



INSURANCE COVERAGE DURING PANDEMIC AND EPIDEMIC : AN ANALYSIS

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A) Abstract

Insurance law plays a pivotal role in any society. Whereas health insurance is the most common type of Insurance globally. People generally like to safeguard themselves from unexpected heavy Medical expenses. Therefore, to safeguard from this kind of lofty expenses people generally take health insurance. In recent time we can see the spread of various new kind of medical diseases such as Ebola, Nipah and COVID-19. These diseases have affected globally. However, now the problem arises whether these new kinds of new diseases will be covered under the existing policy of health insurance. In the year 2019-20, there was a global outbreak of COVID-19, which has affected lakhs of people globally. Therefore, now the problem arises globally whether the existing health policy covers these type of new diseases. Therefore, this paper enlightens and take data from various country, what is the global response to this kind of problem. The motto of this paper is to enlighten its reader about the common problem which has been raised globally.

1. Introduction

1.1. Background

Insurance now a day is the most common practice and, Insurance plays a pivotal role in today's society. People to avoid any loss from contingency like to take Insurance. Either it is a company or individual to protect themselves take a different type of Insurance.

Companies take insurance such as Fire Insurance and Trade Insurance to protect their business and trade. On the other hand, Individual take Insurance such as Health Insurance and Life Insurance, for the sake of their family so that if anything happens to an insured person it should not affect their family.

In recent time, we can see the Health Insurance is the most common type of Insurance, and generally, most of the companies are covering this type of Insurance. However, in recent time we can see, many new types of diseases are evolving such as Nipah and Corona Virus. Therefore, it is a matter of great tension and debate whether the Insurance Companies are entitled to cover this type of Epidemic and Pandemic diseases.

Recently, in the year 2019-20, we can see the outbreak of disease Novel Corona Virus, which affects various parts of the world. Now, it was a matter of tension whether these type of diseases will be covered or entitled under the same health policy if individuals are affected by these kind of diseases.

Therefore, this paper tries the analyze the coverage of Insurance Companies, during these kinds of the situation i.e. during Epidemic and Pandemic. This paper also compares the Insurance policy in India and their coverage with other Insurance companies situated in other parts of the world.

1.2. Literature Review

The insurance industry in India has is expected to be more than 150 years old. From the days when there were several private companies, to nationalization, and



privatization, the industry has come a full circle. It has been discovered that, before independence, more than two hundred private insurance companies were doing business, particularly in the life insurance area. If we will have put a glance at the pre nationalization period, where we can see through the help of Indian Insurance Year Books and historical studies which shows that nearly more than 40 times statutory laws and insurance acts were regulated during the period of 1938,1939,1940,1941,1955 to regulate the insurance laws. The Insurance Act of 1958 was passed to regulate and control the insurance business in India where nearly 66 out of 215 life insurance companies perished between the period of 1935 and 1955 (Agarwal,1961 and Bhawe,1970). It also saw that there was an increase in mismanagement and malpractice in the life insurance sector. This results in the manipulation of life insurance sector where the companies were indulged into the speculative trading, large scale liquidation of insurance companies for the sake of control in the management of the companies. These activities created the resentment and untrustworthy towards the insurance companies.

In 1993, the report by Malhotra Committee¹, which was headed by former Finance Secretary and the Governor of Reserve Bank of India Mr R.N. Malhotra, was formulated to evaluate the deep analysis of Indian insurance industry and accordingly set the future milestone and provide the appropriate

strategy to achieve that. The committee was formed to bring the reforms in the Insurance sector so that the targeted milestones can be achieved accordingly. After reviewing the “Malhotra Committee Report” it was concluded that reforms were made for creating a more effective and efficient competitive financial system which will be suitable for the requirements of the targeted milestone, which was kept in mind before framing the policy, which is the basic structural changes and helps in recognizing that insurance is a pivotal part in the functioning of the overall financial system. In 1994, after the deep discussion and after setting the targeted milestone for Insurance sector the committee report was submitted along with some of the key recommendations.

Syed Ibrahim (2012), in his research “Consumers’ Grievance Redressal System in the Indian Life Insurance Industry - An Analysis²” tries to analyze and review by stretching the focus on consumer protection and focusing on grievance settlement management by Life Insurance Industry in India. The current study was based on the data received by relevant secondary sources which mainly includes the data of Insurance Regulatory Development Authority of India (IRDAI), Reserve Bank of India (RBI), various reports and other studies which were made for 5 years continuously.

Mouna Zerriaa and Hedi Noubbigh (2015),⁶ in their research paper,

¹ Malhotra Committee (*Mospi.gov.in*, 2020) <http://www.mospi.gov.in/sites/default/files/Statistical_year_book_india_chapters/Insurance-writeup.pdf> accessed 2 October 2020.

² Syed Ibrahim, 'Consumers' Grievance Redressal System In The Indian Life Insurance Industry - An

Analysis' (2012) 2 South Asian Journal of Marketing & Management Research <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2383124> accessed 2 October 2020.



“Determinants of Life Insurance Demand in the MENA Region³” have tried to investigate deeply the determinants of life insurance consumption mainly focused towards the Middle East and North Africa (MENA) region using a sample of approx 17 countries over the period 2000-2012. They have currently used in their paper two measures of life insurance demand: insurance density and insurance penetration. The outcome of this research states that consumption increases with income, interest rates and inflation and it also highlights that the country’s level of financial development, life expectancy and educational goals stimulates life insurance demand in a nation.

1.3.The Problem

The paper tries to analyze the problem with health insurance. The problem here arises, that world nowadays seeing an outbreak of new diseases such as Ebola, Nipah and COVID-19. These kind of diseases are affecting people globally. Therefore, this paper tries to analyze whether these kinds of new diseases will be covered under the existing policy of health insurance?

1.4.Legal Setting

In this paper we will administer and analyze the role Insurance Regulatory and Development Authority of India(IRDAI), to analyze the Insurance law in India. In America, we will analyze the National Association of Insurance Commissioner for understanding Insurance policy.

1.5. Research Question

Whether newly emerging diseases like Ebola, Nipah and COVID – 19, which are termed as

Pandemic and Epidemic will be covered under the existing Health Insurance Policy?

1.6.Existing Legal Situation

All types of Insurances are generally governed in India under the regulatory authority of the Insurance Regulatory and Development Authority of India. Where in the USA, the Insurance is governed by the state as the well central authority. However, to regulate Insurance USA has framed the National Association of Insurance Commissioner.

1.7.Hypothesis

If there is a global outbreak of various new diseases in society, the Insurance regulatory authorities have to consider these new diseases in the existing Insurance policy. However, if an individual is going to take new policy they have to go through terms and conditions properly.

1.8.Methodology:

The research methodology used in this paper is of descriptive and analytical nature. The research is based on the incidents which have occurred in the past. This paper places a great emphasis on the nature of the events and repercussions caused because of such incidents. This paper analyzes the incident which has happened in the past and the impact of it in the present and future world.

2. Defining Insurance and Historical Background

Insurance means a type of arrangement, where company or state undertakes the responsibility to provide guarantee i.e. to compensate against any type of specified loss, illness, damage, or death in return for a

³ Mouna Zerriaa, 'Determinants Of Life Insurance Demand In The MENA Region' (2020) 41 Geneva Papers on Risk and Insurance - Issues and Practice

<https://www.researchgate.net/publication/301703455_Determinants_of_Life_Insurance_Demand_in_the_MENA_Region> accessed 2 October 2020.



payment of a specified premium. Insurance mainly tries to protect from any kind of financial loss. It is a type of risk management which primarily hedges against the risk of contingent and uncertain loss. Therefore, in simple words, one party protects others in case of any loss arising in future, for which the insurance party provide timely money for the insurance.

There are mainly two parties involved in Insurance. The first part is, the company who is providing Insurance or who is taking guarantee is called an insurance company or insurance carrier. However, on the other hand, the party which is insured or on whose behalf the guarantee is taken is called an insured or policyholder.

Insurance in India has evolved through many phases. The development of Insurance has evolved through mainly three stages. Insurance law in India has rooted for its origin in the United Kingdom, where the British Company started operating in India. The company named Oriental Life Insurance commenced its first office in the city of Calcutta, which was followed by Bombay Life Insurance Company in the year 1823, then subsequently followed by Madras equitable Life Insurance Society in the year 1829 and then followed by Oriental Life Assurance Company in 1874. The first statutory act to regulate the Business of Life Insurance in India was passed in the year 1912 which was named as Indian Life Assurance Companies Act 1912. The act was based on the English Act of 1912.

After the formation of free India, on January 19, 1956, the control of Life Insurance Companies took, over by the Government of India. Thereafter the Life Insurance

Company (LIC) was incorporated in the year 1956 under the aegis of Life Insurance Corporation Act, 1956, which accordingly provided the exclusive right to Life Insurance Company to Life Insurance business in India. After, the Incorporation of Life Insurance Company in 1956, Life Insurance Company started playing monopoly in the field of Insurance Industry. After, the introduction of LPG policy in India in the year 1991 the Indian Government introduced various reforms for the financial sector paving the way for liberalization of the Indian Government. Even after the introduction of LPG policy private entities were still not allowed to enter into the business of Insurance.

However, the Government of India in the year 1993 formulated an eight-member committee which was chaired by Mr R. N. Malhotra. The committee also includes Governor of Reserve Bank of India to help the committee in reviewing and understanding the prevailing and existing structure of regulation in the insurance sector. The main motto of the committee was to make recommendations for the betterment of the Insurance Sector by strengthening and modernizing the Insurance regulatory system. The Committee after the detailed analysis submitted its report to the Government of India in January 1994. The recommendations by the committee mainly include the privatization in the insurance sector by allowing the entry of private players in the business of health insurance and general insurance. The report also focused on the establishment of an Insurance Regulatory Authority. After the recommendation received by the Malhotra Committee, the Indian Parliament passed the Insurance Regulatory Act naming, "Insurance



Regulatory and Development Act, 1999.’ The act was passed with the motto to provide for the establishment of a Regulatory Authority for Insurance by keeping in mind to protect the interests of the policyholders, to regulate, promote and ensure the growth of the insurance industry for the development of society, and to amend the Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalization) Act, 1972”

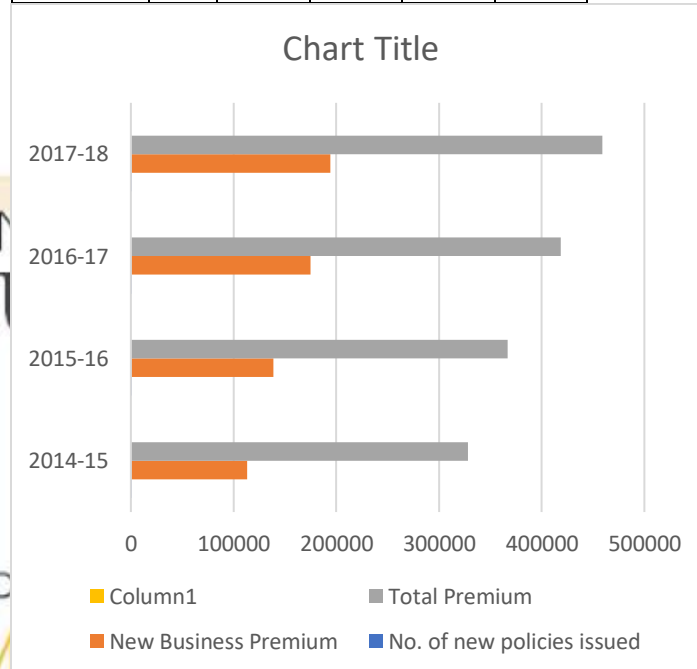
However, after the introduction of the act, the Insurance Regulatory and Development Authority of India has gone through multiple amendments like, in the year of 2002 and 2008. Still, IRDA is working with the motto to safeguard the interest of people and regulate the interest sector so that no one can be cheated and all the insurance companies are working properly to adjudicate the justice to the people.

3. Present data of Insurance Business in India

In India Insurance plays a pivotal role. There are various data which are published by different authorities, which tells the number of policyholders in India.

PARTICULARS	UNIT	2014-15	2015-16	2016-17	2017-18
No. of Companies		24	24	24	24
No. of new policies issued	In Lakhs	259.08	267.38	264.56	281.97
New Businesses	In Crores	113329.52	138765.99	175202.68	194153.9

Premium	Unit	2014-15	2015-16	2016-17	2017-18
Total Premium	In Crores	328101	366943.23	418476.62	458809.44
Market Share of LIC	In %	73.05	72.61	71.81	69.36



This data analyses the report of Insurance Companies related to health insurance. This paper shows the graph from 2014 to 2018. This paper shows and the number of companies remain same i.e. 24 in all the 4 years. However, if we see the number of new policies rise from 259.08 Lakh to 281.97 Lakh. Therefore, we can see the demand for a health insurance policy is increasing day by day. This data also shows that the market share of LIC is reduced from 73.05% to 69.36%. Therefore, this shows that people are opting and shifting to other companies except for LIC.



4. What are Pandemic and Epidemic diseases?

WHO explains pandemic disease as, “ A pandemic disease is where there is a worldwide spread of new disease.”⁴ Therefore, it means pandemic diseases are the diseases which have affected several parts in the world. Pandemic diseases are not a constraint to any boundary, whereas it has moved and affected to various countries in the globe. The example of some of the pandemic diseases is HIV AIDS, COVID-19. These diseases have affected people worldwide.

Whereas epidemic diseases are those which have affected on to some parts or territory in the globe. This diseases mainly have affected only to some countries. The example of this kind of disease is NIPHA and Ebola. The WHO holds the authority to declare disease Pandemic and Epidemic.

5. Insurance Policy During Pandemic in India

Health Insurance policies play a pivotal role in society. Health Insurance covers medicine and hospitalization expenses. People take Health Insurance so that they can be safeguarded against any unexpected medical expenses. Medical-related expenses involve a high amount of money, so it is always beneficial to take Health Insurance. It has come to notice that Health Insurance only covers that expenses which are explicitly mentioned in the policies. Therefore, the Policyholder needs to read and every condition deeply. Therefore if the disease is not explicitly mentioned in the policy, the company doesn't hold himself binding.

Therefore, the problem arises with the new diseases which are recently faced by society. Therefore, it is important to understand whether Insurance companies are liable to pay in that situation? Or is there any alternative by the government where the government can direct to the insurance company to provide reinsurance for the subject matter?

The same problem we can analyze which came in front of India in the year 2020, where there was an outbreak of a disease COVID-2019. This disease was declared pandemic (the disease which has spread to different parts of India) by the World Health Organization. Now, the question raised by the individual was whether their existing health policy will cover the disease for coronavirus? Now if the disease will be covered under the same Insurance Policy it is going to affect the Insurance Companies and will let the company charge crores of Rupees. And if the disease is not covered under the existing Health Insurance it is going to make an ample amount of loss to Insurance Holder.

However, to protect the Interest of Insurance Holder, the Insurance Regulatory and Development Authority of India, by its wide notification on 04/03/2020, said that,

“In respect of the products filed and cleared as per the provisions of Guidelines on product filing in Health Insurance Business (Ref: IRDA/HLT/REG/CIR/150/07/2016) dated 29th July 2016, where coverage is granted for the treatment of hospitalization expenses, to alleviate the hardships that may be caused to the policyholders, all claims reported under

⁴ 'What Is A Pandemic?' (World Health Organization, 2020)

<<https://www.who.int/csr/disease/swineflu/frequently>

[_asked_questions/pandemic/en/>](#) accessed 13 April 2020.



coronavirus shall be handled as per the following norms.

- i) *Where hospitalization is covered in a product, insurers shall ensure that the cases related to Coronavirus disease (COVID-19) shall be expeditiously handled.*
 - ii) *The costs of admissible medical expenses during the course of treatment including the treatment during quarantine period shall be settled in accordance to the applicable terms and conditions of policy contract and the extant regulatory framework.*
 - iii) *All the claims reported under COVID 19 shall be thoroughly reviewed by the claims review committee before repudiating the claims.*
2. *In order to provide need based health insurance coverage, insurers are introducing products for various specific diseases including vector borne diseases. For the purpose of meeting health insurance requirements of various sections, insurers are advised to design products covering the costs of treatment for Corona Virus.*
 3. *These instructions are issued under the provisions of Section 14 (2) (e) of IRDA Act, 1999 and shall come in to force with immediate effect.*
 4. *This has the approval of the competent authority.”⁵*

Therefore, this notification makes it clear that and provides the wide detail about the expenses covered under the existing Health Insurance. This notification makes it clear that, If Hospitalization is covered under

⁵ D V S Ramesh, 'Circular' (Irdai.gov.in, 2020) <<https://www.irdai.gov.in/ADMINCMS/cms/whatsN>

Insurance Policy, therefore the Insurance Company is bound to take care of all the necessary charges related to Hospitalization. This notification also makes it clear that all the necessary medical expenses which arise during the quarantine, will also be covered as a hospitalization expense as mentioned in Health Insurance Policy. Therefore, we can see the Insurance Regulatory and Development Authority of India, in the interest to protect the people of India have made a clear notification to cover the expenses related to COVID-19.

However it is important to understand, the same doesn't apply to new policies which are taken with the motto to protect from COVID-19. Therefore, it is important to read the condition carefully before taking the Insurance Policy. Many companies also introduced separate Health Insurance for explicitly protecting from COVID-19. Therefore, for the protection of policyholder, it is important to choose the Insurance Policy after analyzing all the conditions properly, to safeguard themselves from the situation of epidemic and pandemic.

6. Insurance Policy during Pandemic in the USA

In America Insurance plays an important role. Mostly Individuals residing in the USA have Health Insurance. The USA works on the employer-based insurance system. Therefore, we can clearly understand most people who are residing in America are provided Insurance policy by their employer. In the year 2020, after the outbreak of COVID-19 in America, it affected lakhs of people. Therefore, it was in the priority to

[ew_Layout.aspx?page=PageNo4057&flag=1](#)> accessed 13 April 2020.



analyze, how the individuals are about to receive expenses related to COVID-19.

As per the report by AM J Manag Care⁶, they published the report which says, That the outbreak of novel coronavirus has effected and imparted an unprecedented, clinical, emotional, financial tolls on an Americans. This report tells, due to the outbreak of COVID-19, has imparted and let to shut down of various institution. This has estimated that due to this several million jobs will be lost by the summer. Therefore, for all those who are affected, it will be hard for them to manage, for paying daily essential items such as food, rent, childcare and medical services. Therefore, if people are not able to fulfil these expenses then how is it possible for them to buy insurance policies. Therefore, we can understand, COVID -19 will create a situation where millions of American will not be able to afford Medical care. As per the recent report, 1 in 3 Americans reported that they are not able to afford medical facilities due to cost.

As per the report by Kaiser Family Foundation, the estimated average out of pocket cost even after receiving health insurance subscribed by the employer comes something near 1300\$. Therefore, we can understand the need for Health Insurance Policy in America, where most people are not able to afford the healthcare facilities due to high expenses.

One more report highlights the amount of problem which the Americans are going to face in future. This report tells that the virus has caused a public health crisis which mandates people to stay at home, causing a business to shut down, which resulted in the layoff of workers. This reports also tell that roughly half of Americans are provided health insurance by their employers. Therefore, if the business units are shut down this means individuals will not receive the medical insurance from their employer. Therefore, it means when the need for medical care skyrocketed, then even individuals don't have the medical insurance in their hand. As per the recent report, the estimated cost for COVID-19 in America varies something near 35,000\$. Therefore, as per the economy of the USA, where they work on Spending economy model, affording 35000\$ is a very big task for them. Therefore, if they are not receiving medical insurance from their employer, it will be really hard for them to fight this kind of pandemic⁷.

Now coming towards the individuals who have existing Health Insurance. The problem arises, whether their existing insurance includes the coverage towards COVID-19. National Association of Insurance Commissioner made it clear that existing health insurance policy covers the expenses related to COVID-19. National Association of Insurance Commissioner clearly says that, *"There are various types of health insurance policies and the type of policy you have will*

⁶ A.Mark Fendrick and Beth Shrosbree, 'Expanding Coverage For Essential Care During COVID-19' (AJMC, 2020) <<https://www.ajmc.com/journals/issue/2020/2020-vol26-n5/expanding-coverage-for-essential-care-during-covid19>> accessed 13 April 2020.

⁷ Wendell Potter, 'Millions Of Americans Are About To Lose Their Health Insurance In A Pandemic | Wendell Potter' (the Guardian, 2020) <<https://www.theguardian.com/commentisfree/2020/mar/27/coronavirus-pandemic-americans-health-insurance>> accessed 13 April 2020.



determine what testing and treatment associated with COVID-19 will be covered and the out-of-pocket cost to you.

Individual health insurance is a coverage you purchase on your own, on an individual or family basis, as opposed to obtaining it through an employer. Small-group health insurance is provided by an employer and geared toward businesses with 50 or fewer full-time equivalent employees. If you have an individual or small group health insurance policy, testing and treatment for COVID-19 are covered. However, there may be some out-of-pocket costs or “cost-sharing” associated with testing or treatment. States and insurance carriers have been working together to eliminate this cost-sharing for testing. You should check with your insurer and provider to determine what is covered and what, if any, cost-sharing will be associated with any testing or treatment.

Large-group health insurance is offered by businesses that have more than 50 full-time equivalent employees. If you have large group coverage, you may be covered for COVID-19 testing and treatment, but you should check with your employer and insurer to see what is covered and what your cost will be.

If you have Medicaid or Medicare you are covered for COVID-19 testing and treatment and, in most instances, there will be little or no cost to you. Check with your insurer, Medicare or your state Medicaid office to learn more about your coverage.

Lastly, excepted benefit policies, short-term, limited-duration health insurance coverage,

and/or health care sharing ministries can have significant limitations on coverage and may not provide the same level of coverage. If you have a question about one of these types of insurance policies, we encourage you to contact your insurer.”⁸

Therefore, as per the notification, this makes it clear that, for the interest of people, it is made clear that if they have existing health insurance, their insurance covers all the expenses related to COVID-19. However, if the individuals are planning to buy new health insurance they should thoroughly go through the terms and conditions and ensure whether their health insurance covers COVID-19.

7. Conclusion

Insurance plays a pivotal role in society both actively as well as passive. Health Insurance directly safeguards the people, whereas a good insurance system protects the economy of the country. People take health Insurance to protect themselves from future unprecedented loss. Medical treatment is very expensive nowadays, therefore for everyone it is not easy to afford. Therefore, individual buy insurance to safeguards themselves these kinds of expense.

In recent time we can see the outbreak of various new diseases such as EBOLA and COVID-19. These diseases have affected globally. It is a matter of great tension whether the existing insurance holder, who have already taken, will they be provided insurance for these kinds of new outbreak diseases.

⁸ National Association of Insurance Commissioners, 'COVID-19 AND INSURANCE' (2020) <<https://content.naic.org/sites/default/files/inline->

[files/Insurance%20Brief%20-%20Covid-19%20and%20Insurance.pdf](https://content.naic.org/sites/default/files/inline-files/Insurance%20Brief%20-%20Covid-19%20and%20Insurance.pdf)> accessed 13 April 2020.



The motto of this paper was to review Insurance policy based on mainly two countries i.e. India and USA. This paper analyzed the method of tackling issues in both countries. This paper also provided the statistical data of Insurance holder. This paper shows the Insurance authority towards curbing the issue.

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