

Assessing the Health Insurance Implications of COVID-19

Shahin Shah*, Sini V. Pillai**

Abstract

Increase in the spread of COVID-19 virus in the first and second phases, with the highest infected rates each day, has caused the whole world to feel insecure, with the dramatic loss of human lives. Medical infrastructural facilities, like beds and oxygen cylinders, were not accessible in different parts of our country. At the same time, private hospitals were charging huge amounts for treatment and allied services. At this juncture of the current pandemic situation, it is seen that the demand for purchasing life and health insurance products is increasing and is considered critical to congregate the financial protection in health. The research intends to explore various factors which lead individual investors to invest in health insurance during the pandemic crisis. Insurance provider competence, service quality, investors' attitude, and premium amount payable are the factors which lead customers to invest in health insurance. Results show that the premium amount payable and service quality influence customers to purchase health insurance products during the pandemic.

Keywords: Service Quality, Provider Competence, Insurance Agents, Linked Hospitals, Insurance Premiums

Introduction

Due to the outbreak of COVID-19 and increase in the death rate, people feel insecure about their life and family. As of June 2021, India reported 2.92 crores confirmed cases and confirmed the deaths of 3.56 lakhs. Health is an essential subject, whether from a personal point of view or from the perspective of the family. Human life is a precious asset, and health insurance is one of the

ways to safeguard a person and their family financially in case of a calamity. Individuals can benefit from health insurance in terms of safety and protection, as well as increased savings. Insurance firms play a vital role in human well-being, by protecting millions of individuals from life hazards, such as uncertainty during illness or accidents. Healthcare costs are mounting steadily in the form of hospital bills and associated charges. Many people pay for their healthcare costs from their pocket, or in some extreme circumstances, by selling personal assets. Households with low income are more susceptible to risks and economic shocks. Insurance is one option for the impoverished to care for their health. Health insurance can assist households in upholding financial security by supporting in managing the health risks, by minimising uncertainty about the timing and amount of potential future expenses. The basic premise is that individuals contribute a certain amount to an insurance fund that is used to cover healthcare services. With rising medical costs, the risk of any illness resulting in hospitalisation or surgery is a constant source of worry, unless the family has planned ahead to cover such costs. Customers are the health insurance industry's most important pillar, and to keep profits high, every firm works to acquire and retain existing clients. Insurance providers may improve their products and services by having a better understanding of their consumers, their requirements, and their expectations. Because of low consumer awareness, poor affordability, delayed customer service, and a lack of suitable products, the Indian health insurance market has achieved only a little when compared to established international countries.

The paper focuses on identifying various factors and preferences which lead individual investors to invest in health insurance products and its subsequent satisfaction.

* MBA Student, CET School of Management, Trivandrum, Kerala, India. Email: shahinsha.sha2@gmail.com

** Assistant Professor, CET School of Management, Trivandrum, Kerala, India.

Impact of COVID-19 on Factors Determining the Purchase of Insurance Products

Health insurance is an imperative part, as healthcare costs seem outsized for individuals (Panchal, 2013). Due to liberalisation, privatisation, and globalisation, there is a boost in overall performance of insurance companies in India (Bedi & Singh, 2011). Prior to the privatisation of the insurance sector, the Life Insurance Corporation of India (LIC) was the only participant in the Indian life insurance market. With the entry of private players in the insurance market, LIC lost market share (Goswami, 2007), as the sector did not identify rural population to be critical for the growth aspects (Rao, 2000). Insurance companies play a critical role in providing customers with insurance plans that meet their needs, while being affordable. The average Indian mindset, especially among the younger generation, was very receptive to changes in insurance as a source of exciting opportunities in the modern world (Jain, 2004). The Indian insurance market has shown signs of change as a result of liberalisation and the entry of private companies into the industry (Krishnamurthy et al., 2005). With the privatisation of the insurance industry, as well as the strong competition, the private sector has gained an ever-increasing advantage over the public sector (Jayakar, 2003).

The insurance sector has been badly affected by the COVID-19 pandemic. Profits dropped between March and June 2020, indicating a significant financial effect. Premiums decreased; however, at the same time, the number of claims increased. A majority of the companies lost market shares (Babuna et al., 2020). The study conducted on the effect of COVID-19 anxiety on perceived risk and avoidance behaviour states that people are very sensitive to the pandemic and the uncertainty is increasing the anxiety. Demographic variables such as age, education status, employment status, monthly income, and social security have significant differences on the level of anxiety of perceived risk on individuals (Cinar et al., 2021). Some factors, like socio-demographic characteristics, individual values, and social context affect the perception of individuals during the pandemic. Gender and marital status have a small impact on perception, while education and income have a huge effect on the outcome; moreover, insurance is also seen as a way to save

money on taxes, rather than as an investment opportunity (Rajavardhan et al., 2015). A majority of people choose to purchase insurance directly from insurance companies, led by banks, financial institutions, and brokers. People in the middle income group buy more insurance plans (Singh, 2011). Banks have a deep network of over 40,000 branches in rural and semi-urban areas, to exploit the huge potential in these areas with the best fit opportunities (Bhattacharya, 2005). Because of the higher quality of services, people choose to spend more in private insurance firms. Clients favour international private insurance companies over domestic private insurance companies, because of their operational expertise and wide geographic coverage (Chowdhury et al., 2007). According to the study conducted in the insurance department of private tertiary healthcare hospitals, there is a gap between awareness and knowledge of health insurance among individuals (Ananya et al., 2021). Quality of care and cost are the other important factors that affect the purchasing decision of insurance policy (Sodani, 2001).

Gender, age, income, education, and occupation are the demographic factors which will affect the willingness of an individual to subscribe to an insurance plan. Loyalty, proficiency, transparency, reliability, and convenient services of insurance companies and agents are the important factors which affect the customer perception towards purchasing of insurance policy (Gangil & Vishnoi, 2020). Proficiency, advertisement, security and dynamic operations, physical and ethical excellence, service delivery process, credibility, and functionality are the factors that customers use to evaluate service quality. It also revealed that physical and ethical excellence, proficiency, and functionality were the important factors which make up the overall service quality of health insurance (Sandhu & Bala, 2011; Kavitha et al., 2012). A survey among agents, development officers, and employees reveals that there is no significant difference between the opinion of agents, development officers, and employees with respect to the variables – life insurance products, premium amounts, working conditions, training programmes, digitalisation, and efficiency levels (Lal & Dhanda, 2003). Another study shows that relatives, friends, and colleagues are the main sources of awareness, with the risk of illness being the reason to opt for insurance products (Jacob, 2018). A qualitative study conducted on implementation challenges of health insurance schemes states that long waiting time, not being

Analysis, Results and Discussions

Easy accessibility of linked hospitals is considered to be the most influential factor in motivating an investment decision in a particular insurance company. Based on the demographic variable of gender, women prefer prompt claim processing with the least formalities, and easy accessibility of linked hospitals as the preferred factors while choosing a particular insurance provider, as shown in Fig. 2a. Men consider easy accessibility of linked hospitals as the most preferred factor for selecting

a particular insurance service provider. Investors below 30 also have the highest preference towards easy accessibility of linked hospitals; however, investors in the age group 30-40 look at the reputation of the insurance provider, while investors above 50 look at comprehensive coverage, as shown in Fig. 2b. Based on the educational status, easy accessibility of linked hospitals is the most preferred factor; however, graduates chose prompt claim processing with the least formalities as the preferred factor while choosing an insurance service provider, as shown in Fig. 2c.

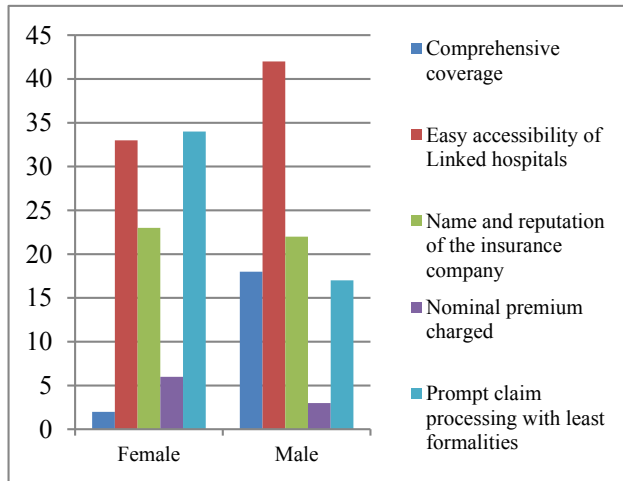


Fig. 2a: Gender-Wise

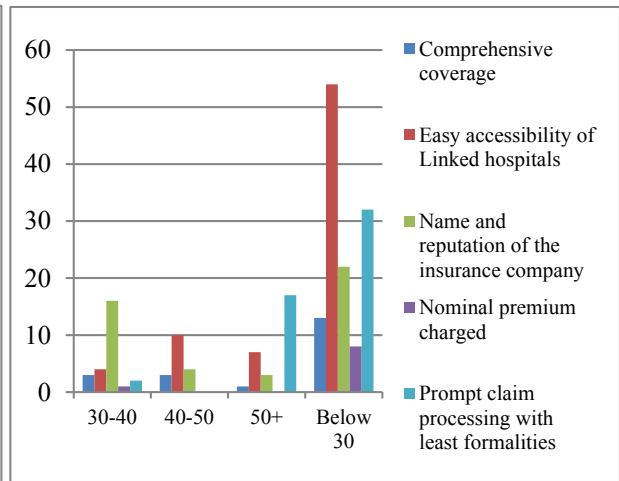


Fig. 2b: Age-Wise

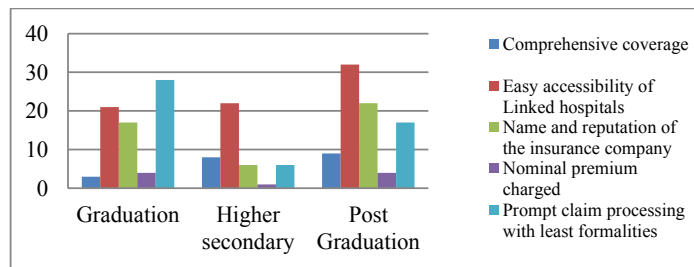


Fig. 2c: Education-Wise

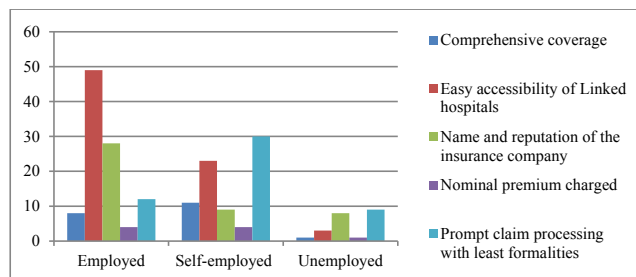


Fig. 2d: Employment-Wise

Investors who are employed look for easy accessibility of linked hospitals as an attractive criteria while selecting a health service provider; however, the self-employed and the unemployed look at the aspect of prompt claim processing with the least formalities as a condition for selecting a service provider, as shown in Fig. 2d.

Hypothesis 1

H0: There is no significant difference between source of awareness and the reasons to choose a particular insurance service provider.

Hypothesis 2

H0: There is no significant difference between preference of a health insurance company and the reasons to choose a particular insurance service provider.

Table 2: ANOVA Test

<i>Source of Awareness</i>					
	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Between Groups	10.072	4	2.518	2.699	0.032
Within Groups	181.908	195	0.933		
Total	191.980	199			
<i>Preferred Health Insurance Company</i>					
	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Between Groups	116.663	4	29.166	6.333	0.000
Within Groups	898.092	195	4.606		
Total	1014.755	199			

Table 2 shows the ANOVA test conducted between source of awareness and the reasons for choosing a particular company, and also between preference of health insurance provider and the reason for choosing a particular insurance provider. Test results show that there are significant differences between the source of awareness and the reasons for choosing a particular insurance provider, with a significant value of 0.032; and there are significant differences between preference of health insurance provider and the reasons for choosing a particular insurance provider, with a significant value of 0.000.

Agents are identified as the major source of awareness regarding insurance products. Customers prefer to buy insurance products through agents from reputed insurance providers which have a good name and reputation, and which provide easy accessibility to linked hospitals. Friends and relatives are also sources of insurance product awareness and customers gather details of easy accessibility of linked hospitals through them, as shown in Fig. 3a. Prompt claim processing is also a recommended factor. Star Health Insurance Company is identified as the most preferred health insurance provider in terms of the most preferred factor – accessibility to linked hospitals, as shown in Fig. 3b. Customers also find prompt claim processing with the company.

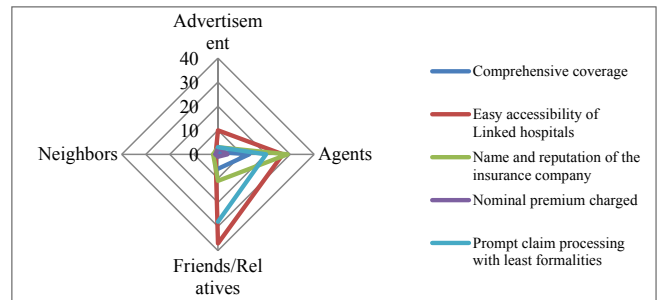


Fig. 3a: Source of Awareness

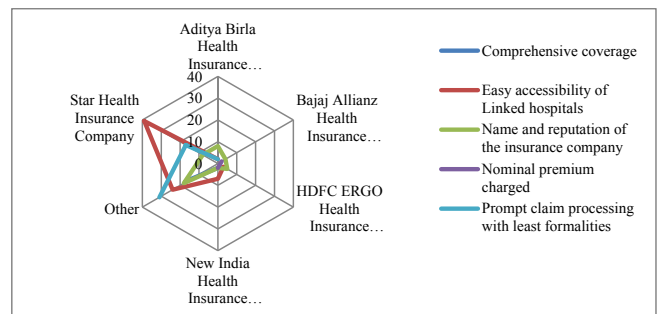


Fig. 3b: Preference of Healthcare Insurance Company

Variables Affecting Investor Decision to Purchase Insurance Products

Hypothesis 3

H0: There is no significant relation between insurance provider competence and investor’s decision to purchase the insurance product.

Table 3: ANOVA between Insurance Provider Competence and Investor's Decision to Purchase

	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Between Groups	24.435	4	6.109	3.532	0.008
Within Groups	337.245	195	1.729		
Total	361.680	199			

Table 3 shows the results of the ANOVA test with a value of 0.008, which is less than 0.05, proving that the test results are significant. The null hypothesis is rejected and the alternate hypothesis is accepted, proving that there is a significant relationship between insurance provider competence and investor's decision to purchase the insurance product.

Hypothesis 4

H0: There is no significant relation between acceptance of health insurance product and investor's decision to purchase insurance product.

Hypothesis 5

H0: There is no significant relationship between investors' attitude and investors' decision to purchase insurance product.

Hypothesis 6

H0: There is no significant relationship between the payable premium amount and investor's decision to purchase insurance product.

Table 4: Correlation – Acceptance of Health Insurance Product, Investors' Attitude, and Payable Premium Amount on Investor's Decision to Purchase

<i>Correlations</i>			
		<i>Acceptance of Health Insurance Product</i>	<i>Investor's Decision</i>
Acceptance of health insurance product	Correlation Coefficient	1.000	0.416
	Sig. (2-tailed)		0.000
	N	200	200

Investor's decision	Correlation Coefficient	0.416	1.000
	Sig. (2-tailed)	0.000	
	N	200	200
**Correlation is significant at the 0.01 level (2-tailed).			
		Investor's Attitude	Investor's Decision
Investor's attitude	Correlation Coefficient	1.000	0.406
	Sig. (2-tailed)		0.000
	N	200	200
Investor's decision	Correlation Coefficient	0.406	1.000
	Sig. (2-tailed)	0.000	
	N	200	200
Correlation is significant at the 0.01 level (2-tailed).			
		Payable Premium Amount	Investor's Decision
Payable premium amount	Correlation Coefficient	1.000	0.184
	Sig. (2-tailed)		0.009
	N	200	200
Investor's decision	Correlation Coefficient	0.184	1.000
	Sig. (2-tailed)	0.009	
	N	200	200
Correlation is significant at the 0.01 level (2-tailed).			

Acceptance of health insurance product and investor's decision to purchase an insurance product are moderately correlated, with a correlation value of 0.416 (Table 4), which shows that acceptance is not of prime importance with regards to investor's decision to purchase an insurance product. Investors' attitude and investors' decision to purchase insurance products is also moderately correlated, with a correlation value of 0.406 (Table 4), which shows that investors' attitude is also not of prime importance with regards to investors' decision to purchase an insurance product. Correlation value obtained between premium amount payable and investor's decision to purchase insurance product is 0.184 (Table 4), which shows that the premium amount payable and investor's decision to purchase insurance product are only moderately correlated. Premium amount payable is not of prime importance with regards to investor's inclination to purchase an insurance product.

Investor Satisfaction towards Purchasing Insurance Products

Hypothesis 7

H0: There is no significant relation among service quality and company loyalty towards satisfaction level of investors who invest in health insurance products.

Table 5: Correlation – Service Quality and Loyalty towards Satisfaction Level of Investors

<i>Correlations</i>			
		<i>Service Quality</i>	<i>Investor Satisfaction</i>
Service Quality	Correlation Coefficient	1.000	0.391
	Sig. (2-tailed)		0.000
	N	200	200
Investor Satisfaction	Correlation Coefficient	0.391	1.000
	Sig. (2-tailed)	0.000	
	N	200	200
**Correlation is significant at the 0.01 level (2-tailed).			
		<i>Company Loyalty</i>	<i>Investor Satisfaction</i>
Company Loyalty	Correlation Coefficient	1.000	0.365
	Sig. (2-tailed)		0.000
	N	200	200
Investor Satisfaction	Correlation Coefficient	0.365	
	Sig. (2-tailed)	0.000	0.000
	N	200	200
Correlation is significant at the 0.01 level (2-tailed).			

Service quality of the health insurance company and investor satisfaction are positively correlated, with a moderate correlation value of 0.391, which shows that service quality is not of prime importance with regards to the satisfaction level of the investors who invest in health insurance products. Loyalty shown by health insurance provider and investor satisfaction are also positively correlated, with a moderate correlation value of 0.365, which shows that service provider loyalty is not of prime importance with regards to the satisfaction level of investors who invest in health insurance products. Test

results are significant, with a positive correlation between the variables, as shown in Table 5.

Hypothesis 8

H0: Effectiveness of insurance service provider is independent of service quality and payable premium amount.

Table 6: Regression Analysis

<i>Model Summary</i>						
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>		
1	0.393 ^a	0.155	0.146	0.602		
a. Predictors: (Constant), Service Quality, Amount paid for annual premium						
<i>Model</i>	<i>Unstandardised Coefficients</i>		<i>Standardised Coefficients</i>	<i>t</i>	<i>Sig.</i>	
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>			
1	(Constant)	2.836	0.163		17.408	0.000
	Amount paid for annual premium	0.107	0.052	0.139	2.067	0.040
	Service Quality	0.226	0.045	0.337	5.000	0.000
a. Dependent Variable: Satisfaction and effectiveness of insurance products/provider.						

The p-value obtained is less than the significance level of 0.05, providing enough evidence to reject the null hypothesis for the entire population. Change in service quality and payable premium amount (independent variables) are associated with determining the change in effectiveness of insurance products (dependent variable), with a reliability of 0.393 and R square value of 0.155, proving that the test results are statistically significant at the population level.

Findings and Suggestions

Irrespective of gender, most of the respondents were influenced by easy accessibility of linked hospitals while choosing a particular health insurance provider. Insurance

agents and friends are the main sources of awareness for choosing a health insurance product/provider, and most of the respondents chose Star Health Insurance Company, as they provide easy accessibility of linked hospitals. Employment is also a prime factor for taking insurance, as most of the employed people have taken health insurance in the current pandemic situation. Irrespective of the gender, the result shows that purchase of insurance product depends on competence of the insurance provider. Service quality of the insurance provider and investor's inclination to purchase the insurance product are positively correlated. There is a positive correlation between investor's attitude and purchase of insurance product. There is a significant relation between amount paid for the insurance product and purchase of the insurance product. Any change in amount payable for the insurance product and service quality will directly affect the effectiveness of the insurance service product/provider.

The insurance company should expand their services to more hospitals, as customers choose insurance companies on the basis of easy accessibility of linked hospitals; insurance companies should start advertising products in both online and offline media for increasing awareness of the importance of purchasing a health insurance product. Due to the outbreak of COVID-19, there is an economic instability which puts a demand on the insurance company to reduce the premium amount, to retain customer base. The service quality of the insurance company should be increased by adopting modern technology, such as online payment systems and purchase of insurance products online. This will reduce time and cost to both the company and the customers. The company should train their employees to increase their competency in the field of insurance. Investors' attitude has great importance while purchasing an insurance product. So, the company should increase their customer service and help solve insurance related issues at the earliest. The company should introduce plans for individuals below 30, with long coverage and less premium, to attract singles and adults. The government should take necessary steps to improve the health insurance industry by introducing new schemes to attract more customer segments and increase health insurance coverage.

Conclusions

The outbreak of COVID-19 created economic instability in the country, creating an impact on the insurance industry. Negative effects include an increase in the number of claims and difficulty in settlement of claims. The pandemic adversely affected family income; a majority of the population lost their jobs; and death rate increased. All these exposed people to the fear of leading a sustained life and living, pushing people to purchase health insurance products for securing life and family. The study draws attention to various factors which influenced people to invest in health insurance during the pandemic crisis; it further analyses the service quality of insurance products provided by various insurance agents. Agents and friends are the main sources of awareness, with service quality being the main factor influencing the purchase of a product. Amount payable for insurance premium is also an important factor; so, company should decrease the payable premium amount in the pandemic period and introduce new schemes to attract more customers into purchasing insurance products. The study shows that there are few customers below 30 who purchase insurance products. The company should introduce schemes for this age group, with low premium cost and long coverage. Insurance companies should expand the service to more hospitals, because customers check the easy accessibility of linked hospitals before purchasing an insurance product. These are the factors that customers look at before purchasing insurance products for sustained health, life, and living.

References

- Ananya, C. V., Devi, A. B., & Priya, S. N. (202). Knowledge, awareness and perception of health insurance among insured in a tertiary care hospital. *International Journal of Management*, 12(2), 12-20.
- Babuna, P., Yang, X., Gyilbag, A., Awudi, D. A., Ngmenbelle, D., & Bian, D. (2020). The impact of COVID-19 on the insurance industry. *International Journal of Environmental Research and Public Health*, 17(16), 565-570.
- Bedi, H. S., & Singh, P. (2011). An empirical analysis of life insurance industry in India. *International Journal of Multidisciplinary Research*, 1(7), 62-73.

- Bhattacharya, A. (2005). Challenges before life insurance industry. *Life Insurance Today*, 1(8), 3-6.
- Chowdhury, T., Rahman, M., & Afza, S. (2007). Perceptions of the customers' towards insurance companies in Bangladesh. *BRAC University Journal*, 4(2), 55-66.
- Çınar, F., Çapar, H., & Ekinci, G. (2021). Effect of COVID-19 anxiety on perceived risks and avoidance behaviors. *Annals of Clinical and Analytical Medicine*.
- Dalinjong, P. A., & Laar, A. S. (2012). The national health insurance scheme: Perceptions and experiences of health care providers and clients in two districts of Ghana. *Health Economics Review*, 2(1), 1-13.
- Gangil, R., & Vishnoi, S. (2020). Customer perception towards general insurance: A factor analysis approach. *Journal of Management Research and Analysis*, 7(1), 15-20.
- Goswami, P. (2007). Customer satisfaction with service quality in the life insurance industry in India. *ICFAI Journal of Services Marketing*, 5(1), 25-30.
- Jacob, A. (2018). A study on customer perception towards health insurance in Ranny Thaluk. *International Journal for Advance Research and Development*, 3(12), 41-48.
- Jain, A. K. (2004). Indian life insurance industry: After LPG. *The Journal of Insurance Institute of India*, 30, 85-96.
- Jayakar, R. (2003, June 8). Covering lives. *Business Today* (p. 68).
- Kavitha, T., Latha, A., & Jamuna, S. (2012). Customers attitude towards general insurance - A factor analysis approach. *IOSR Journal of Business and Management*, 2(1), 30-36.
- Krishnamurthy, S., Mony, S. V., Jhaveri, N., Bakhshi, S., Bhat, R., Dixit, M. R., Maheshwari, S., & Bhat, R. (2005). Insurance industry in India: Structure, performance, and future challenges. *Vikalpa*, 30(3), 93-120.
- Lal, R., & Dhanda, N. (2003). *Life Insurance Corporation of India devising its strategies to meet the challenges of insurance sector reforms*. In National Seminar on Emerging Trends in Financial Services and International Business, Guru Jambheshwar University, Hisar.
- Panchal, N. (2013). Customer's perception towards health insurance: An empirical study in Bardoli & Mandvi region. *Indian Journal of Applied Research*, 3(4), 62-64.
- Rajavardhan, I., Reddy, P., & Jahangir, J. (2015). Buying behaviour towards life insurance products in rural market: A case study of Nalgonda District. *Telangana State International Journal of Scientific Research*, 4(3), 144-147.
- Rao, T. R. (2000). The Indian insurance industry the road ahead. *Journal of Insurance Chronicle*, 3(1), 31.
- Sandhu, H. S., & Bala, N. (2011). Customers' perception towards service quality of Life Insurance Corporation of India: A factor analytic approach. *International Journal of Business and Social Science*, 2(18), 219-231.
- Singh, D. (2011). Factors affecting customers' preferences for life insurers: An empirical study. *IUP Journal of Risk & Insurance*, 8(2), 34.
- Sodani, P. R. (2001). Potential of the health insurance market for the informal sector: A pilot study. *Journal of Health Management*, 3(2), 283-308.