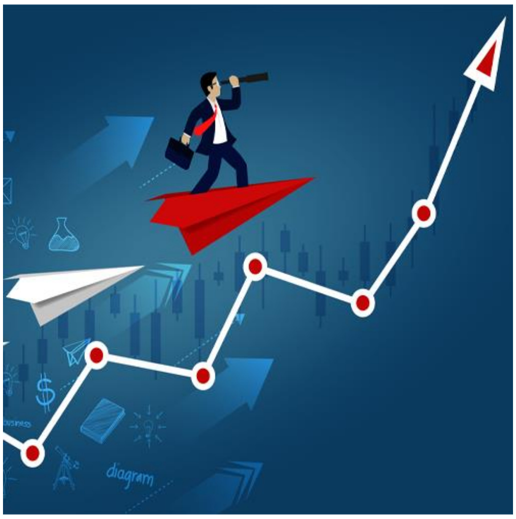


Post-Pandemic Transition: Reviving Insurance

(By Dr C H Asrani, Founder & CEO)



The outbreak of COVID 19 has spread swiftly like a bushfire globally. Today we are standing in the midst of unprecedented crises which is hard-hitting the common man, communities, businesses, industries and economy as a whole. Here, we will review and analyse some past experiences of impact of epidemics/ pandemics and potential action steps to revive from the situation.

Historic Data of Business Interruption due to disease outbreaks

The SARS outbreak in the year 2003-2004 did send some panic waves around the world. Although it did not have the impact of the current novel coronavirus pandemic; it still cost the global economy more than $40 billion. The deadly Ebola virus outbreak was reported mostly in the African continent. The virus consumed around $53 billion from the global economy.

The economic impact of MERS-CoV outbreak in 2014-16 was mostly seen in Saudi Arabia and Republic of Korea and had a direct economic impact of $12 billion as per a WHO report.

Projection of business interruption due to COVID 19

The lockdown measures following the spread of COVID 19 have resulted in the shutdown of all the commercial activities around the world. Only the essential services are permitted to operate but even they are not working in full capacity. The UN has forecasted that the world economy could shrink by 1% in 2020 due to COVID-19 pandemic, a reversal of 2.5% growth projection before the pandemic. The economic impact may further worsen if the lockdown restrictions on commercial activities are forced upon without adequate fiscal responses.

As per the Standard & Poor, it is forecasted that the losses due to COVID 19 with the current situation will be more than $620 billion for the Asia-Pacific region including India. The economic growth will see a negative 2.7% as against to 3% expansion it projected earlier. These are already scary projections as we are still in the midst of the crises with no light at the end of the tunnel.

New business projected may equal loss of existing business

The analysis during the past epidemics has shown a sharp rise in demand for health and term insurance products. As reported in a leading financial newspaper, during the SARS pandemic of 2003-04, China Life Insurance Company saw a surge of 40% CAGR in short term health insurance and 34% CAGR in long term health, whole and term life insurance. In India, we may see a similar trend in metro cities where insurance penetration and awareness is more. On the contrary, while one section of insurance may see a surge another one will get hit badly like the investment in travel policies, small businesses group insurance covers, ULIPS etc. The ULIPs may actually witness a run to encash despite lower returns. The MERS outbreak resulted in a reduction of 2.1 million tourist visitors corresponding with US$2.6 billion in tourism loss for South Korea in 2015-16.

Preparing for post-pandemic transition

COVID-19 pandemic will enforce a lot of changes in products, business process, lifestyle and most importantly mindsets of people. The business continuity planning will see a major change to mitigate the losses of pandemics or disasters. Both Life and health insurance sectors need to review existing core products and processes. Collating the product analysis with projections will lead to smart restructuring, which will set a benchmark for the future of insurance.

When one is analysing past performance, it would also benefit to undertake review of core processes viz. UW & claims and to finetune them, if so required.

We have been talking about digital disruption in the insurance industry but still, a lot of business is done offline. Going forward the insurance purchase should be made more simpler with introduction of plain vanilla insurance policies amongst all insurance categories which will have all simplified benefits and coverage predefined at the time of sale. It will be easy for the customer to understand and the cost of managing the product will be minimal. Such products should not consume lot of time and revenue in planning. Also, micro coverage insurances like covering a single cab ride, one day stay in a hotel or Air B&B will help boost insurance revenues in the coming years.

Introducing new age coverage by creating virtual care/ telemedicine network for insured customers – enabling consultations would be much more preferred model than actually visiting the doctor; installing automation to fast track coverage eligibility queries if an insured wants a consultation or gets admitted to a hospital for emergency treatment may actually turn out to be cost effective as well. Such steps would streamline the claim settlement process, avoid litigations, reduce policy management costs, improve efficiency which will automatically result in increased revenues.

Rapid evolution of the insurance sector, in future, will be driven by adapting and integrating automation, artificial intelligence and network of the digitally connected ecosystem. The ecosystem of artificial intelligence products has already entered our homes, businesses and vehicles and as well in our personal mobile phones. The data from these devices can be used to understand the client requirements, asses the risk involved and personalise the coverage and increase in real-time delivery. The distribution system of insurance will also change in times to come. Much of the process will be automated, the agents will be able to demonstrate and sell all types of coverage and add value by giving the clients better experience by effectively managing their diverse portfolios in health, life, travel, home and commercial insurances. The underwriting will be also be automated and supported by a combination of machine learning models built within the smart AI ecosystem. The claim process will be made quicker with initial IoT sensors and an array of data-capture technologies, claim reporting mobile apps will substitute traditional, manual methods of first notice of loss. Initial claim routing with advanced algorithms will substantially increase efficiency, accuracy and delivery of claims. The overall efficiency of insurance industry will help to generate new categories of insurance. It will explore and enter the untapped market creating new revenue channels and productivity for the insurance industry.

Quick progressions in technologies in the coming times will lead to disruptive changes in the insurance sector in India. Insurers need to adapt the positive mindset on creating opportunities in difficult times of economic instability due to COVID 19 pandemic. Instead of seeing the upcoming disruptive technologies as a threat to their current business they should adopt the technology and lead the innovation drive in the insurance sector. This will not only help to grow business and reduce the gap of the ratio of premium to GDP deficit which has dropped to 2.76% in 2017 from 4.6% in 2009 but will also set an example for other industries to follow.

For de-risking of your old concepts and new product related services,
contact dranisha@inchesgroup.in

Medical Audit- A Tool for post-pandemic transition

(By Dr Sushma Jaiswal Meher, Executive Director)

As per the Business Standard, "Covid-19 to hit insurers for now, but may boost long term gains, since Covid-19 is expected to result in improved awareness and importance of insurance as a risk cover rather than a mere investment product".
A study by PWC, on the other hand, lists increasing Fraud risks among one of the three concern listed; others being potential global recession and effects on our workforce/reduction in productivity.
Despite…

- Robust systems/ Processes
- Network hospitals/ PPN
- Smart IT solutions
- Fraud units, fraud policies and fraud control measures…

...incurred claim ratio (ICR), in health insurance, continued to rise "earlier" and will do so in the, "New Normal" albeit with newer challenges!

The dreaded virus will be eradicated eventually but will continue to horrify in the form of abuses, leakages and fraudulent claims as has been seen in all previous economic downturns. In the Insurance scenario in India, pricing, underwriting and claim servicing has a great impact on an Insurance Company's bottom line. In the new normal, though the business is expected to have a boost, Abuses and Leakages on account of claim / underwriting will continue to adversely affect the bottom line.

While most studies highlight 'poor vigilance', they miss a key element. The current vigilance is driven primarily by those who are not skilled / trained enough to identify the subtle red flags; the well created documents to justify a claim. The large volumes and TAT pressures don't help the cause - considering the ever growing claim numbers. Portfolio increases; claims will rise.

90% claim pay-out ratio translates into deploying robust analytics to weed out 25% suspect claims and then manual sifting of data to eliminate false positives to finally arrive at the 8%-10% repudiation. The same combination of analytics and minimal human intervention is extremely beneficial and cost effective at pre-issuance and post issuance of proposals. With an acute shortage of well qualified/ suitably trained medical professionals to process and review claims makes 'Abuse and Leakages' a much bigger medium of loss that real fraud.

The problem of insurance fraud may be both gigantic and universal, but it's not insurmountable.

Adopting clear anti-fraud organizational philosophy, non-tolerance and stricter and clearer laws to deal with the fraudster, along with data and knowledge-backed analytics cum Medical audits can, for sure, can make a significant dent in the losses suffered by insurance companies, saving thousands of crores every year.

Benefits of Medical Audit:

- **Tangible:**
    - Controlling ICR
    - Loss containment
    - Flagging false pay-outs
    - Reduction of Frauds and Abuse
    - Refinement of processes and gaps preventing internal leakages
    - Greater time available for adjudication
    - The findings of medical audit can get fed into the sourcing and underwriting policies. It also forms the part of the subsequent year claims benchmarks with clear quantified reduction targets on pay outs based on current misses.

- **Intangible:**
    - Sending a clear message to the market, providers, intermediaries
    - Internal processes constantly fine-tuned.
    - Preventing leakage and fraud rather than fighting it later.

A common lament, 'we have not budgeted for audit'. Any investments in medical audit may be considered as expenses but it remains unaccounted asset of significant value. Thus, the Intangible benefit of medical audit is in form of a management tool that seeks accountability; reviews internal controls and recommend improvements; reviews both the efficiency and effectiveness and monitors compliance related to all stages of lifecycle of claims adjudication. Moreover, where external agencies are involved in claim management, audit findings help recover large sums paid erroneously.

With almost 55% claims in life and virtually 100% of claims in health / PA/ CI insurance, requiring prudent deciphering of medical data submitted, irrespective of the Pre and Post COVID era, medical audit of claims has and will always prove an efficient tool to contain losses.

For review/ medical audit of core processes (UW/ Claims), contact dranisha@inchesgroup.in

Digital Learning- A Tool for post-pandemic transition

(By Preeti Desai, Dean of Studies - INCHES Academy)

2020 began tumultuously! The globe is facing a virulent pandemic. These are challenging times fraught with uncertainty in Covid-19 backdrop.

In the wake of COVID-19 pandemic, there has been a significant disruption affecting all businesses, adversely impacting the insurance, healthcare, aviation and hospitality sectors alike and heavily disturbing the economic and social ecosystem.

When businesses plan their post pandemic transition – one thing is certain that there will be freeze on new hiring for a long time; not to mention laying off of a significant number of work force. Thus, the need to upgrade and update skills will be acutely felt with a goal to enhance the quality of the available resource pool.

Enter, distant education both formal as well informal. Digital/Distance/Online learning is a type of learning accessed using technology – the internet, the Learning Management Systems (LMS) facilitated by various software/ Apps through different digital devices like computers, mobile phones, tablets etc. Technology in education is the biggest change in teaching, we can expect to witness.

So, what else is new? One may ask!
Till last year digital education was one of the options with face-to-face, off sites of select teams for training sessions, inviting professionals for in-office training etc being other options available to training heads.

Now, Digital training is THE Option! & this may turn out to be a blessing in disguise.

Following are some of the advantages of digital learning:

- The learner can control the environment, in terms of time, pace and place. No mandatory facility setting/ infrastructure is required, and one does not need go to a learning facility to learn.
- Digital platforms are not limited to the knowledge of one individual and content from multiple experts can be accessed to enlighten and make the learner task/ future ready.
- Ensures full participation as each module, usually, has an assessment at the end.
- Digital learning allows us to experiment in pedagogy and better engage participants.

The post pandemic pedagogy needs to be professionally shifted to implement digital education. This can be done through blended learning programs where teaching and learning will take place with the help of open-source digital learning, Learning Management systems, and platforms like Canvas, Blackboard, Zoom, Google+ communities, YouTube, Dropbox, Cloud based Word processors (Google drive, Zoho documents, spreadsheets etc), etc. These Digital Learning Tools and various software with improved internet penetration will enable seamless facilitation of training in urban as well as rural areas.

According to a KPMG report, with digital revolution the online education industry in India will increase from 1.6 million users (2016) to 9.6 million users (2021). This makes digital learning inevitable and in wake of Covid-19 is likely to become the main preferable mode in educational field as well as the corporate trainings.

INCHES Academy- a Training vertical of INCHES Group has taken this initiative and has developed tools to deliver virtual training sessions with content customised to address the industry's pain point. With over 20 years of domain experience, and experience over 500 training sessions; deep insights into the consumer and physician behaviour, INCHES Academy has benefited over 1000+ insurance professionals. All sessions are inter spread with real-life case histories with the initiative of virtual training, INCHES Academy aims to disperse experiential knowledge to maximum individuals irrespective of geographies while allowing them to solve doubts on the go.

For customised and co-branded courses, contact preeti@inchesgroup.in