

WAVE 1 VS WAVE 2:

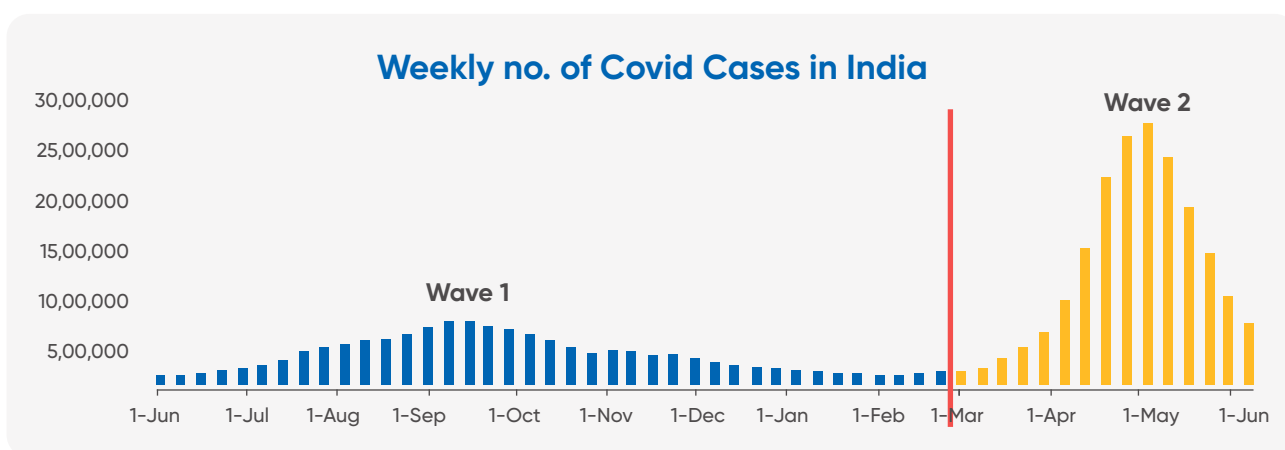
THE CHANGING PATTERN OF COVID-19 CLAIMS

As the second wave sweeps the country, general and health insurance companies have seen an alarming rise in health claims due to Covid-19. Weekly average cases have gone up by almost three times from wave 1 to wave 2 at its peak.

An analysis of Prudent's claims data shows the changing pattern of Covid claims in wave 1 and wave 2. The analysis provides insights on the impact of Covid-19 claims on various stakeholders, i.e.:



Covid-19 enormously hurt India's insurance sector, affecting most of the bottom-line figures of general/health insurance companies.



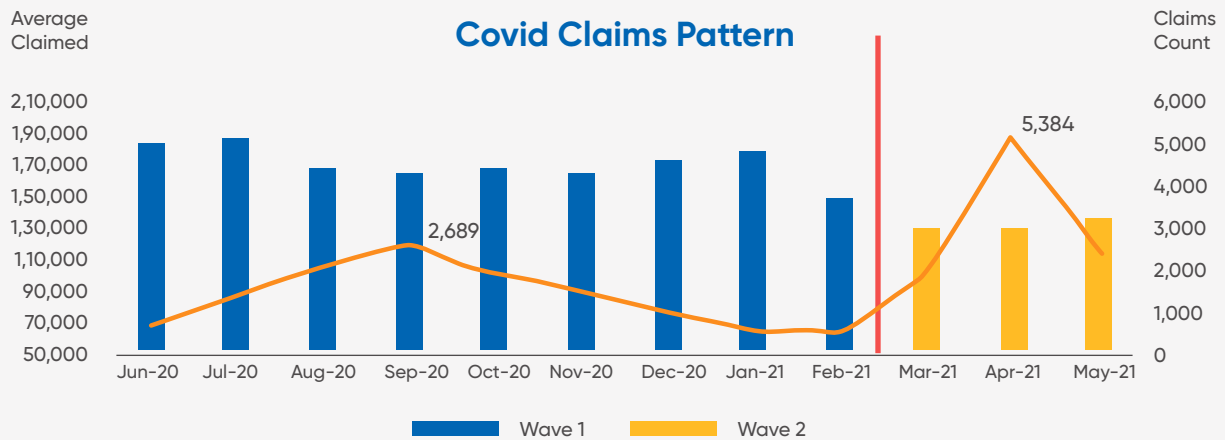
Source: <https://covid19.who.int/>

A comparison of important parameters during wave 1 vs wave 2

Parameters	Wave 1	Wave 2
Nature of Virus	B.1 Virus – comparatively 60% less transmissible than the Delta variant	Delta variant - B.1.617.2* (12 mutations) – more infectious, increased transmission of the virus
Vaccination – (Does not stop transmission of virus; at present, only reduces severity of the disease)	No vaccination drive – more cautious people. Total maintenance of social distancing	Once people got vaccinated– public gatherings increased, resulting in exponential spread of the virus
Chaos for lack of availability of hospital bed		Fear instigated people to get hospitalised even for mild/moderate cases

Source: Moneycontrol

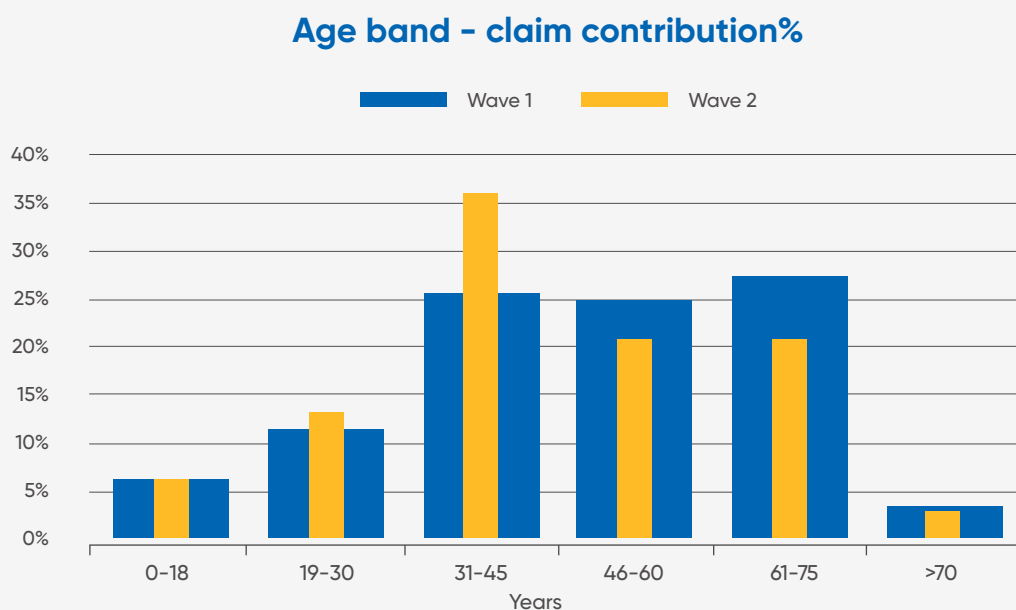
Despite increased Covid-19 claims, it is interesting to note that the average claim size shows a decreasing trend from wave 1 to wave 2.



Source: Prudent universe data.
*All claims size and claims settled figures are in INR

A few reasons that can be attributed to the decrease in average claim size are stated below:

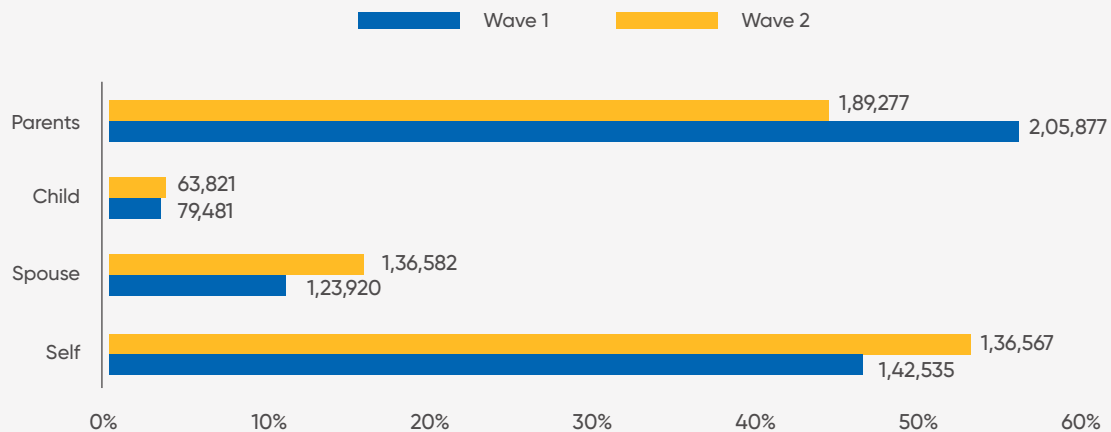
1. Wave 2 of Covid-19 has majorly hit young adults (31-45 years) with fewer co-morbid conditions compared to the elderly population (61-75 years). The fact that vaccination was limited to largely over 45-year old population, resulted in higher incidence of cases in the 31-45 years age bracket
2. Average claim size for age band of 31-45 years is INR 1,27,025 compared to INR 2,08,637 for age band of 61-75 years



Source: Prudent universe data

3. As far as relationship-wise claims distribution is concerned, it was observed that the contribution of parents to overall Covid claims has significantly decreased from 48% in wave 1 to 38% in wave 2. With their average being higher than others, this change in composition has resulted in reduced overall Covid average claim size

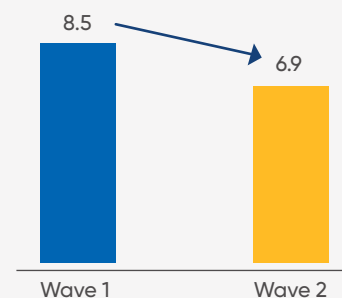
Relationship-wise claims distribution



4. Average stay in hospital has dipped

- During wave 1, as a precautionary measure, hospitalisation was required till a negative Covid report was produced
- During wave 2, as soon as the vitals were back to normal, patients were advised to continue their medical treatment while isolating at home. This change in protocol was due to increased overall cases, which caused scarcity of beds

Length of Stay



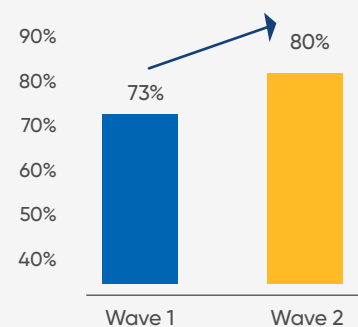
Increase in claims payout ratio

As per IRDAI guidelines, PPE considered under consumables previously will now be paid as per reasonable and customary rates. In addition IRDAI has put relaxation in General insurance council recommended covid treatment rates from Jan 2021

Since there were no proportionate deductions on pharmacy and investigation, overall payout % increased from 73% in wave 1 to 80% in wave 2

Pharmacy & drug cost has increased in wave 2. Usage of expensive drugs like Remdesivir and FabiFlu have also contributed to the increased costs. FabiFlu reported sales of 762 Cr since its launch in June 2020, almost 50% of which was during the month of April 2021 (Peak of wave 2)

Payout%



Increased demand for insurance:

Homecare utilisation

- As the frequency of overall Covid cases increased in wave 2, the demand for hospital beds have also increased
- Due to the lack of availability of beds and cases of mild/moderate symptoms, there has been an increase in homecare claims by 139%

Covid Wave	Average Claim	Average Settled	Payout
Wave 1	11,015	9,763	88.6%
Wave 2	12,057	10,753	89.2%

What to expect in the coming years?

- Currently, around 6% of the Indian population is fully vaccinated.
- With a current daily average of 29.6 Lacs vaccines per day, we can expect 30-35% of the Indian population to be vaccinated by the end of 2021

***Per Annum: Source:**

Ministry of Health and Family Welfare (<http://Covin.gov.in>)

**India Population 135 Cr
Vaccines Required 270 Cr**

Total Vaccines Provided – 39 Cr

**Total Vaccines Required – 231 Cr
54 Cr Current Supply***

*As of July 15, 2021



Covid Wave 1 vs Wave 2 – An Overview on Health Claims

Frequency of Claims – Wave 1 vs Wave 2 Weekly average claims up by 288%

- Macro-containment in wave 1 (Area/ Building under red zone). Micro-containment in wave 2 (Flat/Floor quarantined)
- Mutation in Virus – highly infectious in nature
- More time for Covid test results – asymptomatic people spreading infection
- Vaccination reduces severity, but does not stop the spread of infection

Increased Demand for Insurance

- Home care claims for mild/moderate cases were up by 139% from wave 1 to wave 2
- Corona Kavach and Top-up plans in demand
- Corona Kavach – Lower premium but only limited to Covid claims
- Top-up – Comprehensive health policy that enhances overall coverage for a higher premium

Average Claim Size

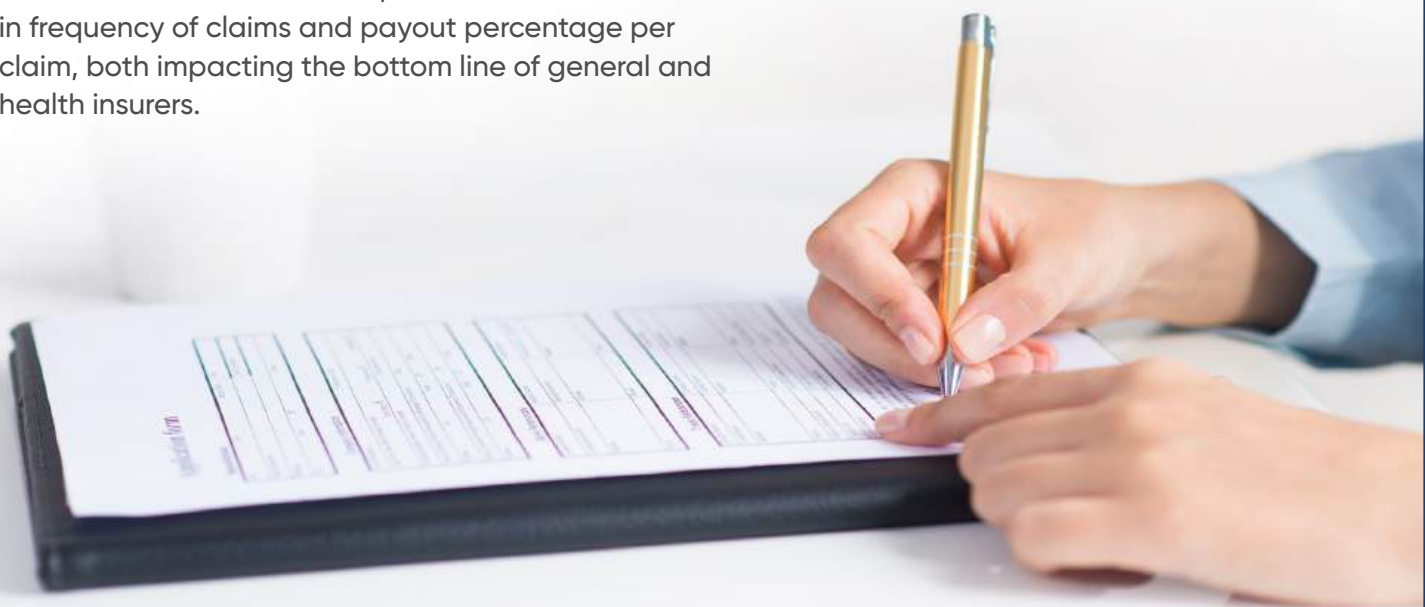
- Average claim size reduced in wave 2 by 22%
- Affected young adults with lesser severity; compared to elders with co-morbidity
- Length of stay at hospital decreased. As soon as the condition stabilised, patients were advised to continue their medication from home

Payout increased by 7% in wave 2

- Pharmacy contribution % increased on overall claim (not proportionate on pharmacy bills)
- Expensive drugs like Remdesivir and FabiFlu were in huge demand in wave 2, with no proportionate deductions on them and investigations; resulted in a higher payout %

Conclusion:

The Indian insurance market has witnessed some major changes in terms of Covid claims frequency and size from wave 1 to wave 2. Though the average cost per claim has reduced in wave 2, we have seen an increase in frequency of claims and payout percentage per claim, both impacting the bottom line of general and health insurers.





www.prudentbrokers.com

For more information, please contact:
benefitsconsulting@prudentbrokers.com

PRUDENT INSURANCE BROKERS PVT. LTD.

Registered Office: 101, Tower B, Peninsula Business Park, G.K Marg, Lower Parel, Mumbai - 400013

CIN No.: U70100MH1982PTC027681 | License No. 291 (Validity: 18th February 2020 to 17th February 2023)

Insurance is a subject matter of solicitation.

Disclaimers: Prudent Insurance Broker Pvt. Ltd. is the registered Insurance Broker with IRDAI and does not underwrite the risk or act as an Insurer. This document is merely an attempt on our part to help people in the midst of a pandemic. This is not a part of any service being provided by Prudent to its customers for brokerage or fee. This report and any recommendations, analysis or advice provided herein, are based on our experience as insurance and reinsurance brokers or as consultants, as applicable, are not intended to be taken as advice or recommendations regarding any individual situation. The opinions expressed herein are valid only for the purpose stated herein and as of the date hereof. We are not responsible for the consequences of any unauthorized use of this report. We have used what we believe are reliable, up-to-date and comprehensive information and analysis, but all information is provided without warranty of any kind, express or implied, and we disclaim any responsibility for such information or analysis or to update the information or analysis in this report. We accept no liability for any loss arising from any action taken or refrained from, or any decision made, as a result of or reliance upon anything contained in this report or any reports or sources of information referred to herein, or for actual results or future events or any damages of any kind, including without limitation direct, indirect, consequential, exemplary, special, or other damages, even if advised of the possibility of such damages. Its content may not be modified or incorporated into or used in other material, or sold or otherwise provided, in whole or in part, to any other person or entity, without our written permission. No obligation is assumed to revise this document to reflect changes, events or conditions, which occur subsequent to the date hereof. Any opinions, recommendations, analysis or advice provided herein could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change. This document contains information which is aimed to assist the reader and is generic in nature, and is not meant to be in the nature of medical advice. Kindly contact your doctor for advice on the vaccination and its effect and related next steps.

You understand and agree that any interactions and associated issues between yourself and any other person who assists you in the vaccination drive including but not limited to your health issues and your experiences is strictly between you and such other person. You shall not hold Prudent responsible for any such interactions and associated issues. For avoidance of doubt, Prudent is not involved in providing any healthcare or medical advice or diagnosis and hence is not responsible for any outcome of the vaccination drive that you may choose to participate in. Prudent shall not be responsible for any breach of service or service deficiency you may experience in the course of vaccination or in any related aspect. We cannot assure nor guarantee the ability or intent of the vaccine administrator to fulfill their obligations towards you. Prudent also encourages you to perform your own investigation prior to selecting a partner for the vaccination drive.