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Research Paper

Growth of the Insurance Sector of India amid COVID-19

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Abstract
The COVID-19 pandemic has had a profound impact on various sectors of the global economy, including the insurance industry. This research paper aims to explore the growth of the insurance sector in India amidst the challenges posed by the pandemic. By analyzing the performance of the insurance industry in India during the COVID-19 crisis, this study sheds light on the resilience and adaptability of the sector in the face of unprecedented disruptions. The study considers aspects such as changes in consumer behavior, regulatory measures, technological advancements, and the role of digitalization in shaping the industry's trajectory. Additionally, it evaluates the impact of government initiatives and policy changes on the insurance landscape.
The research findings reveal that despite the adverse effects of the pandemic on the Indian economy, the insurance sector demonstrated notable growth and resilience. Furthermore, the study presents an analysis of the challenges faced by the insurance industry during the pandemic, including operational disruptions, changes in risk profiles, and financial implications. It discusses the strategies adopted by insurance companies to mitigate these challenges and outlines the lessons learned from the crisis that can inform future resilience planning.
This research paper serves as a comprehensive analysis of the growth of the insurance sector in India amid the COVID-19 pandemic. The findings contribute to the existing literature on the insurance industry's response to crises and provide insights for policymakers, industry practitioners, and stakeholders in shaping the future of the sector. By understanding the dynamics and opportunities that emerged during the pandemic, the Indian insurance industry can proactively prepare for future challenges and sustain its growth trajectory in a post-pandemic era.
Keywords: *Insurance sector, India, COVID-19, Growth*

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I. Introduction

China Originated Virus in December 2019, commonly known as the COVID-19 pandemic, has taken the world by shock. It is still an ongoing pandemic around theworld,whichalsobecametheglobalrecessionforthewholewideworld.Not evenonecountrywasimmunetoitinthebeginning,howevercountrieslikeNew Zealand and Australia have curbed it as far as they could. Many big institutions like the World Bank declared COVID-19 pandemic as one of the worst global recessions that happened after the Great Depression in the 1930s. Due to the globaleconomicslowdownduring2019-20,manyindustriesandsectorssuffered from major stagnation such as stock markets, manufacturing sector, start-ups, tourism, travel industry etc. Additional burden was added by the world-wide lockdownsandstrictrestrictions.Thishasputtheworldeconomyinawholenew miseryandthrewtheglobalworldintocrisis.Justundersome7-8months,every developed economy had fallen to either recession or depression, whereas all developing economies were already in the recession for the whole time after thepandemicstarted.WorldBankpredictedthatinsometerritories,afullrevival will not be attained until 2025 or may bebeyond.

The insurance sector was not immune to the pandemic. In most cases, the insurance industry and governments all over the world have become the lifeboat to which people look for rescue from total eradication. But due to infection rate being higher than the recovery rate, there were times when even the insurance sector felt somewhat overwhelmed. It has left many insurance companies more financially weakened as they were before. But for insurance industries there was both, the bad news and the good news as COVID-19 pandemic also accelerated the adoption of life insurance products all around the world.

Itistruethatthepandemichasforcedmanybusinessesandsectorstochangetheir way of operation and the insurance sector is no exception to it. Insurance sector has changed itself in every department whether it is selling new policies or settling insurance claims globally. Now, the insurance companies are heavily dependent on their digital infrastructure due to extended lockdowns and restrictions. Therefore, in this paper we will be discussing Growth of Insurance Industry Amid COVID-19 pandemic. We will try to analyze the trends and patterns of the insurance industry. The main argument which was presented by many insurance companies was that because of the world-wide lockdown there have been fewer claims regarding car insurance as fewer people took their car out, there have been delayed surgeries so health insurance was not claimed by people.Buttherewerealsoargumentsthatwhenafterthelockdownwillbelifted people will take their cars out and surgeries will be done then will the insurance companies be in huge losses? Let's try to find out the answers by analyzing how the industry of insurance grew amid the global pandemicCOVID-19.

Developed and Developing markets of Insurance Industry

Analyzing the growth of the complete insurance industry that too separately will be difficult for us, therefore we will be examining the insurance industry of countries in the world under the combined name of developing markets and developed markets of insurance amid COVID-19 pandemic. The pressure and repercussions of the pandemic on the global insurance industry is felt through weaker premium growth, volatility in capital markets and asset risk. According to several rating agencies,

Strict and restrictive lockdown action helped in preserving a suitable performance, as car and health insurance claims had a positive influence on losses due to thepandemic.

In developed markets, life insurance policies will get a blow in real terms because of the globalrecession.

As in developing markets, the major allocation asset is in the risky department,theywillforsuregothroughmoredeclinesinreturnonequity than the developedones.

The bizarre thing about this pandemic is how a year can make this much difference,alotinnegativeterms,insuchashorttime.TheCOVID-19pandemic andits consequencesduetoeconomicfall-outshiftedtheconsumerandemployer expectations and needs. This is due to the fact that overnight, insurance companies have to shift itself in virtual mode. But while many of them in the insurance market have modified quickly, there is still a lingering threat and hindrancetoprosperityandprofitabilityinthecomingyearsahead.Accordingto the financial report of one of the big four financial companies for the year 2020, many insurers have made statements that they will still have a most challenging year ahead, even after devoting more than half of the 2020 adjusting to the pandemic's impact. 48% insurance executive responders agreed that the pandemic made us realise how unprepared we were, only very few percentages ofinsurerssaidthattheywerepreparedforthiscrisisandmaintainedoperational and financial flexibility during thecrisis.

The pandemic and other devastating losses crushed many insurers immensely in the beginning of 2020, especially those writing event cancellations and workers' compensation.

Table 1: Global Life Insurance Premium Levels

Markets	2009-2018 (Average)	2019	2020 (Estimated)	2021 (Forecast)
Developing	0.6%	1.3%	-8%	2%
Developed	6.5%	5.6%	0%	7%
World	1.5%	2.2%	6%	3%

Source: Deloitte Insights

Table 2: Total US annuity sales in Q2 2020

Product Sales	Q2 2020	Percentage change from Q2
Total annuities	48.8B	-24%
Variable annuities	20.5B	-20%
Registered index-linked annuities	4.5B	8%
Total fixed annuities	23.8B	-26%
Single premium immediate annuities	1.5B	-44%

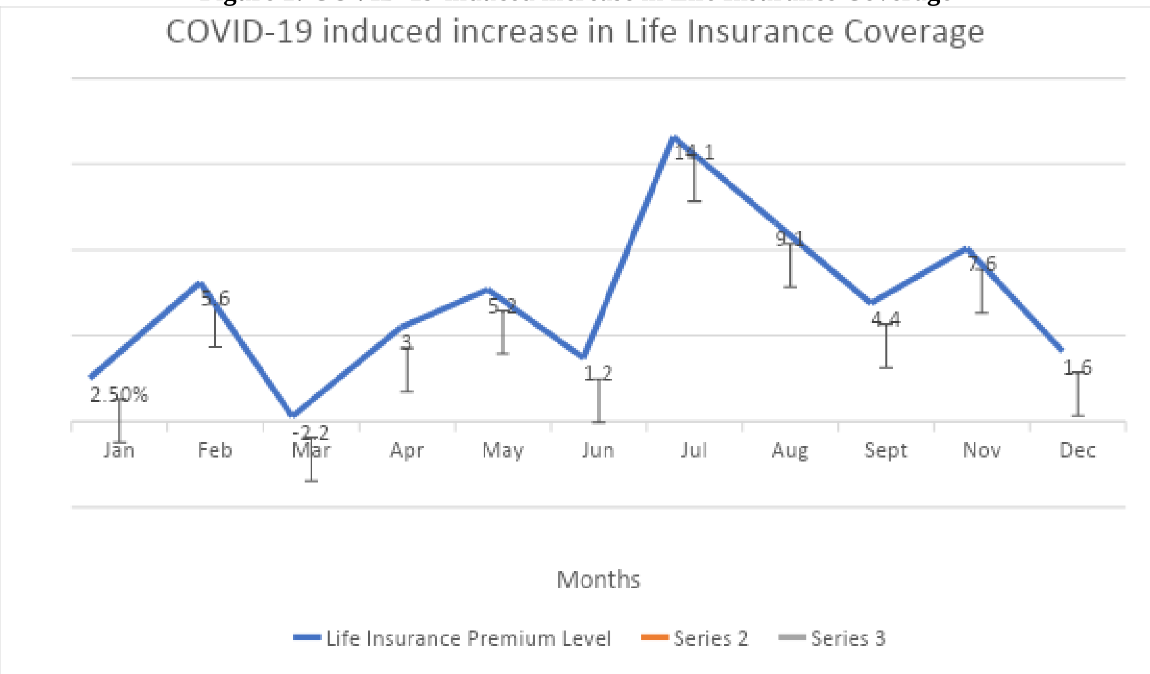
Source: Deloitte Insights

Table1showsthegloballifeinsurancepremiumlevelstrends.Aswecanclearly seehowtheestimatedpremiumlevelsdeclinedandeventherecoverywillnotbe touchedin2020andfor2021itisonlyforecasted.Developinginsurancemarkets tookthebruntofthepandemicasithasstraightgonetonegativeintheestimated 2020.Whiledevelopedinsuranceindustriesarestillfloatingtheirboats,and forecasted a prosperous year for them, it is still uncertain whether the forecasted mark will be achieved or not.

Table 2 shows the US annuity sales for the second quarter of 2020. In Us, due to the pandemic, the annuity sales have taken a big hit because of it. Almost every kind of annuity is decreased by double- digit percentage in the second quarter of 2020 except RILP which are a cross between fixed and variable annuities with limited downside investment risk.

Progressandgrowthinannuitiesaswellasmanynon-termlifeinsuranceproducts will possibly be impacted till 2021 and beyond by tenaciously low interest rates in both developed and developing markets. The German 10-year yield is most likely assumed to remain negative, whereas the US Federal Reserve has pointed out that they will most probably leave rates near zero expectedly till 2023. This could present tasks, especially for insurers with increased revelation to “less- liquid investment-grade securities andlower-rated”.

Figure 1: COVID-19-induced increase in Life Insurance Coverage



Source: Deloitte Insights

The above figure shows how throughout the beginning year of the pandemic, people rushed themselves into buying life insurance coverage globally. It was highestinthemonthJulywith14.1%andkeptfluctuatingforthecomplete2020. It is expected that the COVID-19 pandemic will continue to affect property casualtymorethantheothers.Itisestimatedthattheworld-widepremiumlevels may not return to their pre-pandemic levels until the end of 2022. In developed economies life insurance premiums have declined by 8% but there is also a recovery of 3% expected in the overall 2021. But the catch will be that the emergingmarketswillcomeforwardanddevelopedwillcontinuetosuffer.

AccordingtoJ.DPowerstudythereisnoawarenessamongconsumersaboutthe value of mortality products. Despite so many deaths reported in the US, there is no deliberation in buying life insurancecoverage.

Indian Insurancesector

In India, Covid-19 pandemic which started as a health crisis, overtime changed itself into a financial one. For India, the insurance industry has become an important part of the Indian economy. Globally, the pandemic has declined the insurance index by 22.6% due to the decrease in the share prices by 25.9%, according to the report of McKinsey & Co. The two important months for life and non-life insurance renewals, March and April, have seen a decline of 30% and 15% respectively.

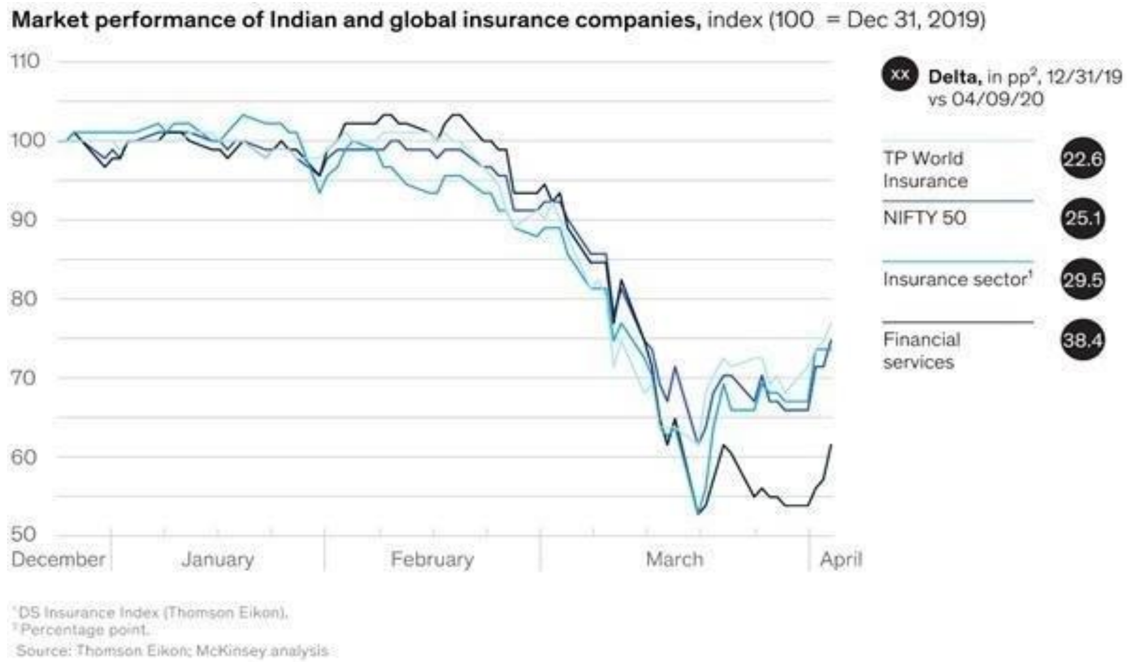


Image Source: McKinsey & co.

Now let see how the growth of individual insurance industry has been amid COVID-19 pandemic

Health Insurance

From the past, India has been an underinsured country when it comes to Health Insurance. However, the things have changed somewhat, new government programmeslikeAyushmanBharat,aninitiativewhichhelpsinensuringthepoor population has mended the gap. There is no doubt that the demand for health insurance has increased during the pandemic but underwriting verges may also increase which will be not helpful in offsetting the negative. With having continuoustwodangerousCOVIDwaves,IRDAIhasmadeitcompulsoryforall generalandhealthinsurerstostartsuggestingtwonewinsurancepoliciesnamed Corona Kavach and Corona Rakshak, both are indemnity-based health plans and fixed benefit health initiative. Both of the policies are meant to cover the expenditure of COVID-19patients.

Automobile Insurance

The automobile insurance sector in India is accountable for approximately 35% of the general insurance premium collection, and was no doubt experiencing the obstacles when the outbreak started. The outbreak and the consequent lockdown additionallyaffectedtheautomobileindustrythereforedecreasingtherevenuefor the insurance industry. This shock turned out to be a major revelation for the industryexpertswhothenstartedrummagingforinnovativewaysandanswersto keeptheircustomersinvolvedandcurious.Oneoftheapproachesisthe“Pay-as- you-drive” initiative. Under the Pay-as-you-drive automobile insurance plan, insurers can only pay for the kilometers they have driven, not the extraones.

General Insurance

General Insurance commences the estimation of assets and businesses with their general economic activity, it is stationed with the GDP to measure the insurance growth. Therefore, a huge part of the General Insurance sector is reliant on the functioning of industries and individual businesses. Hence, with the lockdown causing a hindrance in the business sector, the General Insurance market has in resultsuffered.Theoverallindustryisbelievedtoimproveastheglobaleconomy steadies by2022.

Life Insurance

As we all know, Life insurance protects the living of people and their future monetarysecurity.Therefore,lifeinsurancehasadirectrelationwiththeincomes of people, their business activities, and net value. Since the starting of the COVID-19 outbreak in India, there has been a haste to increase life insurance coverage. PwC in his report mentioned, pure life covers should see changed interest,andhence,shouldseeanimprovementindemand.Therewillbethecase wherelong-termguaranteeswilllookfascinating,however,insurerswillstillface obstacles and hindrances as the interest rates plunge with consumers becoming more careful about their investments, leading to an unbalanced stockmarket.

II. Conclusion

All the industries in any country go hand-in-hand, therefore until the overall economy is not on the mend, individually, there will be sectors which will be lagging behind. To gain sufficient momentum, it is important to thrive in a combined manner as an entity. COVID-19 pandemic has made insurance companies realize their loopholes, both the immediate ones and the coming potential ones in the future ahead. All the insurance companies in the world are trying to transition themselves in the post covid era. From changing the infrastructure to digital for supporting their customers to providing better remunerations to their employees in these uncertain times. The major challenge that the insurance companies will be facing is digitization which was already in the works but COVID-19 has accelerated the process. This would meritoriously mean that in the coming future the digital customers can presume onlyimproved choices and evener delivery systems. There will be updated guidelines for the insurers and of course several relaxations. The concluded remarks would be that the insurance industry should learn from their past and while moving ahead should choose solutions with a predilection for a realistic and fast method. Industry experts should also enable the building of a vigorous and strong framework as insurers begin familiarizing themselves with the new normal.

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