August 2020



Health Insurance Consumer Pulse Survey

pwc

hansa research

FICCI

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Message from FICCI and PwC



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India's private health insurance sector has been experiencing high growth owing to more comprehensive and customised health coverage. It has registered a compound annual growth rate (CAGR) of 23% in the past 10 years and has become the fastest growing segment in the non-life insurance sector, with a market share of 24%.[1] It has also attracted huge investments in recent years, including foreign direct investment (FDI), with the share of FDI reaching 36% in 2018.[1]

Yet, health insurance remains an untapped market, with retail health insurance covering only about 3.1% of the Indian population. The National Health Profile 2019[2] states that around 48 crore individuals were covered under some kind of health insurance in 2017–18, which includes government and social health insurance schemes. Hence, there is huge potential for growth and penetration of health insurance in the country.

While the mounting disease burden, increasing geriatric population and rise in informed and empowered consumers will lead to expansion of health insurance coverage in the coming years, the sector, like most other service sectors, is likely to be shaped by future consumer expectations. This poses a huge challenge for any industry; however, understanding the expectations of the health insurance consumer is a greater challenge. This is because every consumer seeks the best quality products and services when it comes to his or her health.

FICCI believes that while the government and industry get to voice their concerns and opinions, the main beneficiary – the health insurance customer – remains unheard most of the time. In this context, the FICCI Health Insurance Committee formed a task force on 'Voice of the Customer', with the aim of bridging the existing market gaps in terms of consumer needs and expectations through a survey conducted in partnership with PwC India.

1 IRDAI – Annual Report 2018-19. Retrieved from https://www.irdai.gov.in/admincms/cms/uploadedfiles/annual%20reports/IRDAI%20English%20Annual%20Report%202018-19.pdf
GI Council Segment Wise Report up to March 2020. Retrieved from https://www.gicouncil.in/media/3892/segment-wise-report-for-may-2020.xlsx
2. http://www.cbhidghs.nic.in/showfile.php?lid=1147

This annual survey seeks to help the industry with product and service improvement by developing an industry-government-regulator blueprint on customer centricity and an approach to analyse the qualitative feedback of customers on their experiences and expectations. Apart from evaluating the sector's performance, as an annual activity, the survey would help in analysing the developments in the sector, thereby facilitating the delivery of desired experiences.

We hope that this report serves as a repository of health insurance insights and can be leveraged by businesses to enhance product structures and features, service delivery and distribution, and so on. Further, a common platform for collaboration could be created to unlock greater customer value.

We are thankful to the Insurance Regulatory Authority of India (IRDAI) for its support and guidance in the development of this report. Going forward, FICCI would like to continue working closely with IRDAI and the healthcare industry to create action plans for achieving reforms. We would also like to thank the FICCI task force on 'Voice of the Customer', all the members of the FICCI Health Insurance Committee, and the FICCI Health Insurance sector team for their contributions and untiring efforts.

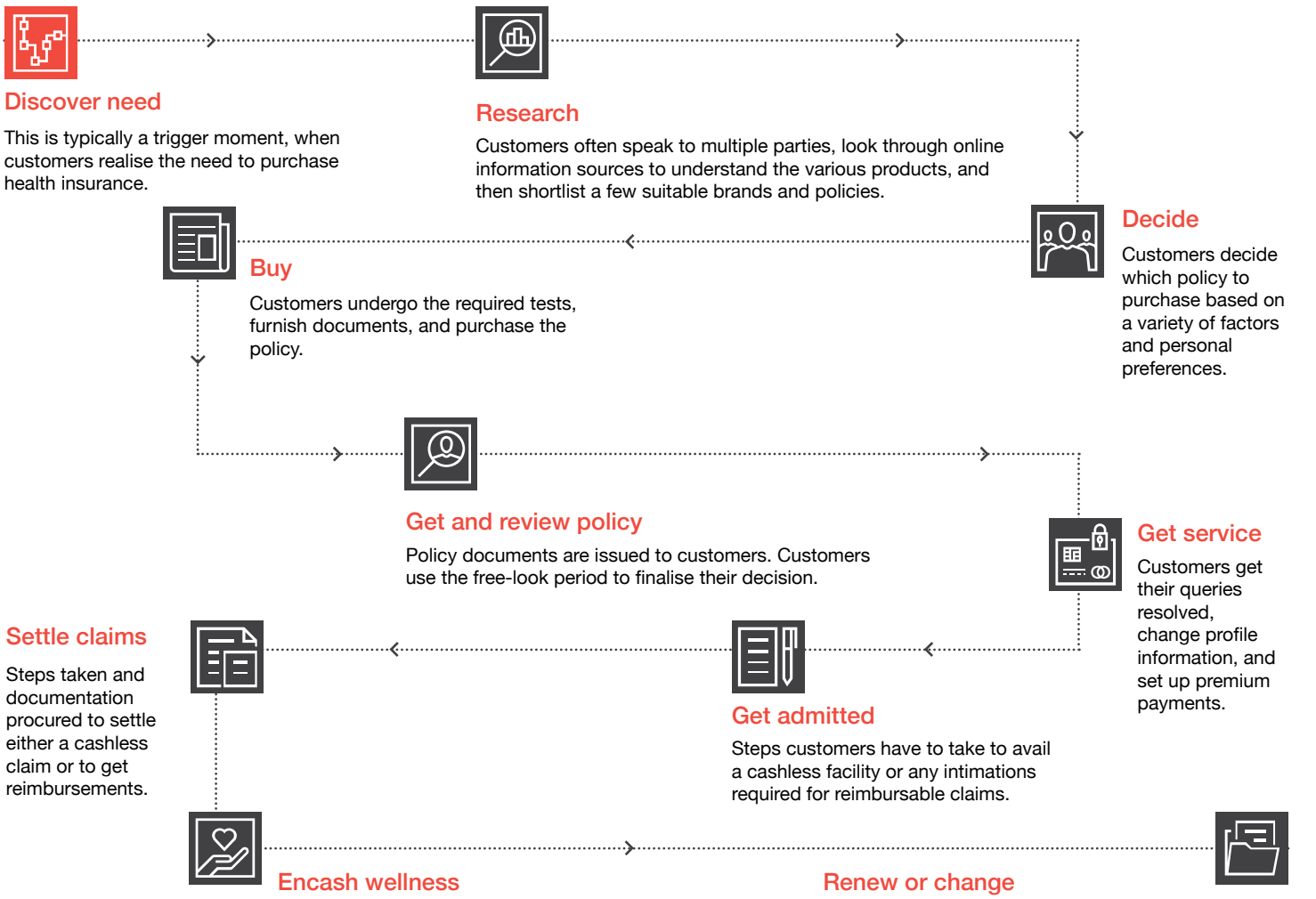


Note to the reader

This report presents the findings of a survey* conducted on the customer's health insurance journey. The survey aimed to capture the pulse of health insurance consumers. Every chapter of the report discusses imperatives for insurers based on an assessment of key industry trends and outcomes, the consumer behaviour driving these trends, the regulator's role, and the impact of the ongoing global health crisis due to COVID-19.

The customer journey has been defined based on the insights gathered.

The health insurance customer journey



*The survey was conducted before the widespread outbreak of COVID-19 in India.



Executive summary

Customers are largely happy with their health insurers



8.2

Overall satisfaction score

The pulse of health insurance customers was found to be positive right across the journey. While health insurance is generally believed to be difficult to comprehend, the role of agents in providing key information to customers and ensuring an easy purchase experience contributes significantly to this satisfaction. Although service interactions are few, the experience is satisfactory. The satisfaction score on the claims experience was also high.

Satisfaction scores across the journey

Stage	Satisfaction score across	Score (scale of 10)
Overall	Customer experience across the purchase-claims-renewal stages	8.2
Research	Information accessed about health insurance plans	8.3
Buy	Distribution choice for buying insurance	8.2
Buy	Formalities during purchase process	8.3
Get service	Post-purchase customer service	8.2
Settle claims	Process of claims settlement	8.1

Source: Health Insurance Consumer Pulse Survey 2020

Customer centricity will continue to drive growth for health insurers

- Health insurance in India has grown rapidly at a CAGR of 20% since FY16.
- There is further potential for growth since retail health policies (not Government sponsored) cover only 3% of the total population of India.[1]
- Based on the experience in other countries during SARS and MERS, the ongoing crisis is likely to lead to a substantial increase in demand.
- Our study uncovered the following five key imperatives:

Go digital across the journey

- Young and digitally savvy Indians are increasingly prioritising 'well-being' and 'health'.
- Market conditions are driving non-digital native consumers to digital channels.
- Our survey also clearly indicates that policyholders expect insurers and intermediaries to provide easy-to-use digital means across every stage of their journey.
- The ongoing COVID-19 crisis is likely to lead to a further shift towards digital channels.
- **Imperative:** The consumer pulse survey indicates that customers want digital interventions at each stage of their health insurance journey – from research to renewals. Therefore, insurers are expected to build digital assets that provide a seamless and easy experience across each stage of the journey, be it:
  - presence on online channels where customers research
  - digital assets where customers can be guided to the best-fit product
  - addressing transitions between unassisted and assisted service channels
  - claims processing.

1 IRDAI – Annual Report 2018-19. Retrieved from https://www.irdai.gov.in/admincms/cms/uploadedfiles/annual%20reports/IRDAI%20English%20Annual%20Report%202018-19.pdf
GI Council Segment Wise Report up to March 2020. Retrieved from https://www.gicouncil.in/media/3892/segment-wise-report-for-may-2020.xlsx

Launch innovative products that serve unmet needs

- Customers are demanding cashless facilities, a higher range of ailment coverage, and competitive premium amounts.
- IRDAI's recent reforms in its circular 'Guidelines on Standardization of Exclusions in Health Insurance Contracts'[2] and in the IRDAI (TPA – Health Services) (Amendment) Regulations, 2019, have addressed some of these customer asks.
- **Imperatives:**
  - It is important for insurers to develop a deeper understanding of consumers using primary research and analytics.
  - Insurers should innovate on behalf of the customer to meet unstated or implicit demands. For instance, customers did not demand customisation, but considering that at most 3% of respondents concurred on any set of features, insurers can consider creating customisable products that allow customers to pick and choose features.
  - Make the best use of emerging tech such as wearables and IoT with analytics to redefine the marketplace.

Scale distribution excellence

- Conventional channels have dominated health insurance distribution thus far.
- Agents are likely to continue to be the dominant distribution channel as customers trust them.
- IRDAI's new policy in its circular 'Guidelines on Filing of Minor Modifications in the approved Individual Insurance Products offered by General and Stand Alone Health Insurers on Certification Basis' enables the opening of new distribution channels without lengthy approvals. It will help insurers reach more customers.
- COVID-19 is likely to accelerate the digitisation of distribution.
- **Imperatives:**
  - Insurers can build scalable distribution capabilities by investing in training programmes and technology-enabled nudges to enforce behavioural changes.
  - Insurers can seek new and innovative business models and new age partnerships.
  - They can make the distributor journey digital, intuitive and simplistic.

Minimise pain points for claims

- Claim settlement performance has improved.
- Our sample reports a high satisfaction score, proving that insurers are already recognising and mitigating bad claims experiences.
- As per our consumer pulse survey, the reasons for dissatisfaction with cashless settlement include lack of network hospitals, lower than full coverage of bills, lack of a dedicated desk for queries, and lack of clarity in the process.
- Both our primary and secondary research indicates that the reasons for dissatisfaction with reimbursement settlement include partial claim settlement, delay in reimbursement, piecemeal requests for documents, and lack of clarity in the process.
- COVID-19 will likely push insurers to digitise processes related to claim settlements. This shift to digital is already occurring among insurers covering the disease, and it will help them ensure that their performance is not affected by a spike in demand.
- **Imperatives:**
  - Minimise dependency on manual communication for cashless claims processing.
  - With the impact of the ongoing pandemic, insurers should ensure minimal physical interaction and increase the ease of initiating reimbursement claims by introducing an online self-service facility for claim filing.
  - Invest in enhanced claim processing capabilities using robotic process automation (RPA) for claims processing and artificial intelligence (AI) for fraud analytics.
  - With lack of clarity and guidance being the major reasons for dissatisfaction with the claims process, insurers should ensure clear communication to set the right expectations.

2 https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo3916&flag=1

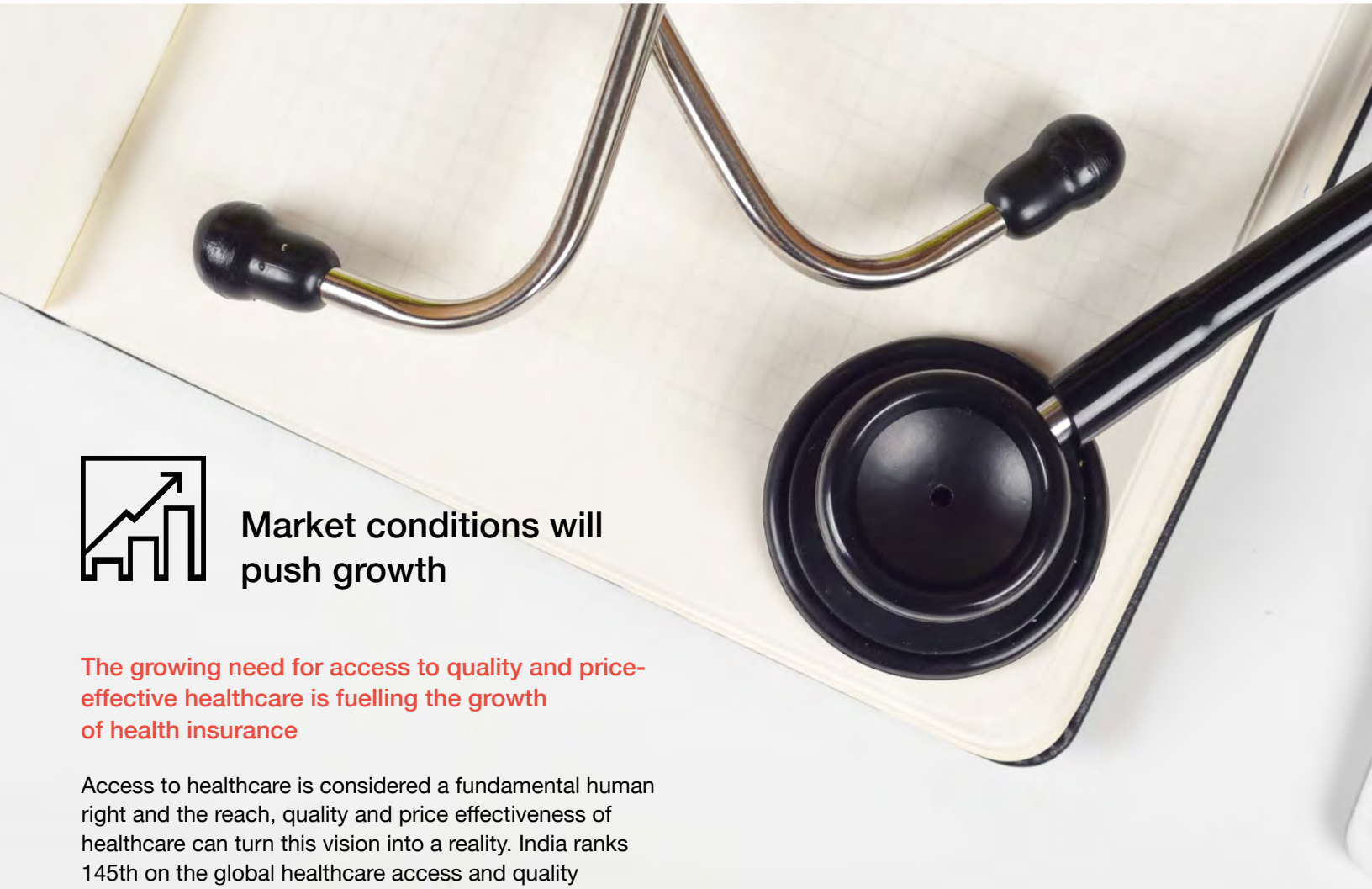


Engage and serve effectively throughout the customer's journey

- Lapses in communication are possibly responsible for the low awareness about the free-look period revealed by our survey.
- Additionally, low levels of service interactions are likely a result of the non-engaging nature of existing plans.
- Customers largely intended to renew their policies, which means it is up to insurers to ensure action.

- **Imperatives:**
  - With clarity in communication being a major downside in health insurance as per the consumer pulse survey, insurers should customise communication based on customer segmentation and journey.
  - Gaps in communication must be plugged and transparency needs to be maintained to build trust.
  - Insurers should use contextualised, engaging and health goal-based communication.
  - A holistic customer engagement framework spanning the entire lifecycle needs to be implemented.

Context



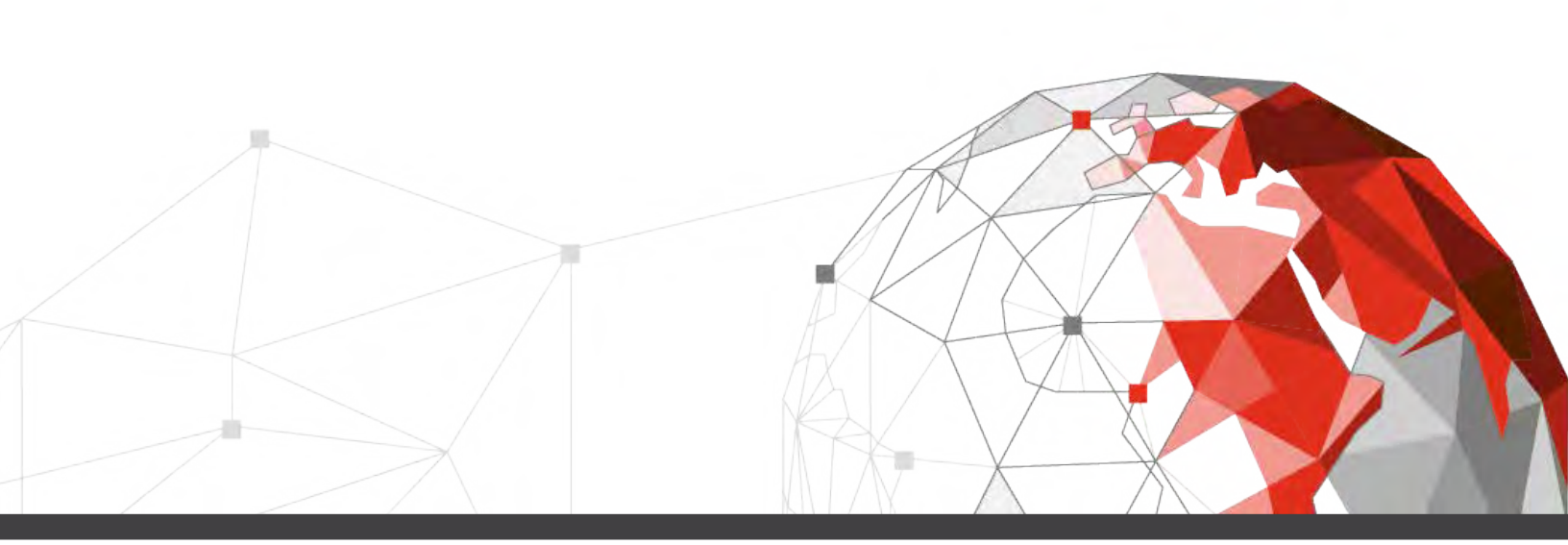
Market conditions will push growth

The growing need for access to quality and price-effective healthcare is fuelling the growth of health insurance

Access to healthcare is considered a fundamental human right and the reach, quality and price effectiveness of healthcare can turn this vision into a reality. India ranks 145th on the global healthcare access and quality (HAQ) index, lagging behind Bangladesh, Sri Lanka and other peer nations.[1] The private sector in India has been increasing its participation in the development of healthcare infrastructure and improvement of access. According to the National Statistical Office's annual survey of 2019,[2] private hospitals accounted for more than half of in-patient hospitalisations both in rural and urban India, at 52% and 61% respectively.

1 Lancet - Global Burden of Disease Study, 2017. Retrieved from https://www.hindustantimes.com/health/india-ranks-145th-below-china-bangladesh-among-195-countries-in-healthcare-access-quality/story-31UgnP7QxpvqbeHJoLdtFP.html#:~:text=India%20ranks%20145th%20among%20195,access%20and%20quality%20since%201990

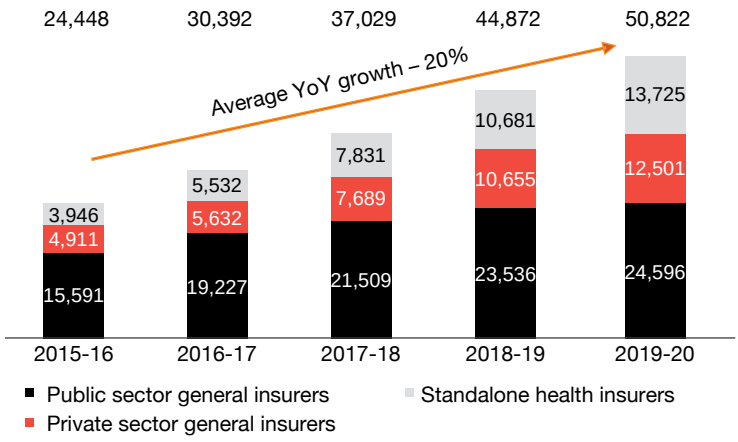
2 Household social consumption in India: Health NSS 75th round (July 2017–June 2018). Retrieved from https://pib.gov.in/Pressreleaseshare.aspx?PRID=1593246



Health insurance gross written premiums have recorded a 20% CAGR – the fastest amongst all general insurance offerings for the past five years[3]

The role of health insurance in helping people afford quality healthcare is paramount. Awareness about health insurance has been increasing and this is evident in the robust growth of the sector. Health insurance premium (excluding personal accident and travel insurance) collection surged to INR 50,822 crore in FY20, continuing to be the second largest contributor to the general insurance sector after motor insurance.

Health insurance premium (INR crore)



During the last five years:

Stand-alone health insurers (SAHIs) nearly quadrupled their size, reaching a 27% contribution.

Although **private sector general insurers** lacked the focused approach of SAHIs, they doubled in size.

Public sector general insurers continued to command the highest share with a slow growth rate of 58%.

Source: IRDAI – Annual Report 2018-19 and GI Council Segment Wise Report up to March 2020

3 IRDAI – Annual Report 2018-19. Retrieved from https://www.irdai.gov.in/admincms/cms/uploadedfiles/annual%20reports/IRDAI%20English%20Annual%20Report%202018-19.pdf
GI Council Segment Wise Report up to March 2020. Retrieved from https://www.gicouncil.in/media/3892/segment-wise-report-for-may-2020.xlsx

There continues to be sufficient headroom for growth since only 4.2 crore people have subscribed to individual policies

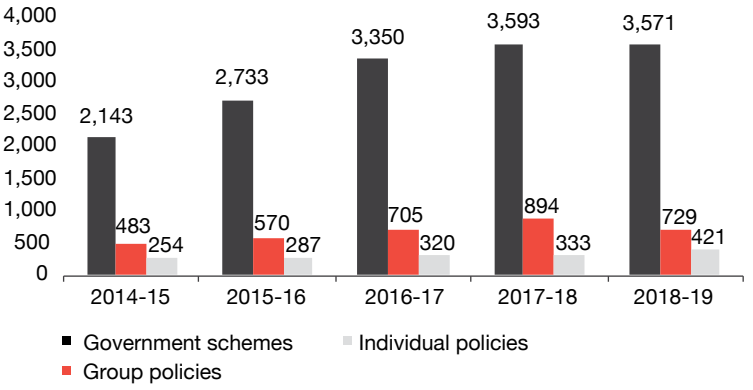
Government-sponsored health schemes accounted for 75% of the 47.2 crore lives covered through any kind of health insurance. Only 4.2 crore people have subscribed to individual policies. With only 9% penetration of individual policies in India, there is significant scope for insurers.[4]



The individual segment appears to have broadly undergone a downward price correction. Its premium share came down from 44% in FY15 to 39% in FY19, while the number of lives share reached 9% in FY19 from 7% two years earlier.[5]

Number of lives	Government schemes	Group policies	Individual policies
CAGR	14%	11%	13%
Share	76%	15%	9%

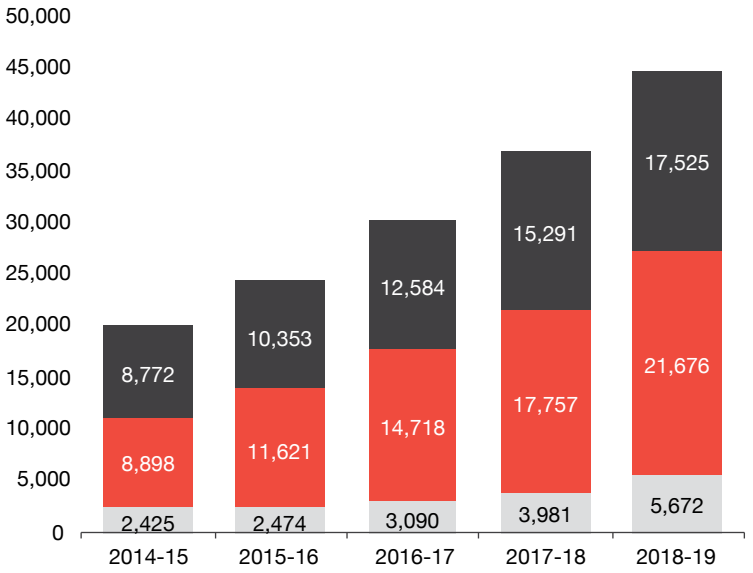
Number of lives covered (in lakhs)



Source: IRDAI – Annual Report 2018-19

Premium	Government schemes	Group policies	Individual policies
CAGR	24%	25%	19%
Share	13%	48%	39%

Health insurance premium collected (INR crore)



Source: IRDAI – Annual Report 2018-19

4 IRDAI – Annual Report 2018-19. Retrieved from https://www.irdai.gov.in/admincms/cms/uploadedfiles/annual%20reports/IRDAI%20English%20Annual%20Report%202018-19.pdf

5. Ibid.

New reforms introduced by IRDAI will also aid in meeting demand[6]

The Indian insurance regulator, IRDAI, has launched a slew of reforms to improve customer centricity in the health insurance sector. Here is a snapshot of the key reforms:

- Enabler for profitable growth: Insurers will have the flexibility to change the base premium rate upward or downward by 15% due to any modifications to loss-ratio performance of the last three financial years.
- Wider addressable market: Insurers are allowed to increase the maximum age limit from the usual limit of 65 years.
- Improved accessibility: To increase penetration and reach different markets, insurers are allowed to introduce additional distribution channels for particular products without a tedious approval process.

With the COVID-19 outbreak resulting in economic uncertainty in India, the health insurance industry is likely to witness a surge in the number of policyholders

- With the number of infections in the country increasing, previously ambivalent consumers will increasingly turn to insurers. For example, during epidemics such as SARS (2002–03) and MERS (2013–14 and 2015), the demand for health insurance picked up in China, Singapore, Saudi Arabia and South Korea. One of the largest health insurers in Saudi Arabia reported 44% and 81% YoY growth in premiums during 2013–2014 after the rapid spread of MERS in the country.[7]
- As per initial views from industry (both policy aggregators and health insurers), demand is rising post the outbreak of the pandemic in India.[8]

Given the above backdrop and based on the results of a holistic survey uncovering consumer insights, industry outcomes and the impact of the ongoing health crisis, we present imperatives for health insurers across five key areas.

6 Article in Livemint. Retrieved from https://www.livemint.com/insurance/news/health-insurance-10-new-rules-you-should-know-11577776018671.html
7 Article in The Hindu Business Line. Retrieved from https://www.thehindubusinessline.com/money-and-banking/covid-19-pandemic-to-lead-to-greater-demand-for-insurance/article31235823.ece
8 Report in Economic Times. Retrieved from https://economictimes.indiatimes.com/wealth/insure/health-insurance/health-insurance-online-sale-spurts-up-to-30-offline-sales-fall-due-to-coronavirus-impact/articleshow/75059947.cms

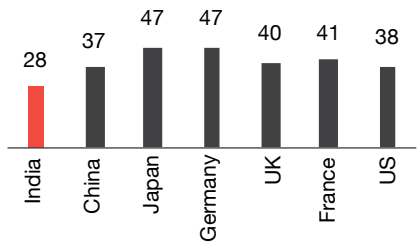
Imperatives

Go digital across the journey

Young and digitally savvy Indians are increasingly prioritising ‘well-being’ and ‘health’

Young[9]

Median age comparison among leading economies in 2018

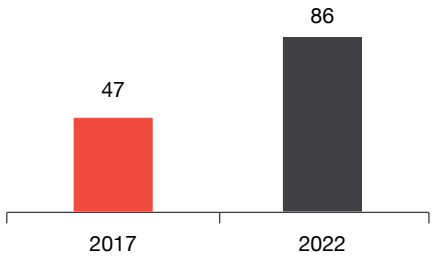


Youngest population among the leading economies

One-third of the total Indian population comprises Gen Y or millennials.

Digital[10]

Smartphone users in India (in crores)

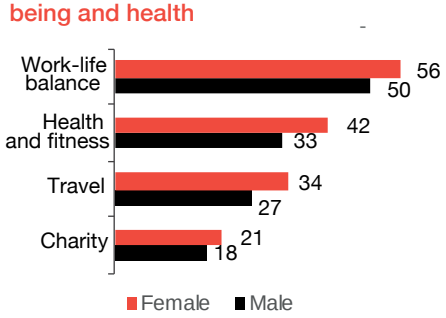


Largest smartphone user population in the world, marking the digital shift

India has the largest smartphone user population, yet a lower penetration than top 30 user nations.

Health focused[11]

Unconventional choices, well being and health



Well-being and health are new priorities of the Indian population

The young population (especially women) is focusing on health, fitness and well-being.

9 WEF Future of Consumption: Fast-Growth Customers markets India report 2019. Retrieved from http://www3.weforum.org/docs/WEF_Future_of_Consumption_Fast-Growth_Consumers_markets_India_report_2019.pdf

10 PwC and ASSOCHAM report on ‘Video on Demand: Entertainment reimagined. Retrieved from https://www.pwc.in/assets/pdfs/publications/2018/video-on-demand.pdf

11 Life Goals Preparedness Survey 2019, Bajaj Allianz Life and KANTAR IMRB. Retrieved from https://www.bajajallianzlife.com/content/dam/balic/pdf/Life-Goals-Preparedness-Survey.pdf

Market conditions are driving consumers to digital channels[12]

Data tariff

▼ 73%

2015–2017

Users engaged on social media

294m

Digital payments

▲ 383%

FY18–FY19

Focus areas for insurers to be future ready

As digital transactions proliferate, insurers have been (cautiously) building self-assisted customer solutions while (aggressively) modernising traditional distribution to keep leveraging the inherent strength of these channels to build customer relationships. Aligned with changing customer expectations and the rise of InsurTech, there are four broad focus areas that can help health insures become future ready:



New age disruptors and FinTech players have set new standards for **simplicity and convenience.** The choice insurers are making is with respect to the timing and magnitude of change for **customer centricity.**



Increasing **personalisation** and the shrinking number of touchpoints are compelling insurers to **reimagine health insurance offerings,** including digital wellness.



Digital proliferation mandates leveraging of **data and analytics** to generate deeper business insights across the value chain and enable faster, data-backed decision making.



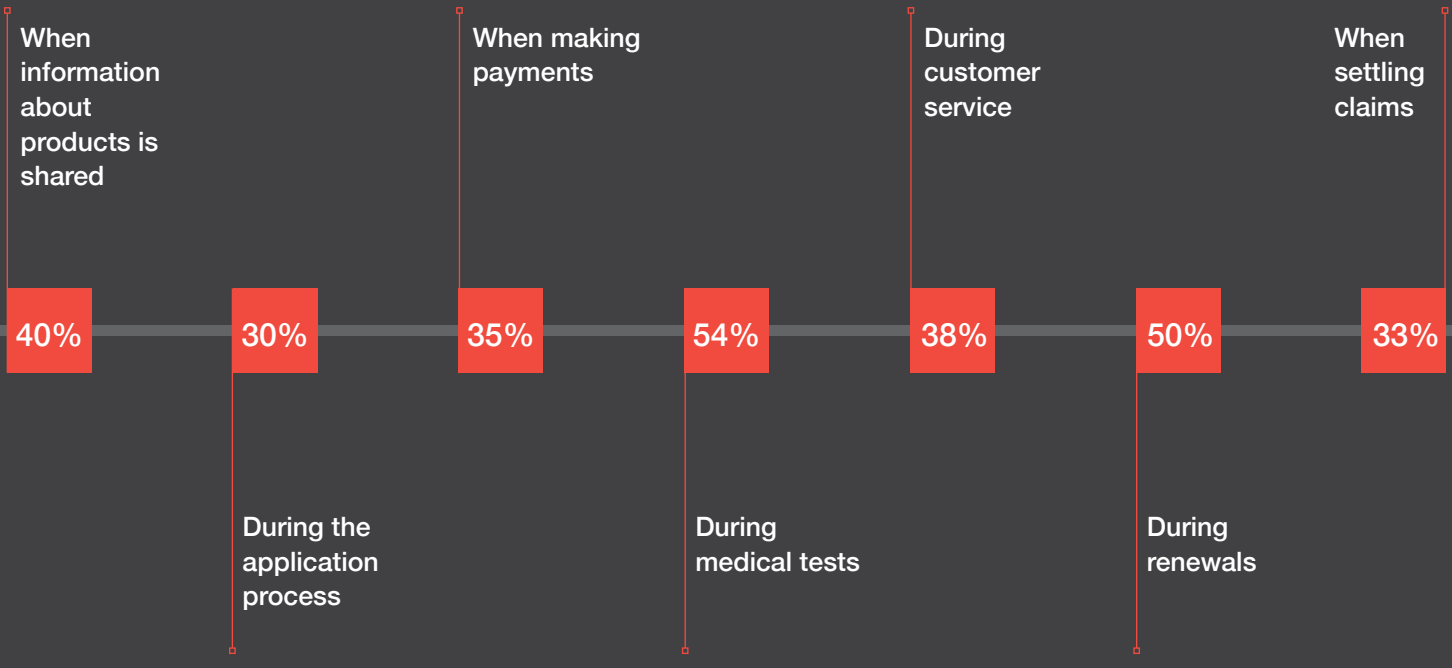
Efficient processes are reducing manual interventions through intelligent automation. This will help operational readiness for delivering on heightened customer expectations.

12 PwC and CII report on 'Competing in a new age of insurance: How India is adopting emerging technologies'. Retrieved from https://www.pwc.in/assets/pdfs/consulting/financial-services/competing-in-a-new-age-of-insurance.pdf



Policyholders expect insurers and intermediaries to provide easy-to-use digital means across their journey

Percentage of respondents who feel there is a need to build or improve the digital mode for communication and transactions at different touchpoints in their journey.

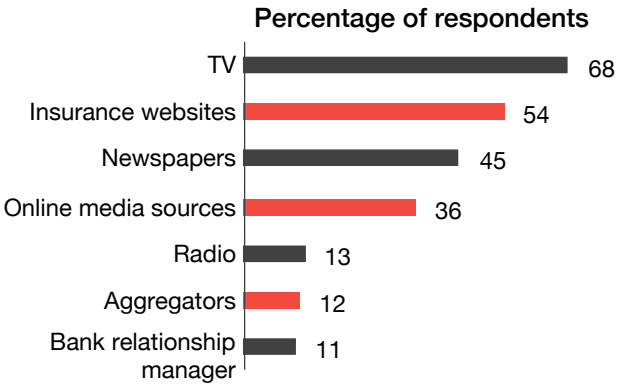


Source: Health Insurance Consumer Pulse Survey 2020

Customers rely on digital mediums to research products

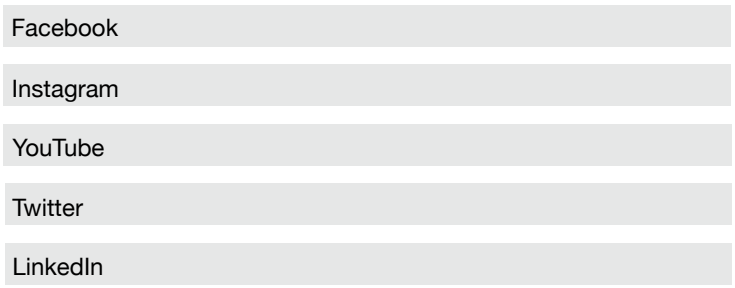
Digital modes play a significant role in the research phase, whereas traditional media (newspaper, TV) plays a significant role in driving awareness. Customers are increasingly using aggregator sites and websites for price and feature comparisons. Social media platforms can also be used to generate awareness or capture interest given that consumers spend over 90 minutes[13] daily online on their smartphones alone.

Sources of information



Source: Health Insurance Consumer Pulse Survey 2020

Frequently used social media apps (Jan–Feb 2020)

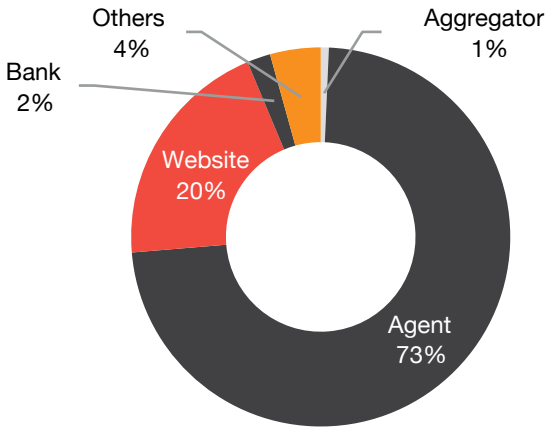


Source: Health Insurance Consumer Pulse Survey 2020

Customers have been steadily shifting to digital channels

While agents remain the dominant channel for purchase, customers increasingly prefer to purchase policies from insurance websites, which saw a 2 percentage point increase in share from 2019.[14]

Share of purchases by channel



Health Insurance Consumer Pulse Survey 2020

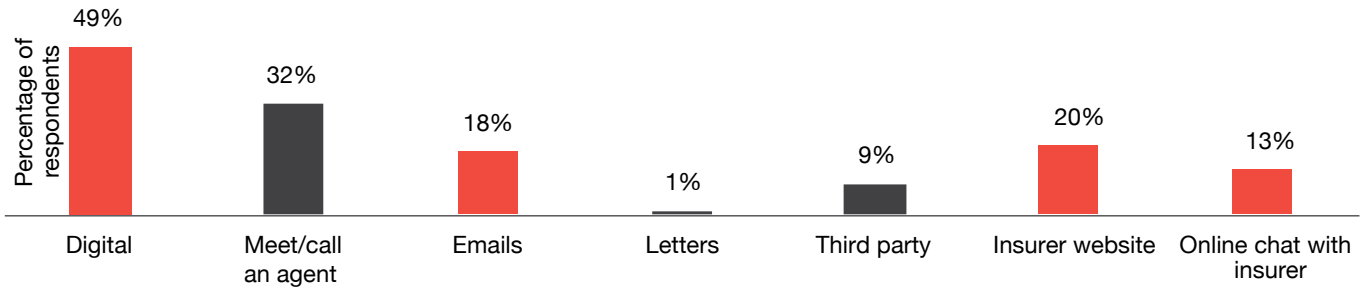
13 PwC and CII report on 'Competing in a new age of insurance: How India is adopting emerging technologies'. Retrieved from https://www.pwc.in/assets/pdfs/consulting/financial-services/competing-in-a-new-age-of-insurance.pdf

14. Ibid.

Customers also prefer digital modes of communication for service

Of the current customers, a majority preferred digital modes for customer service, followed by call centres.

Preferred communication channels



Source: PwC India's Insurance Technology Adoption Survey 2019

COVID-19 will likely push customers to adopt digital modes at every stage of their journey

Policy aggregators and insurers have indicated that traditional offline channels (agents, brokers) have seen a visible drop, while online channels (aggregator websites) have seen a significant increase of almost 20–30% in sales.[15]

Customers have already started availing contactless delivery across e-commerce and food-delivery transactions. This is likely to fuel a need for contactless interactions in other contexts as well.

Imperatives for insurers

Based on the results from the consumer pulse survey, it is evident that customers want digital interventions at every stage of their health insurance journey – from research to renewals. Therefore, insurers are expected to build digital assets that provide a seamless and easy experience across each stage of the journey.

Research

- Allocate spends optimally to cover presence on relevant online channels and social media to engage with both customers and prospects.
- Provide relevant information in an easily digestible format appropriate for digital consumption and to the platform the information is available on.

Purchase

- Build user flows on owned digital assets that guide customers to appropriate plans based on their specific needs.
- Build capabilities for contactless document collection and issuance. Several global insurance companies offer a completely digital customer experience from on-boarding to claims.

Service

- Encourage self-service or service through automated systems such as chatbots.
- Ensure that in case of insufficiency of these means to support customers, the transition to human interaction is seamless, non-repetitive and easy.

Claims

- Enable digital upload of documents from admittance through to discharge to eliminate multiple rounds of back and forth between insurers, hospital staff and customers.

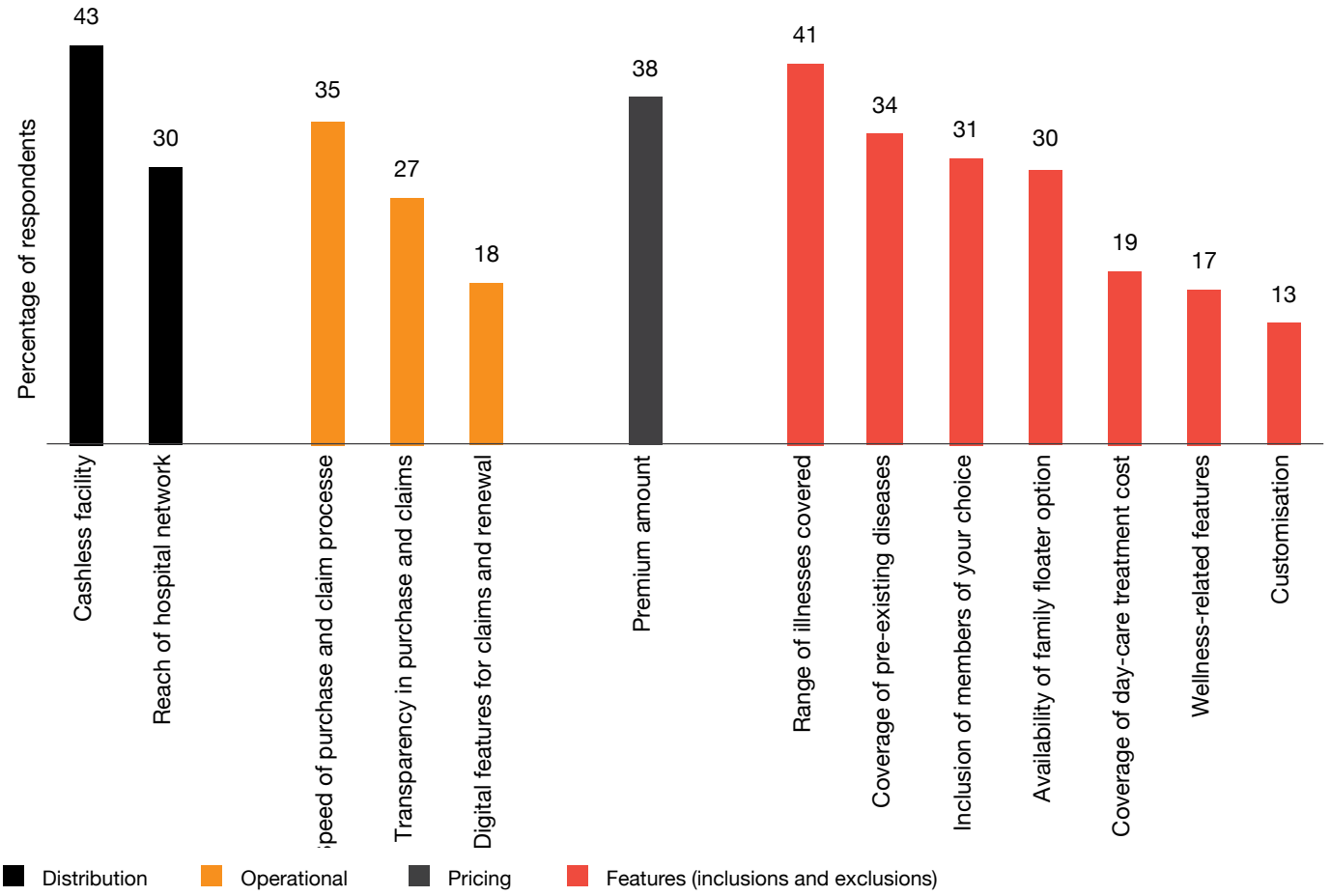
15 Report in Economic Times. Retrieved from https://economictimes.indiatimes.com/wealth/insure/health-insurance/health-insurance-online-sale-spurts-up-to-30-offline-sales-fall-due-to-coronavirus-impact/articleshow/75059947.cms

Launch innovative products that serve unmet needs

Customers are demanding cashless facilities, a higher range of ailment coverage, and competitive premium amounts

Claims were the main theme under features respondents looked for, with ‘cashless facility’ and ‘range of illnesses covered’ topping the list. Several customers need wider coverage of ailments, relaxations on pre-existing diseases, non-coverage period, and coverage of day-care costs. Affordable premium rates, along with a speedy purchase and claims mechanism, were some of the other features in demand.

Q: How can the product be improved?



Source: Health Insurance Consumer Pulse Survey 2020

Customer speak

Male, 40 years – Delhi

“The hospitals that are usually covered by insurers are all very expensive and we have to pay a significant amount out of our pocket.”

Male, 38 years – Mumbai

“I can understand insurers don’t have complete coverage of hospitals. But for non-networked hospitals, there could be a base amount that is cashless – like INR 30,000. The customer can be reimbursed for the rest.”

IRDAI's recent reforms have addressed some of these customer asks

In 2019, the IRDAI introduced a slew of reforms, including 'Guidelines on Standardization of Exclusions in Health Insurance Contracts'[16] and in the IRDAI (TPA – Health Services) (Amendment) Regulations, 2019, to address the above customer asks, clearly indicating that the regulatory body is on top of current customer trends and takes customer-centric measures. Here are a few reforms that directly support these customers needs:

- A negative list of 12 exclusions that are no longer valid, including mental illness, psychological disorders, and puberty- and menopause-related disorders.
- A positive list of 16 permanent exclusions, including Hepatitis B, Alzheimer's and HIV. An insurer can now offer a policy to patients excluding these from coverage.
- The waiting period for lifestyle diseases like hypertension, diabetes and cardiac conditions shall not be more than 90 days, ensuring claims aren't rejected on unfair grounds.
- Policyholders have the flexibility to choose third-party administrators (TPAs) at the time of buying the policy or during renewal.
- Other than annually, premium payment frequency can optionally be monthly, quarterly and half yearly.

Impact of COVID-19 on customer preferences for product features

- Policy aggregators and insurers have said that queries on COVID-19 coverage have gone up, but customers are still opting for comprehensive coverage policies over standalone COVID-19 policies.[17]

Imperatives for insurers



Move beyond the traditional demographic approach of viewing customers

- Develop a deeper understanding of consumers through a combination of in-depth market research and analytics-driven segmentation of the existing database. Sometimes customers provide direct inputs on product features, such as suggesting a blanket cashless facility at non-network hospitals as a basic cover.
- Leverage analytics to market and sell products that best fit the customer's need.



Customers will not necessarily tell you everything

- Customers sometimes do come up with suggestions (as indicated above) that can act as direct inputs, but they won't necessarily provide all the information.
- For instance, customers did not demand customisation, but considering that at most 3% of respondents concurred on any set of features, insurers can consider creating a customisable product where customers pick and choose features.



Reimagine the possible

- Customers' lifestyles have evolved and there is a growing segment of people focusing on wellness.
- Risk profiles, and therefore premiums, need not be determined only based on existing parameters but should also consider lifestyle choices customers make. This can be made possible through digital assets and IoT that monitor customers' health profiles.

16 https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo3916&flag=1

17 Report in Economic Times. Retrieved from https://economictimes.indiatimes.com/wealth/insure/health-insurance/health-insurance-online-sale-spurts-up-to-30-offline-sales-fall-due-to-coronavirus-impact/articleshow/75059947.cms

Scale distribution excellence

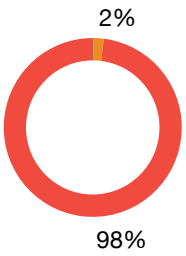
Conventional channels have dominated health insurance distribution

Direct sales (other than online) and agents both accounted for over 30% of the total health insurance gross premium collected in FY19.[18] The individual segment was led by agents, who contributed 73% of the premium collected and 54% of the total number of policies. Almost all government schemes were pushed by direct sales (other than online), indicating the nature of sourcing and opportunity for alternative models. Brokers continued to lead the group segment with a 43% premium share; however, banks, corporate agents and direct channels have been exerting competitive pressure and gaining an incremental share of the segment.

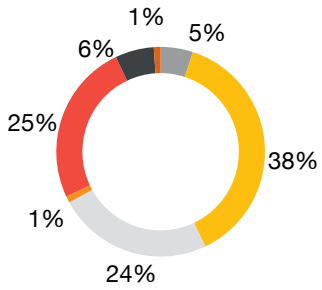
The direct online and web aggregator channels together accounted for more than 3% of the total health insurance policies issued but less than 2% in terms of written premiums. Although these channels were able to make some headway in the individual segment, they have not yet seen much expansion.

Number of policies issued (FY 2018–19)[19]

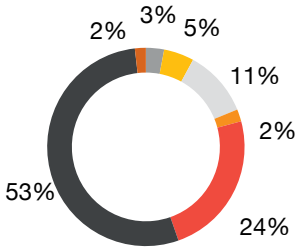
Government businesses



Group businesses

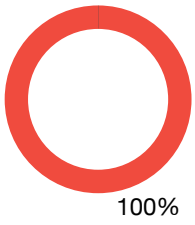


Individual businesses

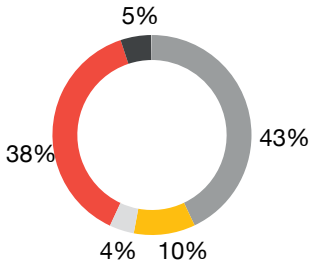


Gross premium (FY 2018–19)[20]

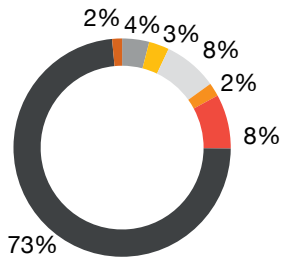
Government businesses



Group businesses



Individual businesses



Brokers
Direct sales – other than online
Corporate agents – other than banks
Others
Corporate agents – banks
Individual agents
Direct sales – online

18 IRDAI – Annual Report 2018-19. Retrieved from https://www.irdai.gov.in/admincms/cms/uploadedfiles/annual%20reports/IRDAI%20English%20Annual%20Report%202018-19.pdf

19 Ibid.

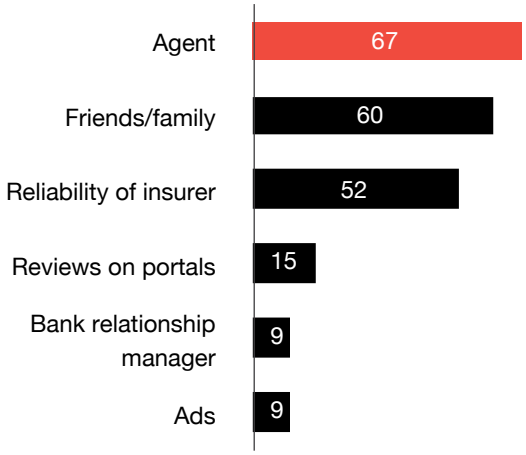
20 Ibid.



Agents are likely to continue to be the dominant distribution channel as customers trust them

Agents were most trusted by customers when it comes to health insurance purchases, given their expertise, strong relationship and the need to hold a person 'accountable'.

Q: Which of these factors influence your purchase of a health insurance policy?



Customer speak

Male, 31 year – Mumbai

"I trust the agent completely. They are experts."

Male, 35 year – Bengaluru

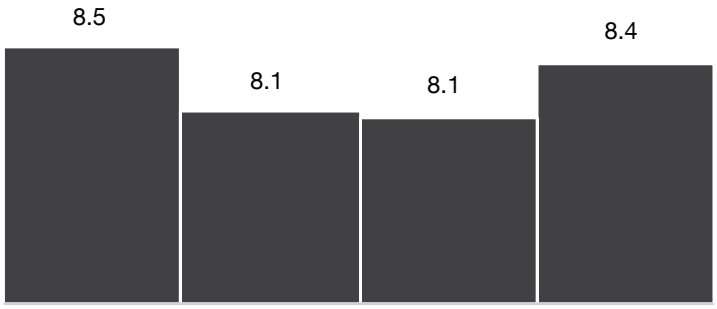
"I bought life insurance online. But health is much more complex and hence I relied on an agent. I trust him but I still verified [details] online."

Source: Health Insurance Consumer Pulse Survey 2020

Investments in distribution are yielding results

Insurers' efforts for enabling distribution and simplifying the purchase journey seem to have created a positive sentiment. However, most of the dissatisfied respondents mentioned that sharing of accurate, relevant and concise information is a key area of improvement for distribution and eventual purchase to get better.

Satisfaction split by means of purchase (scale of 10)



Source: Health Insurance Consumer Pulse Survey 2020

Customer speak

Male, 35 years – Ahmedabad

"The web aggregator got me the best deal and I am content with the transparency it maintained."

Male, 29 – Kolkata

"The agent who sold me the family health plan lives next door. He is trustworthy, but I am not sure if I got the best information."

IRDAI has introduced a policy to help insurers reach more customers

As per the IRDAI circular 'Guidelines on Filing of Minor Modifications in the approved Individual Insurance Products offered by General and Stand Alone Health Insurers on Certification Basis',[21] insurers are allowed to introduce additional distribution channels for particular products without a tedious approval process.



21 https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo3907&flag=1

COVID-19 is likely to accelerate a shift to digital

Health insurance purchase through traditional offline channels (agents, brokers) appears to have seen a visible drop, whereas online channels (aggregator websites) have seen a significant increase of almost 20–30% increase in sales.[22]

The prevailing conditions will likely result in a permanent shift of a large number of consumers to digital channels for purchase and service. However, given the existing prominence of traditional channels, customers' preference for a personal touch, and an expected surge in demand, traditional channels may be forced to digitise completely.

Imperatives for insurers

Build scalable distribution capabilities

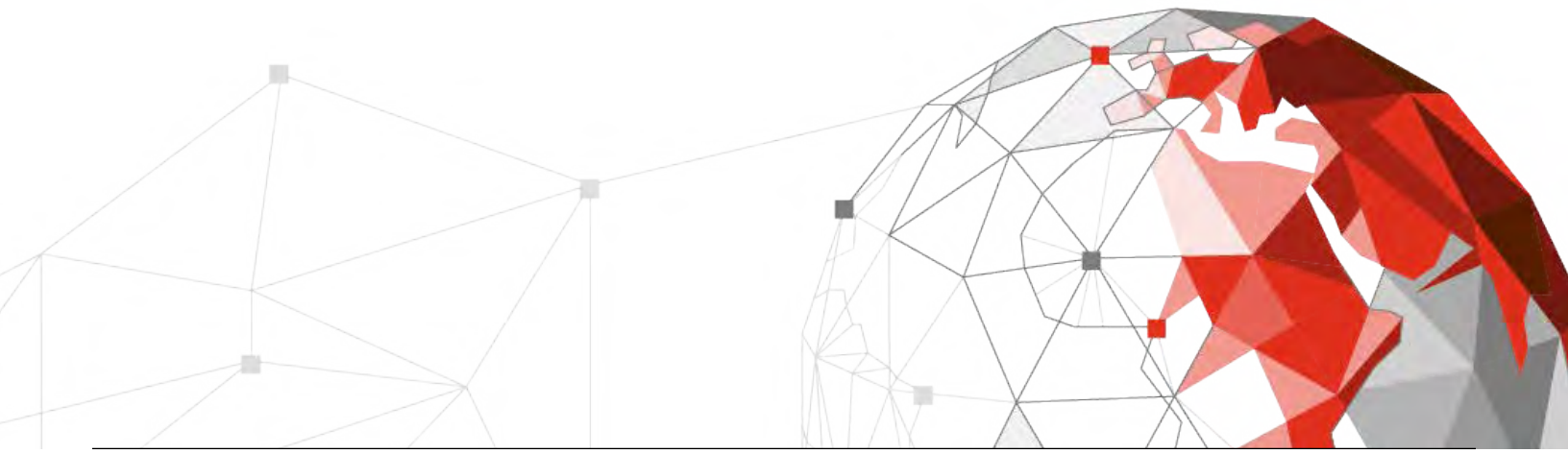
- Build sustainable distribution excellence for agency and retail channels through enhanced capability-building measures such as comprehensive and continual training programmes.
- Deliver nudges to customers through real-time analytics and digital enablers that are easy to understand and use.

Leverage new age partnerships

- Insurers can reach a wider audience by partnering with companies that have a wide active user base, such as digital payments platforms or telecom players. Indeed, a leading life insurance player has already tied up with a leading telecom company to offer life insurance to prepaid customers.

Build out a seamless digital purchase journey

- While it is imperative for insurers to build an omnichannel journey that spans the customer lifecycle and focuses on convenience, the immediate ask would be to build or leverage digital assets to create an intuitive and simple distributor journey.



22 Report in Economic Times. Retrieved from https://economictimes.indiatimes.com/wealth/insure/health-insurance/health-insurance-online-sale-spurts-up-to-30-offline-sales-fall-due-to-coronavirus-impact/articleshow/75059947.cms

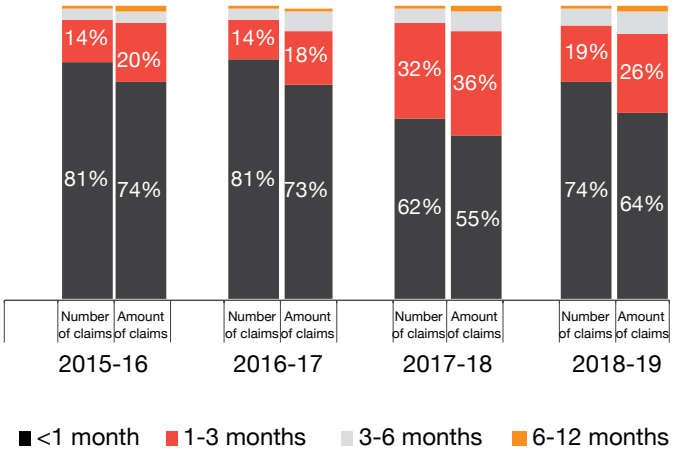
Minimise pain points for claims

Improvement in the claim settlement process

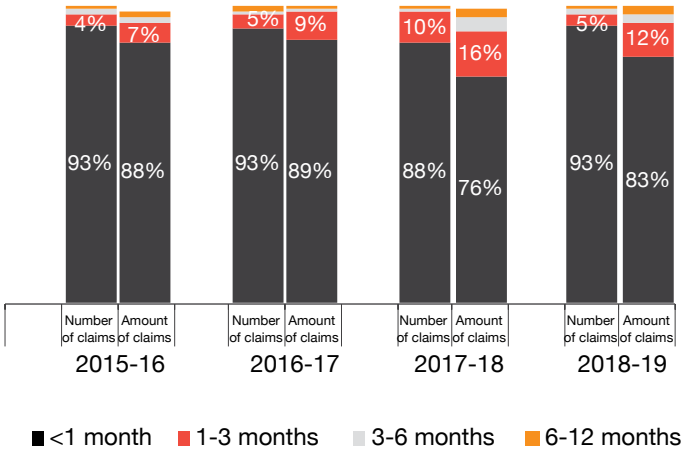
A total of 1.8 crore new health claims were registered during FY19. In terms of mode of settlement, 54% of the total number of claims were settled through the cashless mode and another 42% were settled through the reimbursement mode.

Only 28% of the claims were settled through the in-house mode during FY19. There is a clear difference in the time taken to settle a claim by a TPA and an insurer. While 93% of the total claims were settled within 30 days by insurers, TPAs could settle about 74% of the total claims registered in the same time period.[23]

Ageing of claims by health insurers – TPA



Ageing of claims by health insurers – in-house



Source: IRDAI – Annual Report 2018-19

23 IRDAI – Annual Report 2018-19. Retrieved from https://www.irdai.gov.in/admincms/cms/uploadedfiles/annual%20reports/IRDAI%20English%20Annual%20Report%202018-19.pdf

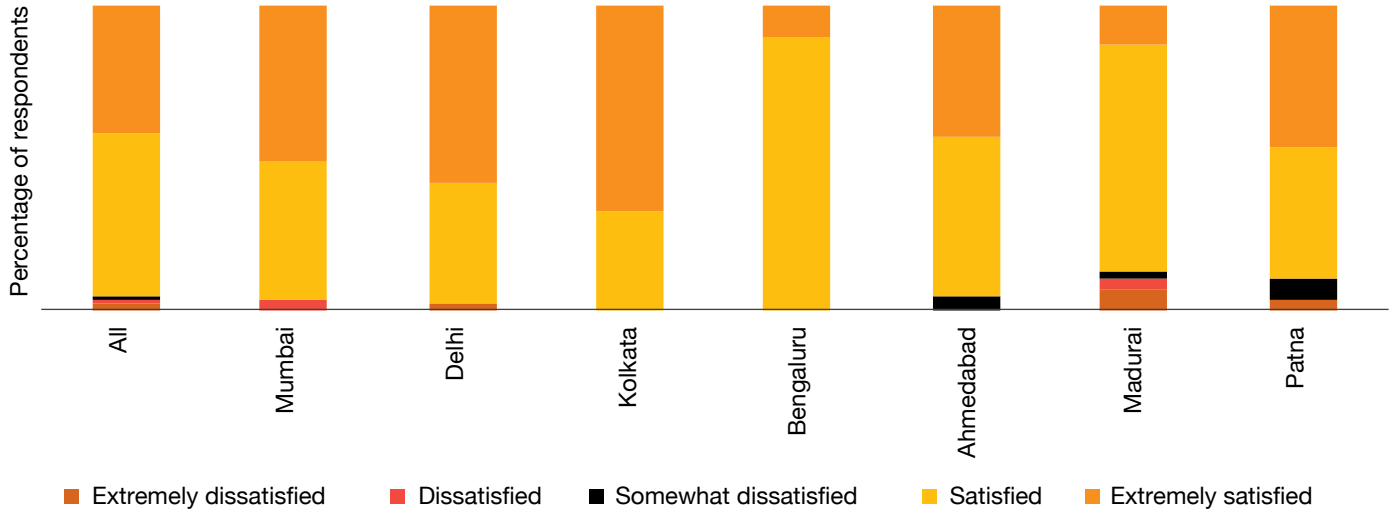
Our sample reports a high satisfaction score, proving that insurers are already recognising and mitigating bad claims experiences

Of the 30% respondents who had made a claim in the last year, a majority opted for cashless settlements and most were fairly satisfied with their claim settlement experience. The satisfaction across cities was also evenly spread, with only tier 1 cities reporting some significant dissatisfaction.



8.1
Satisfaction score

Satisfaction across cities



Source: Health Insurance Consumer Pulse Survey 2020

Of the 61% customers who opted for cashless claims, 1 out of 2 customers was extremely satisfied with their claim settlement process.

Of the 39% customers who opted for reimbursement, 1 out of 3 customers was extremely satisfied.

Customer speak

Male, 35 years – Delhi

"My claim was cashless, but it still took a lot of time to settle because of the TPA."

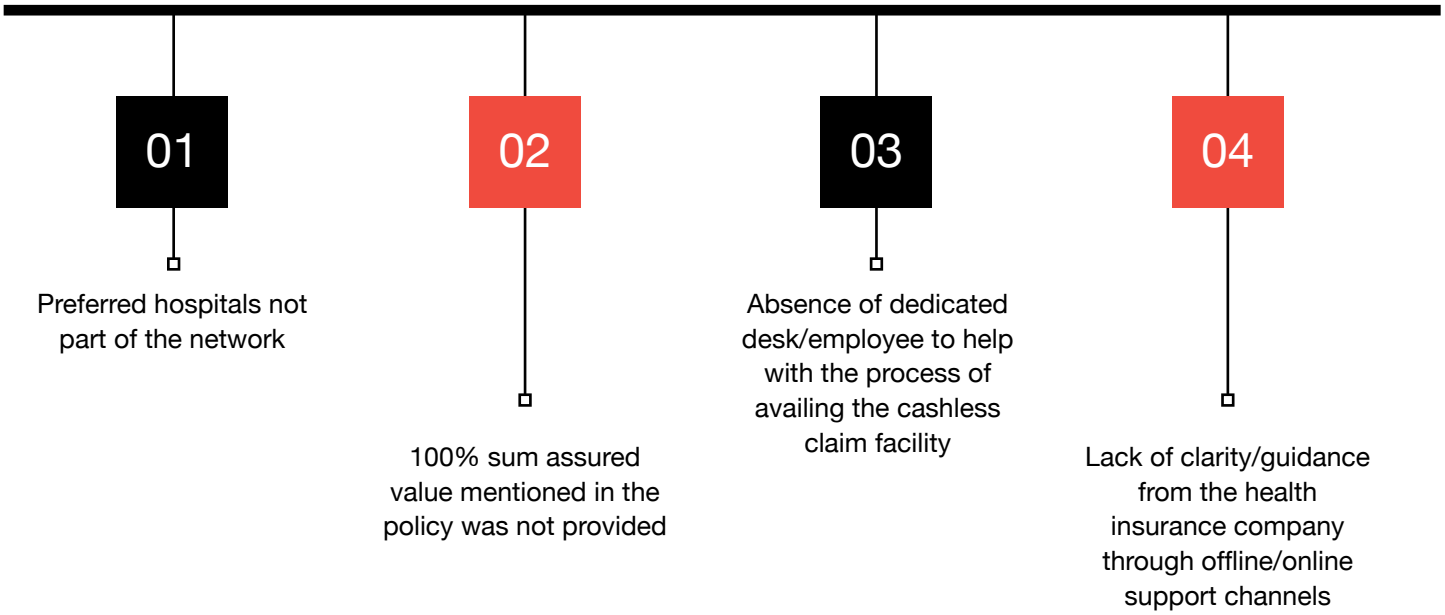
Male, 33 years – Mumbai

"My claim experience was smooth and quick. I will renew my insurance policy with the same company."

Female, 42 years – Mumbai

"My husband has got admitted multiple times over the last 2 years and I hate the fact that I need to submit so many documents every time."

Reasons for dissatisfaction with cashless settlement



Source: Health Insurance Customer Pulse Survey 2020

The limited number of network hospitals, followed by lack of coverage and clarity, makes the cashless process problematic. Since customers are moving towards cashless settlement, it becomes important for insurance companies to have hospitals in the cashless network. Thereafter, network hospitals and insurers should work together towards providing a true cashless experience to the customer.

Customer speak

Female, 40 years – Mumbai

"I have gone through the claims process multiple times, and there is always some or the other problem. It has never been smooth and stress free."

Male, 32 years – Bengaluru

"Even though my claim was cashless, I had to make sure that the insurance company and the hospital were in touch and make them coordinate and settle the claim."

Male, 47 years – Mumbai

"There was no clarity on how to go about the cashless procedure, so finally I had to pay the bill and then ask for a reimbursement later."



Reasons for dissatisfaction with reimbursements

Partial settlement of claims is the major cause of dissatisfaction

Our focused group discussions and another survey study[24] indicate that customers are often surprised and dismayed that several items in their medical bills are not reimbursed by health insurers or that there is a co-pay clause in their policy.

The other two major concerns were delays and inefficient processes that warrant systemic interventions from insurers and healthcare providers.

Customer speak

Male, 40 years – Delhi

"After paying the charges to the hospital, I received the reimbursement cheque after 1 year. However, in my friend's case, the claim was reimbursed before discharge. There is hardly any consistency among insurance companies."

Claim only partially settled

Delay in settlement

Piecemeal requests for documents

Lack of clarity in the process

Customer speak

Male, 45 years – Ahmedabad

"I had to pay most of the bill out of my pocket because more than half the illnesses were not covered in the plan."

24 ET Wealth survey. Retrieved from https://economictimes.indiatimes.com/wealth/insure/not-happy-with-your-health-insurance-policy-heres-what-you-can-do-about-it/articleshow/68963503.cms

COVID-19 will urge insurers to digitise processes related to claim settlements

The global spread of COVID-19 has had a wide and varied impact on the way consumers think about transacting with insurance providers. They need a quicker turnaround time, more transparency and faster disbursements during this time. This could have a dramatic effect on the pace of digitalisation of processes.

Imperatives for insurers



Integrate with network partners

- Reduce customer anxiety and improve operational efficiency by setting up a platform allowing API integration with hospitals, and minimise dependency on personal communication for cashless claims processing.



Encourage online self-service

- With the impact of the ongoing pandemic, insurers should ensure minimal physical interaction and increase the ease of initiating reimbursement claims by introducing an online self-service facility for claim filing, like a customer app for claim reporting and process updates.



Invest in enhanced claim-processing capabilities

- Introduce RPA to automate claim verification and processing, thus reducing the time for final settlement. This will not only help build trust among customers but also reduce the cost of insurers.
- Leverage AI for fraud detection, thus reducing claims lifecycles. This can be done by using predictive modelling for better risk and fraud management.



Communicate clearly to set the right expectations

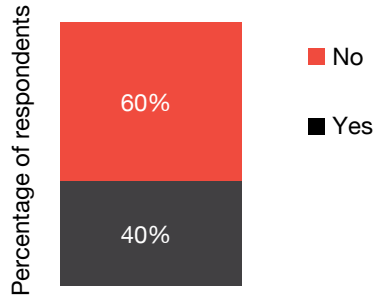
- With lack of clarity and guidance being the major reasons for dissatisfaction with the claims process, insurers need to adopt a clear and transparent communication policy to protect their own interests and those of policyholders as well.
- Insurers can consider introducing additional touchpoints before claims settlement (for instance, on hospitalisation) to appropriately set expectations with customers and enable them to prepare. This will reduce disappointment among customers due to partial payment for cashless settlement and distrust among policyholders.

Engage and serve effectively throughout the customer's journey

Low awareness about the free-look period indicates lapses in communication

In our survey, 60% of the respondents were not aware of the free-look period built into the health insurance plans. This clearly indicates lack of customer centricity in distribution channels. The first moment of truth for policyholders – purchase – seems inadequately leveraged to build long-term trust with customers. It also indicates that customers are not fully aware of what to demand from health insurers.

Review period awareness



Customer speak

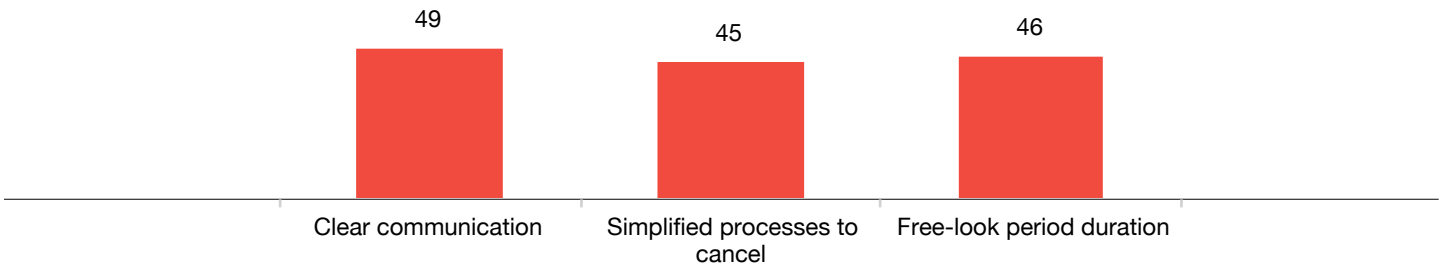
Male, 31 years – Mumbai

"Luckily, I skimmed through the policy document, or else I wouldn't have known that I have a 15-day review period."

Source: Health Insurance Consumer Pulse Survey 2020

With respect to the free-look period, clear communication, simplified cancellation processes and duration of the free-look period emerged as key improvement areas.

Free-look period improvement areas (percentage of respondents)

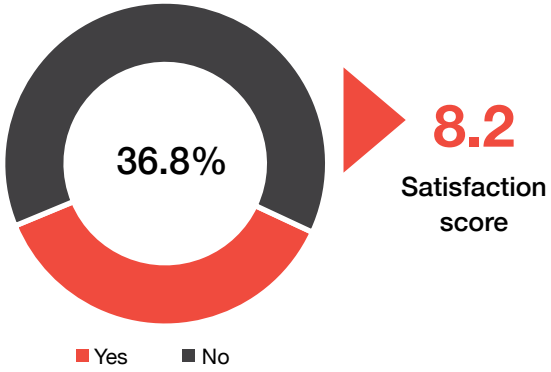


Source: Health Insurance Consumer Pulse Survey 2020

Low levels of service interactions likely a result of non-engaging nature of existing plans

Only 36.8% of respondents reached out to health insurers for any service need and were largely satisfied with solutions. However low service interactions also indicate the low engagement nature of existing health insurance plans. As product innovation takes place, individual plan penetration is likely to go up and so will service interactions.

Reached out to customer service

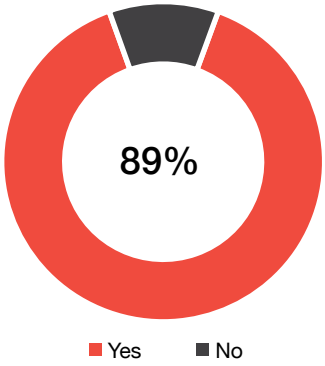


Source: Health Insurance Consumer Pulse Survey 2020

Customers largely intended to renew their policies, meaning it is up to insurers to ensure action

Given that a majority of respondents had a positive perception across their journey, 89% of them intended to renew their policy with the same insurer. This said, the actual renewal rate for health insurance remained far lower, indicating missed opportunities due to lack of coordination between operations and distribution as well as absence of a holistic customer communication framework.

People who would renew their policy



Source: Health Insurance Consumer Pulse Survey 2020

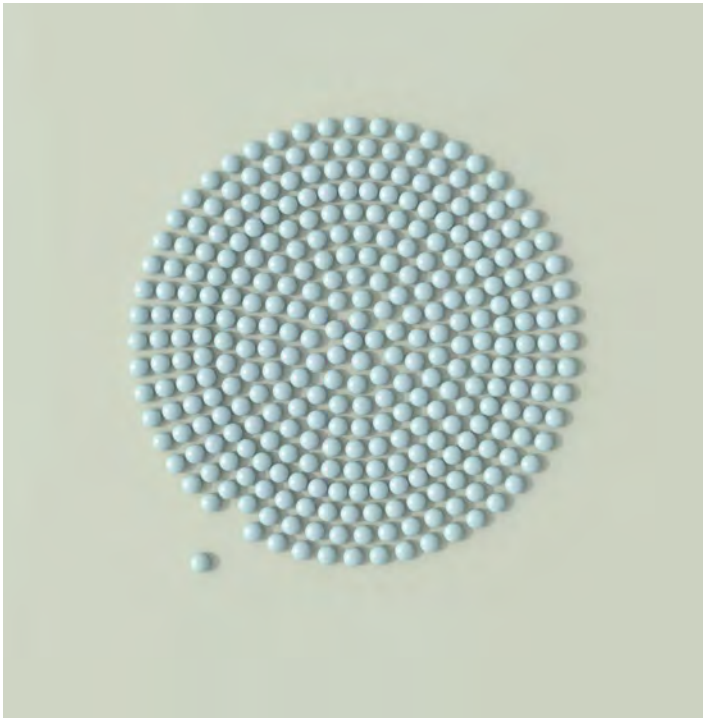
Customer speak

Male, 31 years – Delhi

"I will not consider renewing my policy until there is a clear benefit from another insurance company."

Impact of COVID-19 on communication from insurers

Based on industry views, it has become evident that consumers are now actively searching for need-based health policies, directly stating their expectations on policy coverage. With increased awareness, consumers will pay more attention to the terms and conditions of policies. Therefore, it becomes imperative for insurers to communicate clearly.



Imperatives for insurers

Maintain transparency to build trust

- Insurers need to ensure that relevant features, exclusions, and conditions are explained in a clear and consistent manner, in a language that the customer understands.
- Insurers also need to plug potential communication lapses across the journey and across channels by considering a multipronged approach so that lack of awareness about key aspects such as the free-look period reduces.

Clarity in communication is cited as a concern during explanation of product features (resulting in full reimbursements not being made), on-boarding (as reflected in the lack of awareness of the free-look period) and during claims (about process). Therefore, insurers need to customise communication based on customer segmentation and customer journeys.

Contextualised, engaging and goal-based communication

- Contextualised and engaging communication which is health goal based will elicit swift customer response and, therefore, improve interaction and engagement.
- Insurers should also seek to integrate the various touchpoints and seek to deliver communication through the customer's preferred medium.

Holistic customer engagement framework

- Insurers need to implement an engagement framework that lets them deliver personalised, trigger-based and structured communication consistently throughout the customer lifecycle.



About the study

Our team undertook a holistic study to understand the evolving conditions in the industry and uncover the customer's side of the story. We used an in-depth customer survey to uncover insights into customers' needs, expectations, and behaviours with regard to health insurance.

We surveyed over 1,000 individual health insurance policyholders across India. Our findings clearly highlight the evolution the industry has witnessed and challenge traditional myths about customer dissatisfaction.

Who were the customers we spoke to?

1,020 individual interviews and

36 participants in focus group discussions (FGDs)
Age of respondents: 28–45 years

Gender

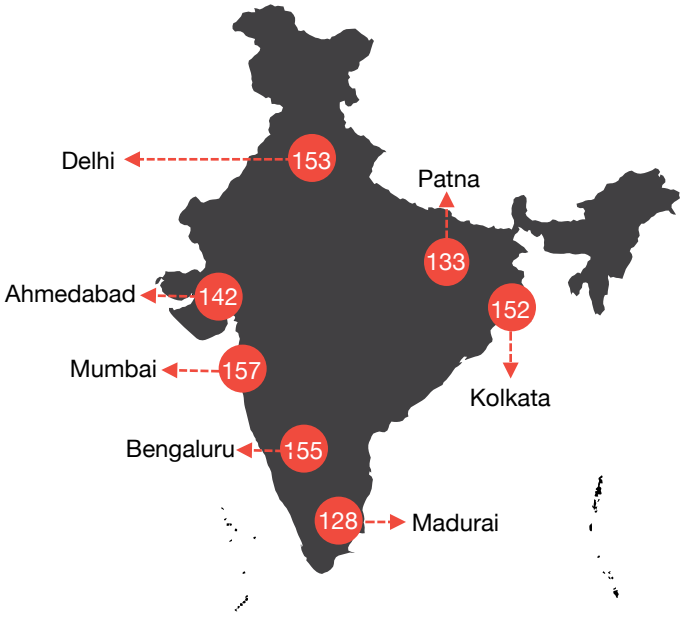


Marital status

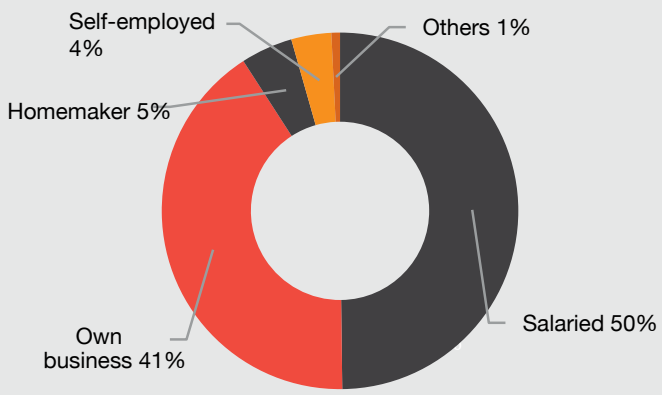


Dependent coverage

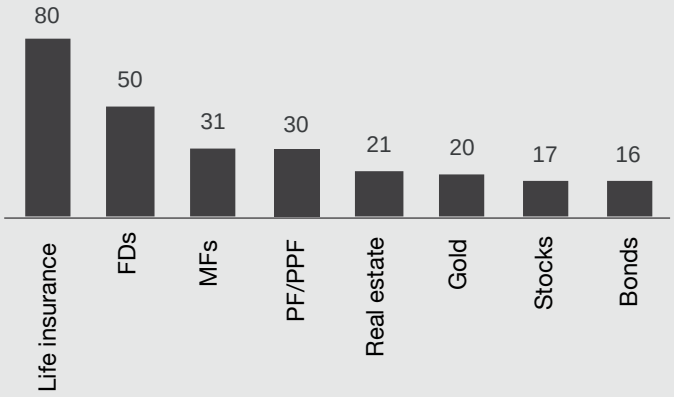




Employment type



Financial instruments invested in



Our methodology

The survey was conducted in early February 2020, prior to the widespread outbreak of COVID-19.

Objective

Develop a complete understanding of consumers (owners) across their journey – from purchase to renewal of health insurance.

Approach

The target group for the study comprised health insurance owners in the age range of 28–45 years, belonging to NCCS A1 and A2 households.

The study was conducted in two stages:

- The first was the qualitative stage, where six FGDs with six participants in each group were conducted across Mumbai and Delhi.
- The second was the quantitative stage, where 1,000+ customers were interviewed across seven cities.

The questions and discussion spanned the entire health insurance journey.

About FICCI

Established in 1927, FICCI is the largest and oldest apex business organization in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

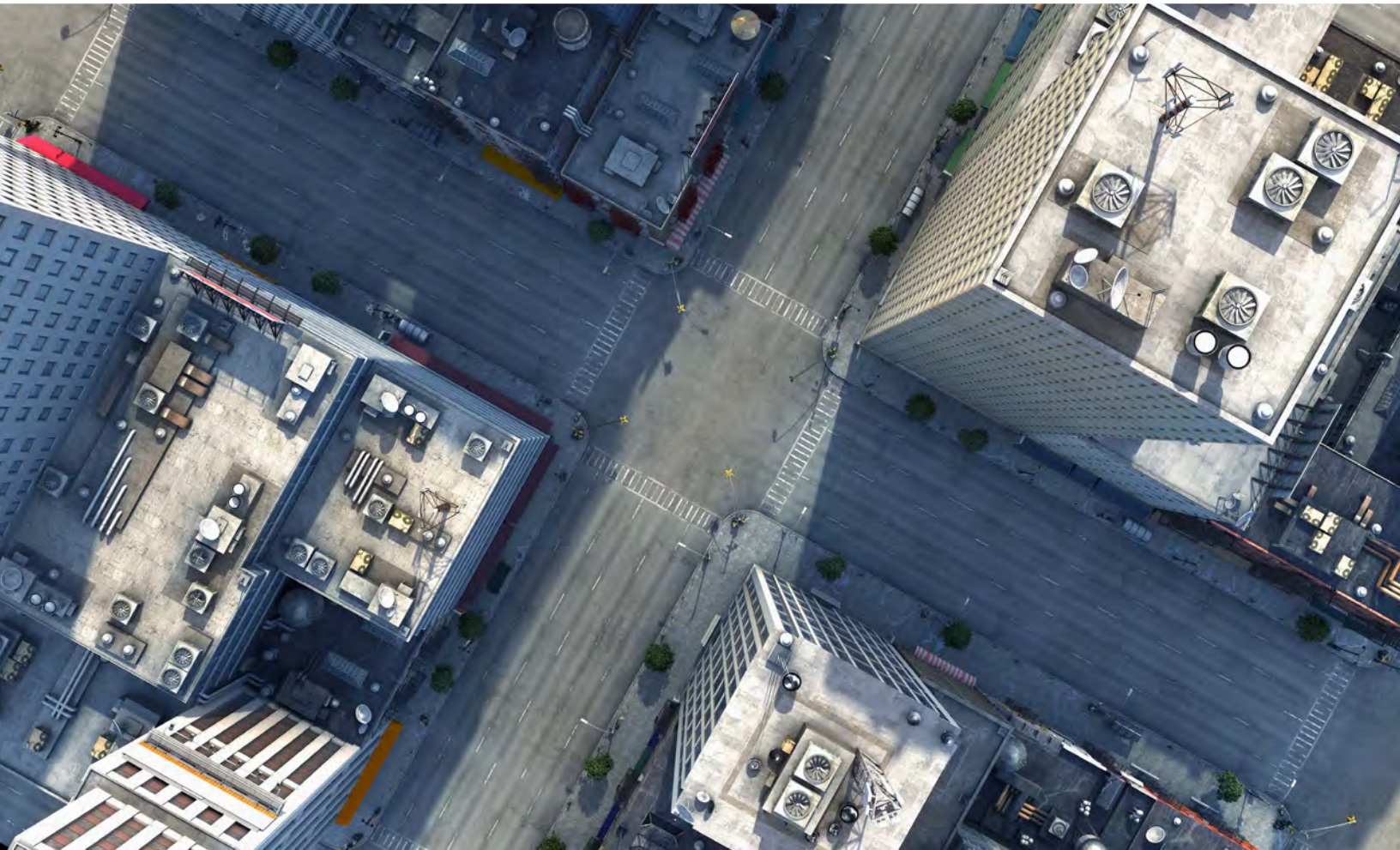
A non-government, not-for-profit organization, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

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At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with over 276,000 people who are committed to delivering quality in advisory, assurance and tax services. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

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Data Classification: DC0 (Public)

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