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Improving Features of Sales of Health Insurance Products

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ABSTRACT

Insurance protection of the population is of particular paramount importance during pandemics, economic transformation and other complex processes in the life of society. The paper examines the state of the insurance market during the peak of the COVID-19 pandemic, as well as the main trends in its development during 2022. The purpose of the study is to improve measures for the sale of health insurance products in order to increase the profitability of insurers' operations. In difficult and challenging economic conditions, a comprehensive marketing program will help insurance companies to continue their development and maintain financial stability. The proposed activities include the development of new products and improvement of the conditions already existing in the market; active offer of voluntary health and medical insurance and new programs for migrants traveling abroad; study of the financial situation of corporate insurers, individual entrepreneurs; sales via the Internet; application of discounts for prolongation of contracts; expansion of digitalization in insurance transactions, etc. In the course of the work, general scientific methods were used: analysis and synthesis, observation, grouping and comparison. The results of the study can be useful to employees of insurance organizations, teachers and students of economic disciplines.

Keywords: COVID-19 pandemic; insurers; insurance market; insurance premiums; sales of insurance products; insurance medical programs

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INTRODUCTION

Financial protection provided by insurance is very relevant in “difficult times”. Health insurance of citizens is an important element of social and economic policy of any country. In Russia, the insurance market was generally developing well until 2020, but during the COVID-19 pandemic, it reacted with some decline in sales. However, the market did not experience a strong decline, as it was enriched with a whole list of relevant insurance products (health insurance, etc.).

Active sales of the latter are an important area of insurers’ operational activities. In times of pandemics and economic turbulence, the financial stability of insurance companies helps to maintain a positive image of the industry as a whole, as well as the confidence of policyholders in the future.

Earlier, in the “pre-Covid” period, socio-economic aspects of insurance market development and tools for promoting available products were considered by such authors as A.V. Rumyantseva, E.I. Rumyantseva [1]; competent approaches to pricing — R. Kotler [2]; problems and prospects of development of the Russian market of voluntary health insurance were the subject of study by O.N. Suslyakova [3]. T.A. Belousova, D.V. Enilina [4] wrote about the effectiveness of anti-fraud programmes in insurance; M.V. Besspalov, V.S. Kudryashov wrote about the main aspects of insurance services management [5].

Since 2020, with the development of the coronavirus pandemic, it has become necessary to analyse in more detail the topics related to infectious morbidity and actions in the conditions of high readiness. Thus, I.M. Zhadan paid much attention to the fulfilment by insurance companies of their obligations under voluntary health insurance contracts under the conditions of a high alert regime or emergency situation in the Russian Federation [6]. The role of insurance in

the study of risks of biological threats was considered by S.A. Belozеров, E.V. Sokolovskaya, A.A. Faizova [7]; the issues of insurance against infectious diseases were addressed by L.V. Tserkasevich, E.A. Makarenko [8]; the problems of the insurance market as a whole in conditions of the beginning of the pandemic COVID-19 (including abroad) were closely examined by E.P. Ogorodnikova, M.F. Gridnev [9], S.A. Dedeeva, S.N. Kazyev [10], N.A. Kazakova, D.A. Petrova [11], B. Fayzullaev [12], T. Harris, A. Yelowitz, C. Courtemanche [13].

Having studied these papers, we consider it necessary to:

- to review the financial performance of insurers, to analyse the commercial health insurance programmes that were and/or are present in the market, as the virus continues to make itself known and this pandemic (although officially recognised as completed) is unfortunately not the last;
- propose measures to improve the sales of health insurance products to the public.

RESEARCH METHODOLOGY

To further study the dynamics of sales of health insurance products, it is advisable, in our opinion, to analyse both the indicators of insurance premiums for the 3 years of the pandemic and the main health insurance programmes that appeared not only in 2020, but also later; to identify a number of factors that influenced the changes in the insurance market; to list the accumulated problems during the pandemic; to outline the main ways to improve the sales of insurance products.

RESEARCH RESULTS

Analysis of insurers’ financial performance

Несмотря на сложную экономическую Despite the difficult economic situation caused by the coronavirus pandemic, the insurance market in Russia (as well as in the new EU member

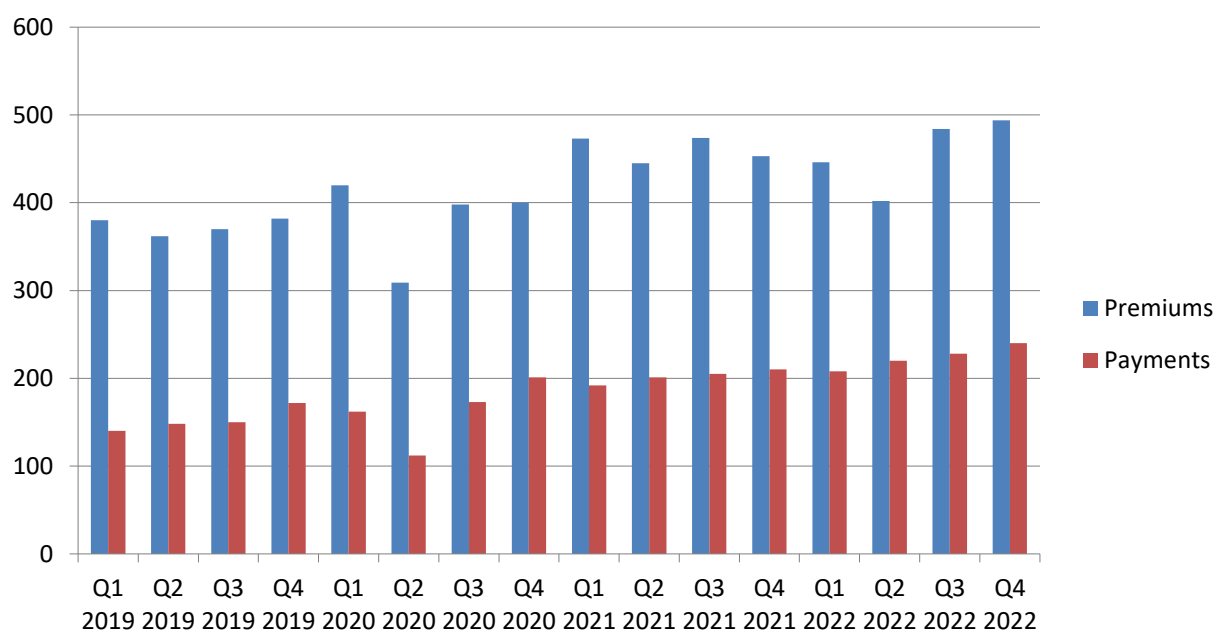


Fig. 1. Quarterly dynamics of insurance premiums and payments in the Russian Federation for the period from 2018 to the second quarter of 2022 (billion rubles)

Source: developed by the author based on data from the Central Bank of the Russian Federation. URL: https://www.cbr.ru/Collection/Collection/File/42295/review_insure_22Q2.pdf (accessed on 30.03.2023)

states [14]) not only continued its development, but also became more concentrated. Comparative dynamics of the Russian insurance market is presented in *Fig. 1*.

The pandemic peaked in 2020–2021. While the first quarter of 2020 was characterised by a significant increase in insurance premiums (over RUB 400 billion), in the second quarter, when the most serious restrictions were in place due to the new coronavirus infection, the volume of premiums received decreased to RUB 300 billion. After the situation improved, the market resumed its growth and premiums again reached the value of RUB 400 billion.

In general, their volume at the end of 2020 totalled RUB 1.5 trillion (1.5% of Russia's GDP). In parallel, the number of insurance payments changed — from RUB 160 billion in the first quarter to almost RUB 200 billion at the end of the year. At the same time, the growth of insurance premiums in the most important types of insurance was not uniform (*Fig. 2*).

While premiums for accident and illness insurance in Q2 2020 decreased by 20%, in Q3 and Q4, when financial protection programmes against the new coronavirus infection entered the market, they reached their maximum (actually increased by 40%) (*Fig. 2*). At the same time, the collections for the third and fourth quarters exceeded the premiums for this type of insurance for the first quarter of 2020 (when the pandemic had just started to spread around the world).

In voluntary health insurance (VHI), premiums decreased by 17% in Q2 2020, while by Q4, premiums increased by 17% [15].

In the first quarter of 2021, the growth in aggregate premiums reached 7.9% and totalled RUB 460 billion (*Fig. 1*). Among other things, the prolongation of corporate voluntary health insurance contracts for the next year played a positive role here. The number of aggregate payments decreased compared to the end of 2020 and totalled RUB 183.5 billion

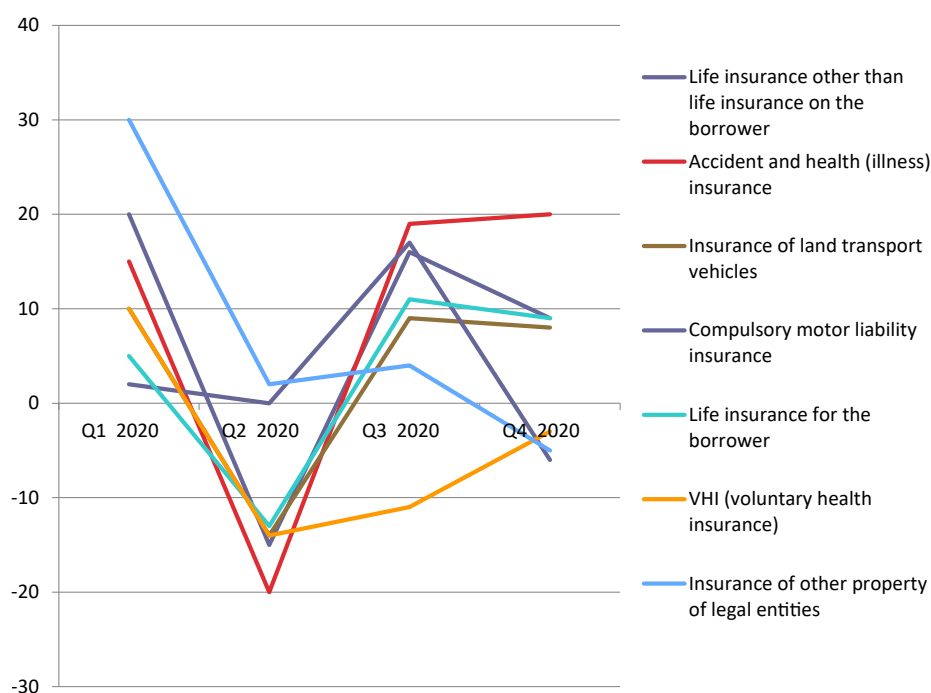


Fig. 2. Dynamics of growth rates of premiums for the main types of insurance in 2020 in the Russian Federation (%)

Source: developed by the author based on data from the Central Bank of the Russian Federation. URL: https://cbr.ru/Collection/Collection/File/32073/review_insure_20Q4.pdf (accessed on 30.03.2023).

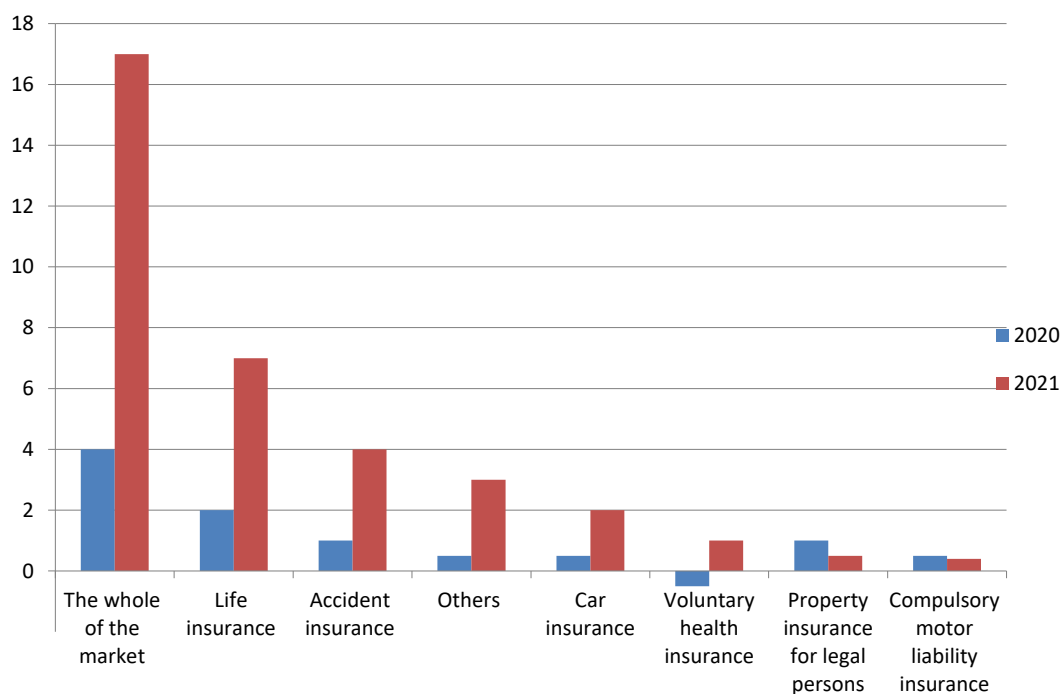


Fig. 3. Dynamics of growth of premiums for certain types of insurance in the Russian Federation for 2020–2021 (%)

Source: developed by the author based on data from the Central Bank of the Russian Federation. URL: https://www.cbr.ru/Collection/Collection/File/40874/review_insure_21Q4.pdf (accessed on 30.03.2023).

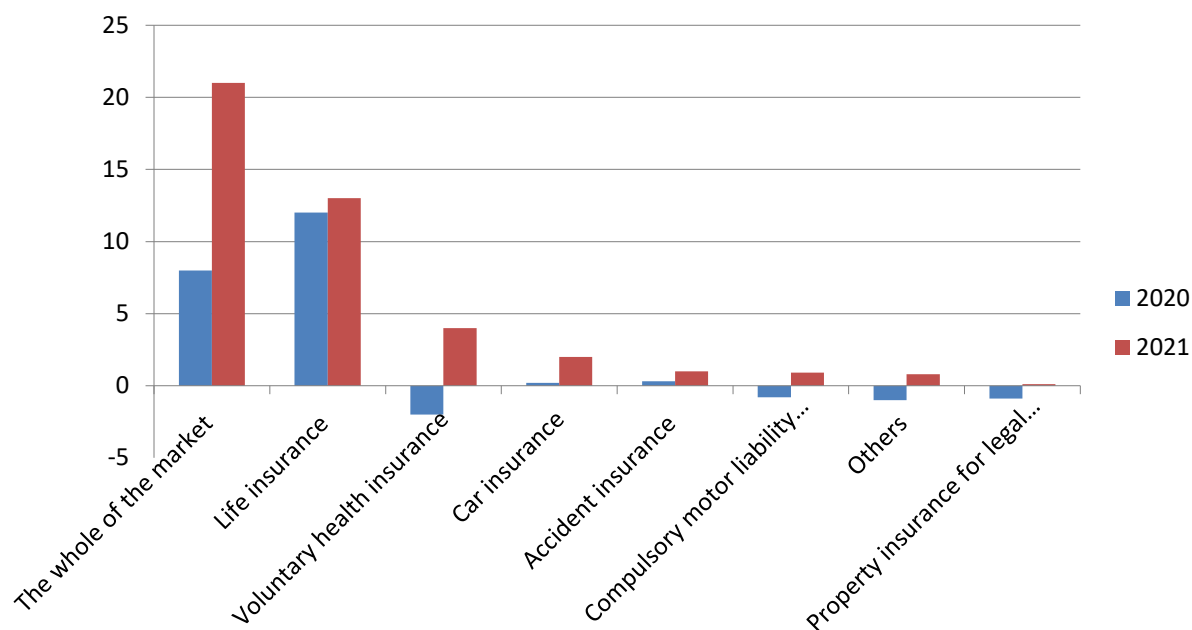


Fig. 4. Dynamics of the increase in payments in certain types of insurance in the Russian Federation for 2020–2021 (%)

Source: developed by the author based on data from the Central Bank of the Russian Federation. URL: https://www.cbr.ru/Collection/Collection/File/40874/review_insure_21Q4.pdf (accessed on 30.03.2023).

in Q1 2021; in Q2 there was a decrease in the number of premiums collected with a simultaneous increase in payments. In Q3 premiums grew to the level of Q1, i.e., due to the market contraction in Q2 to 38% and the low base of the beginning of Q3, we can talk about a slowdown in premium growth in Q3 to 16.5% (albeit with positive dynamics). The volume of payments for the III quarter amounted to 203 billion roubles. [16], which can be considered a good result for the economy as a whole.

Next, let us consider the growth of premiums for individual types of insurance for the period 2020–2021 in more detail (Fig. 3). Compared to 2020, it amounted to about 17%. The leaders were such lines as life insurance (7%), accident and sickness insurance (4%), car insurance (2.5%) and voluntary health insurance (2%).

Payments in 2021 increased by 22%, especially for life insurance (13%), voluntary health insurance (4%), car insurance (2.5%) and accident and sickness insurance (2%) pro-

grammes. These types of insurance account for a significant share in voluntary insurance in our country, and it is necessary to promote their further active development (Fig. 4).

Let us further consider the distribution of insurance premiums by sales channels in the Russian Federation (Fig. 5).

Figure 5 shows that credit institutions continued to be the leader in insurance sales (35.8% for 2021). In addition, internet sales increased (which is expected, especially during the pandemic and the associated remote working), as well as sales through the broker network.

It is also important to note that commissions to these intermediaries in 2021 have changed and amounted to: for voluntary health insurance — 15.4% (less than in 2020), for accident and sickness insurance — 73.3% (higher than in 2020) (Fig. 6).

The pay-out ratio for accident and sickness insurance in 2021 increased slightly year-on-

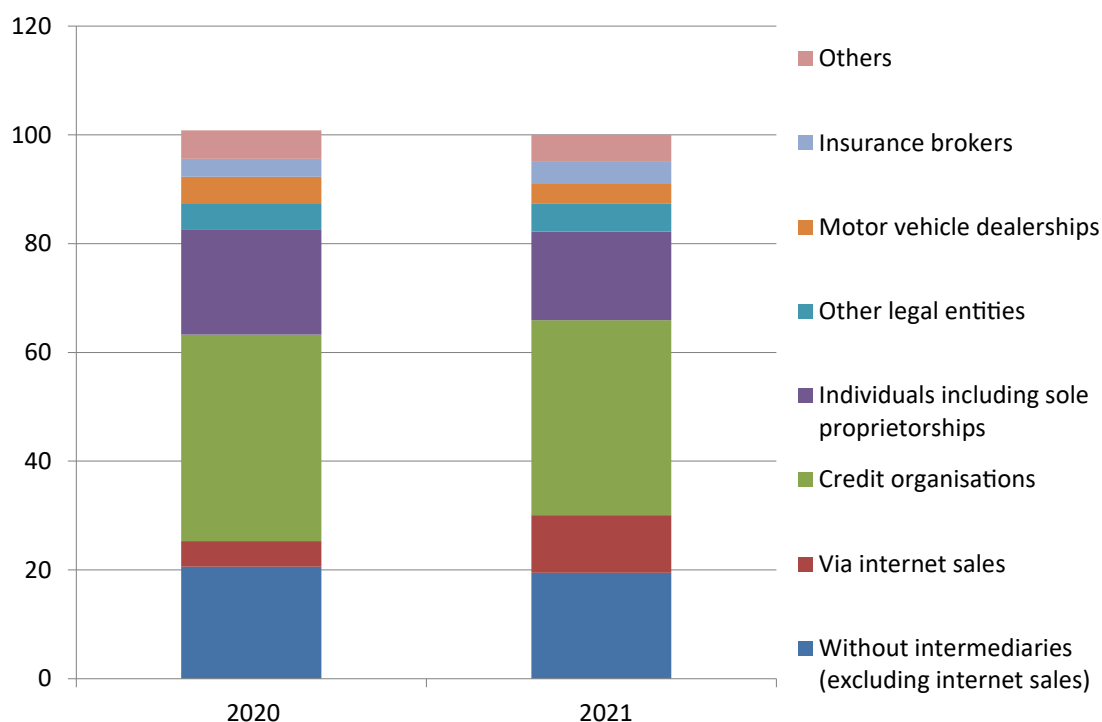


Fig. 5. Distribution of insurance premiums by sales channels in Russia for 2020–2021 (%)

Source: developed by the author based on data from the Central Bank of the Russian Federation. URL: https://www.cbr.ru/Collection/Collection/File/40874/review_insure_21Q4.pdf (accessed on 31.03.2023).

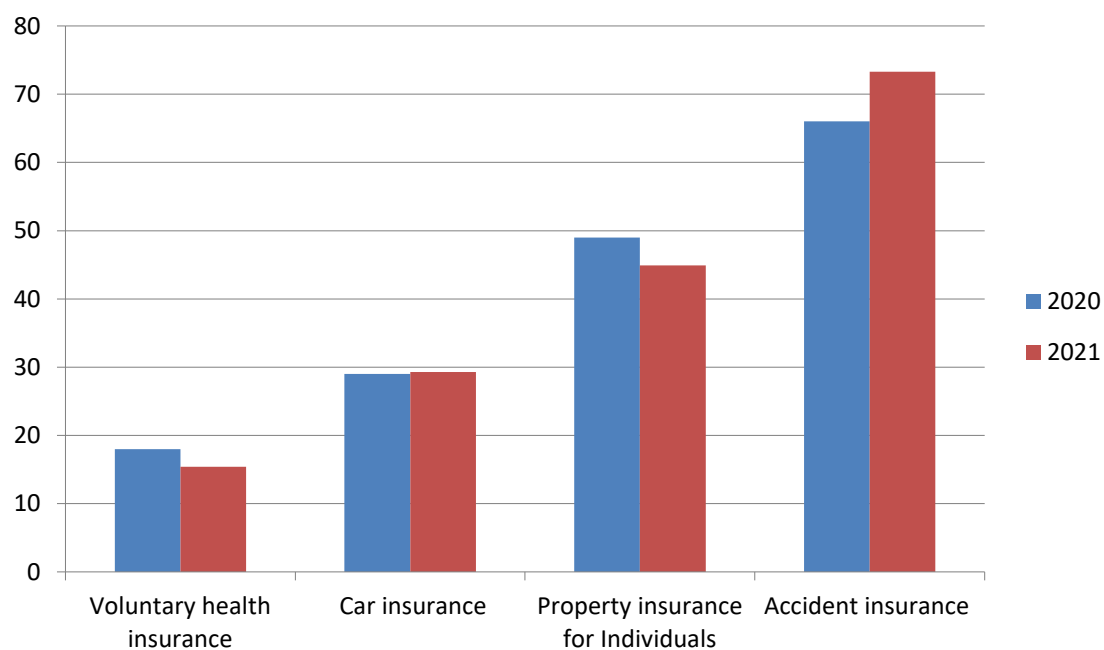


Fig. 6. Change in the dynamics of intermediaries' commissions in Russia in 2020–2021 (%)

Source: developed by the author based on data from the Central Bank of the Russian Federation. URL: https://www.cbr.ru/Collection/Collection/File/40874/review_insure_21Q4.pdf (accessed on 31.03.2023).

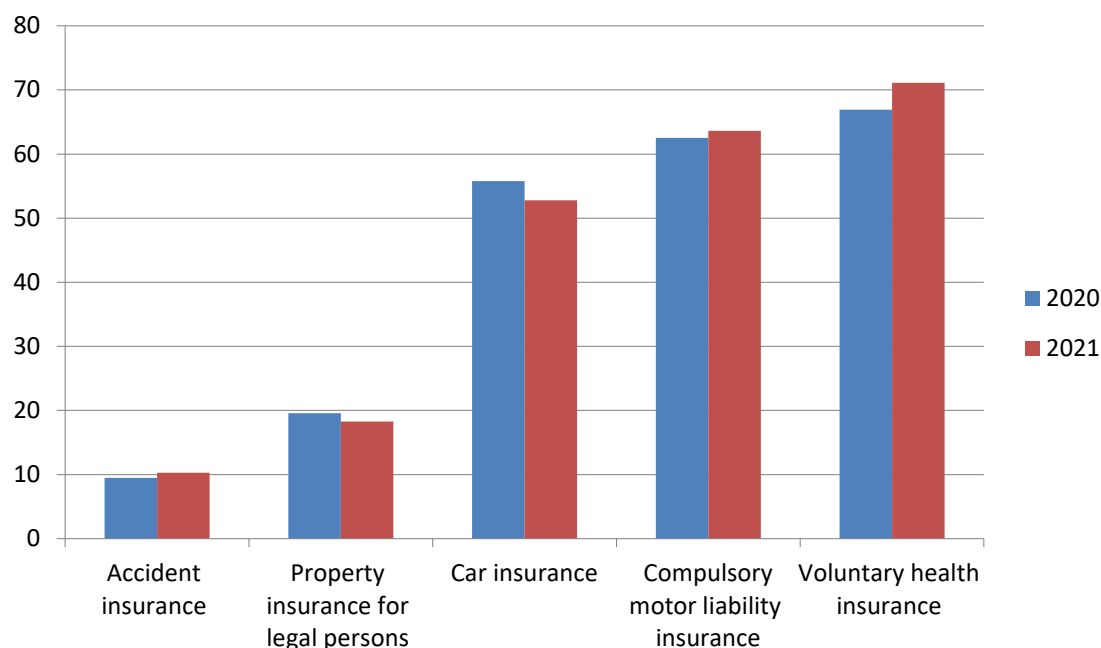


Fig. 7. Dynamics of the rolling ratio of claims for certain types of insurance

Source: developed by the author based on data from the Central Bank of the Russian Federation. URL: https://www.cbr.ru/Collection/Collection/File/40874/review_insure_21Q4.pdf (accessed on 31.03.2023).

year to 10.3 per cent and for voluntary health insurance to 71.1 per cent (*Fig. 7*).

The situation with voluntary health insurance is as follows: while in 2019 the increase in premiums for this type of insurance was about 2%, by the end of 2020 it became negative (–0.3%) mainly due to savings by companies amid the difficult economic situation and a decrease in the income of individuals. It should be noted that companies that are leaders in their industries (for example, PJSC “Gazprom”) have co-financed interesting expensive medical programmes for their employees (for example, “Healthy Heart” programme, “High Medical Technologies”, etc.).

In mid-2021, the situation in voluntary health insurance improved — there was an increase in demand for both individual and corporate programmes. The number of concluded contracts with individuals totalled 3.8 million units (+36.9%), but still did not reach the “pre-pandemic” values of 2019. Of course, during the COVID-19 period, policyholders began to

be more attentive to their health. Policies began to include payment for pandemic-related treatment and rehabilitation procedures. However, the average size of the premium was small — 2–3 thousand roubles. This is first of all insurance against critical illnesses, “check-up”, which provides insurance of medical services related to medical examinations and check-ups.

The number of concluded voluntary health insurance contracts with corporate clients in the middle of 2021 doubled (850.1 thousand units). But at the same time, the average insurance premium decreased and amounted to about 38.5 thousand roubles (decreased by 60.7%).

Payments under voluntary health insurance policies in the middle of 2021 rose by 57.9% and amounted to 37.2 billion roubles. Such growth in the number of insurance claims is associated with the pandemic [16].

The beginning of 2022 was characterised by a slight increase in insurance premiums, but

Table

Medical insurance programs related to the new coronavirus infection COVID-19

The insurer	Program	Insured person	Validity period	Insurance premium	Insurance amount	Payment
OJSC "Alfa-Insurance"	Coronavirus. NO.	Individuals from 7 to 60 years old	1 year	from 2000 to 10 000 roubles	1 million roubles.	For the risk of illness – 20,000–100,000 roubles, for the risk of death from illness – 1 million roubles
LLC Insurance Company "Soglasiye" (Concordia)	"Family under Protection."	Individual, his/her husband/wife, children from 3 to 60 years old	1 year	3500 roubles	1 million roubles.	For the risk of hospitalisation – 0.1% of the sum insured for each day of inpatient treatment, but not more than 21 days. For the risk of death – 1 million roubles
LLC "Capital Life – Life Insurance"	Stop. Coronavirus	Individuals from 1 to 60 years old	3 months	from 2000 to 5000 roubles	from 200 000 to 500 000 roubles.	For the risk of illness and hospitalisation – from 30,000 to 75,000 roubles, for the risk of death – from RUB 200,000 to 500,000

Source: compiled by the author on the basis of data from OJSC "AlfaStrakhovanie" / "Alfa-Insurance". URL: <https://www.alfastrah.ru/coronavirus/> (accessed on: 30.03.2023), LLC Insurance Company "Soglasiye" (Concordia). URL: <https://www.vbr.ru/strakhovanie/virus/> (accessed on 30.03.2023), LLC "Capital Life – Life Insurance". URL: <https://kaplife.ru/shop/archive/stop-koronavirus/> (accessed on 30.03.2023)

already in the second quarter there was a rather sharp decline in insurance activity to the level of the fourth quarter of 2020. [17]. Market growth in 2022 slowed down.

REVIEW OF HEALTH INSURANCE PROGRAMMES ASSOCIATED WITH THE NEW COVID-19 CORONAVIRUS INFECTION

It should be noted that in Russia the COVID-19 pandemic resulted in a significant number of infected and hospitalised patients, which entailed additional financial expenditures (taking into account that many people were sick along with their entire families). The market reacted promptly to this situation and offered a number of interesting programmes for insurance protection in case of a new coronavirus infection (Table 1).

Their common features are relevance, rather large sum insured (especially in case of death of the insured – about 1 million roubles,

at the risk of disease – up to 100 thousand roubles) with a relatively small premium (from 2 to 10 thousand roubles). Financial protection was extended to adults and children.

Thus, many insurance organisations carried out a competent analysis of the consumer market and developed competitive products for it.

CONCLUSIONS

The study identified factors that have influenced changes in the voluntary health insurance and accident insurance markets:

1. Demand for health insurance programmes.
2. Active use of sales of insurance products through banks (development of bank insurance).
3. Increase in the number of voluntary health insurance premiums to RUB 47 billion. – The increase in the first half of 2022

compared to the first half of 2021, despite economic instability, was 16.8% [17].

4. Introduction of relevant COVID-19 insurance programmes in the accident and disease insurance market with a possible prospect of developing new products corresponding to further infectious threats.

5. Increase in aggregate sales of insurance products through the broker network and internet by almost 15% starting from 2021; sales without intermediaries (except internet sales) – by 19.5% (which exceeds the figures of 2020).

6. Increase in average payments for accident and sickness insurance for 2021 (73.8 thousand roubles). For comparison, in 2020 they amounted to 40 thousand roubles. [16], which confirms the need for financial protection in the periods of pandemics.

A number of challenges facing the voluntary health insurance and accident and sickness insurance markets should also be noted: 1. Under the influence of the crisis phenomena after the first half of 2022, the insurers' profit in the market decreased to RUB 46.1 billion, while they incurred losses in the second quarter. Significant losses from investment activities of insurance companies also played an important role here. At the same time, due to the increase in prices for medical goods and services, premiums for voluntary health insurance increased; however, on the contrary, they decreased for accident and sickness insurance [17]. 2. The "cooling-off period" rule, which has been in force since 2020 and applies to voluntary health insurance and accident insurance contracts among others, also has an impact on the reduction of premiums. Applying it, the policyholder may cancel the insurance transaction within 14 days and request a refund of the premium amount [18]. 3. In some insurance companies, the rate of denial of insurance payment has increased. For example, in accident insurance in 2021 it in-

creased from 10.1 to 24.8% [16]. Further study of the causes of this situation is required. 4. Peculiarities of investment activities of all financial intermediaries related to the sanctions regime [19].

Thus, insurers need to take measures to increase the number of sales of customer health insurance products in order to improve the profitability of their operations, especially taking into account losses in the investment activities of insurance companies, which consist of:

- studying the financial situation of corporate insurers, individual entrepreneurs and more actively attracting them to participate in insurance programmes despite the difficult economic conditions (through advertising, social networks, etc.);
- the development of new products and improvement of conditions already existing on the market. This applies to programmes related to infectious diseases, as well as to such programmes as "Check-Up", "Critical Illness", "High Medical Technologies", etc., which can be purchased by both individuals and legal entities, as well as be used by COVID-19 survivors to monitor their health (as the risk of complications in such patients is quite high);
- –active application of marketing approaches to determining tariffs;
- development of new medical programmes for outbound travellers, migrants, the number of which increased in the second quarter of 2022. [17];
- further development of direct sales via the Internet, use of modern insurance technology tools (InsurTech) in the work of insurers [7].
- application of discounts at prolongation of the contract;
- preventive policy in the field of counteraction to possible fraud with the involvement of expert doctors [4];

- formation of an innovative environment, which may be of interest also to the insurers from other countries [20, 21];
- digital transformation of the insurance industry for all emerging markets — its necessity is noted by foreign authors as well [22–24].

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