

# IMPACT OF COVID-19 PANDEMIC ON THE INDIAN INSURANCE SECTOR



---

---

**Dr. V. PARVATHI**, Assistant Professor  
GITAM Hyderabad Business School, GITAM (Deemed to be University)  
Hyderabad, Telangana, India  
ORCID: 0000-0002-3463-2343

**DR. C. LALITHA**, Associate Professor,  
Director EDCELL, St. Joseph's Degree & PG College  
Hyderabad, Telangana, INDIA  
ORCID: 0000-0001-8991-9862

---

---

## ABSTRACT

The outbreak of the COVID-19 Pandemic has caused massive economic shocks worldwide due to the business interruptions and shutdowns which has led to the worst financial crises. India is one of the countries which severely got affected by the deadly novel coronavirus. Even though the insurance industry has been hit majorly due to the Pandemic, the future seems hopeful. The industry can grow through innovative products and new-service-based models. This chapter highlights the challenges and opportunities for the Indian Insurance Sector during this pandemic.

<b>Keywords</b>	insurance industry, pandemic, insurance innovations
<b>JEL Classification</b>	O16, G22
<b>Cite this Article</b>	Dr.V.Parvathi (2021, April). Impact of COVID-19 Pandemic on the Indian Insurance Sector. In Perspectives on Business Management & Economics (Vol. IV, pp. 60-65). Retrieved from <a href="http://www.pbme.in/papers/115.pdf">http://www.pbme.in/papers/115.pdf</a>
<b>Article History</b>	Received: December 31, 2020; Accepted: February 18, 2021; Published: April 30, 2021

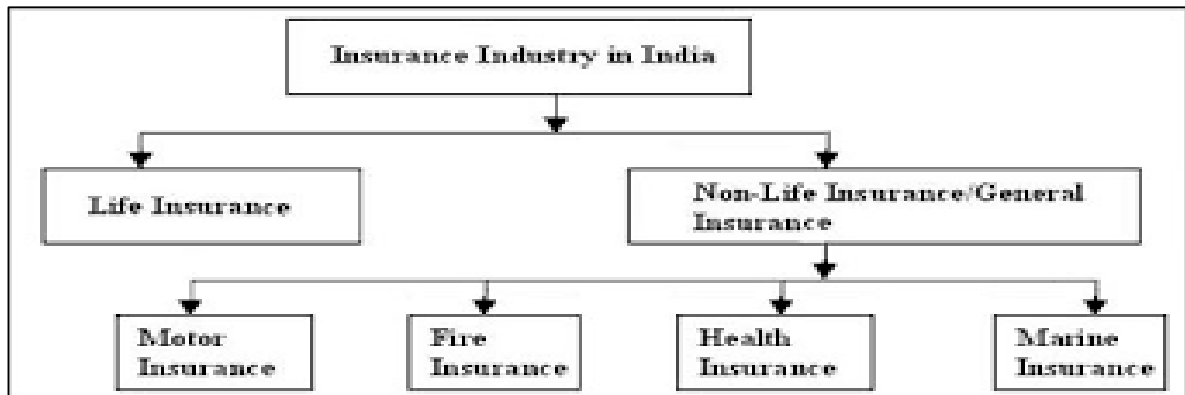


## Introduction

The Insurance industry plays a significant role in the Indian economy by providing safety to individuals, groups, institutions, and businesses. The Indian Insurance industry is growing at 15-20 percent and adds about 7 percent to the GDP. The Indian Life Insurance industry comprises Life Insurance and Non-Life Insurance. It is governed by the Insurance Regulatory and Development Authority of India, regulating and monitoring the insurance sector.

## STRUCTURE OF INSURANCE SECTOR IN INDIA

Figure 1: Structure of Insurance Industry in India



Source: Author compilation

Life insurance companies offer life cover to individuals, and non-life insurance companies offer coverage like travel, health, vehicles and home insurance, crop, industry, gadgets, and pets.

The COVID-19 pandemic has a significant impact on business, individuals, society, and the economy worldwide. (Sravani, 2020) The deadly novel coronavirus has triggered structural changes in all sectors. The insurers have to face many challenges as the economy recovers and see many new opportunities shortly. This Pandemic could be one of the most severe challenges the Indian financial services industry faces in nearly a century, and the Indian insurance industry buckled down very efficiently.

According to McKinsey's analysis, the Pandemic affected the insurance sector globally, with a decrease in the index by 22.6 percent. The share prices in the insurance sector have dropped by 25.9 percent.

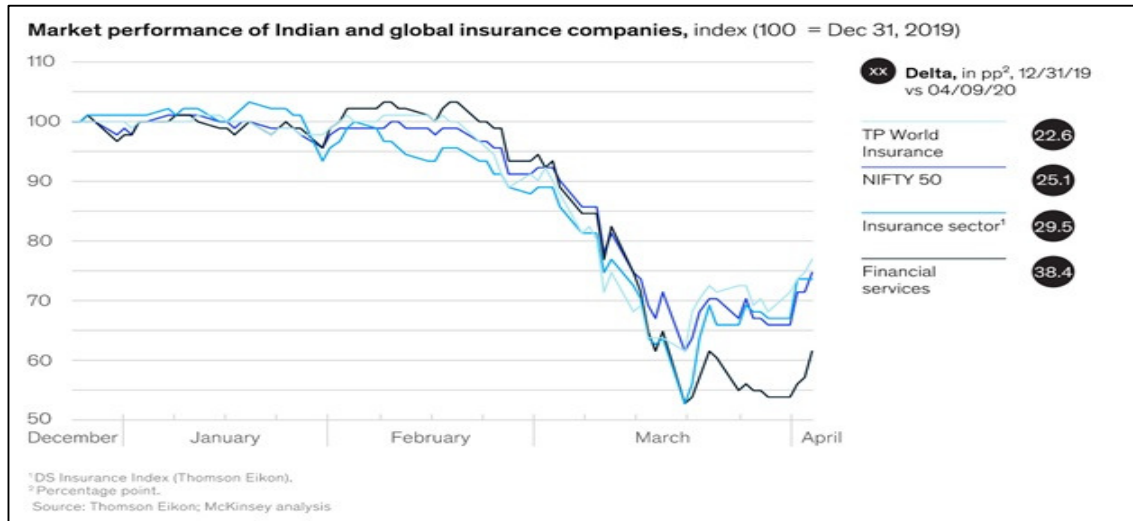
PwC report says that the two productive months for the insurance industry—March and April for renewals have hit by around 30% and 15%, respectively.

The General Insurance market has suffered as it depends on the performances of industries and individual businesses. IRDA has mandated all general and health insurers to start policies for their customers as these policies cover the hospital and medical expenses of COVID patients. Life Insurance directly correlates with the earnings of people, their business performance, and net worth. Due to the onset of the Pandemic, there has been an increase in the number of policies. According to the PwC report, pure life covers should see



renewed interest, and thus, see a boost in demand. The automobile sector, which accounts for over 35% of the overall insurance premium collection, witnessed a slowdown, thus reducing significant revenue.

**Figure 2: Market performance of Indian and global insurance companies**



Source: Thomson Eikon; McKinsey analysis

## KEY CHALLENGES FACING INDIA'S INSURANCE INDUSTRY DURING THE PANDEMIC

The COVID-19 Pandemic has raised many challenges for the Indian insurance sector. The insurance companies were facing operational and procedural difficulties, which has led to dips in revenue and depleting reserves.

- **Business Stability:** As the insurance sector is a highly complex business involving multiple processes, one must plan the risks on insurers' existence.
- **Managing employee Welfare:** As the insurance sector moves towards digitization, it will be employee-centric and a mass shift to remote working. Employers need to work remotely to support the customers and the enterprise operations as the premises will not be available. There was an urgent need to balance working from home procedures by minimizing in-person meetings and dealing with the clients virtually.
- **Crisis management and resolution:** There is a need for the Insurers to monitor the crisis and initiate the necessary measures to communicate and manage the employees and customers effectively. They must maintain frequent communications with regulators, customers, partners, agents, and brokers, shareholders to build confidence and ensure continuity of service and rethink processes.
- **Capital adequacy:** Insurers have started experiencing liquidity and solvency challenges. Insurers are required to closely monitor their liquidity and ensure financial resilience by maintaining prescribed regulatory solvency. They should manage the investor

community, intra-group stakeholders, and rating agencies on overall performance and stability.

- **Claims Processing:** The Claims volume has reduced drastically due to the lower level of economic activity. There were only a few accident claims with the customers staying at home.
- **Cybersecurity:** It has demanded the challenge of building an appropriate IT infrastructure within a short time with the increase in remote access requirements. There was an increased level of criminal activity, which has impacted the companies and their customers. It has increased the risk of cyber incidents and scams to which the insurance companies were inevitably vulnerable and easy targets. The Insurers have to increase their Cyber fraud prevention and monitoring activities.

### **Response to the Crisis**

As the insurance can protect against many of the financial impacts, the outbreak of COVID-19 has created uncertainty and offered a unique opportunity for the insurers to rethink innovation, improved customer experiences, and an upskilled and reskilling workforce. The number of customers contacting their insurer during the Pandemic increased. COVID-19 has been the catalyst for innovation in the Insurance Sector.

**Customer Outreach:** There was a significant increase in the communication with the customers by the Insurers. They need to communicate to their customers concerning COVID-19 coverage and related policies. They should bring more value to their customers by launching and announcing packages for COVID-19 patients. Insurers need to monitor and review the business that requires customer support and attention.

**Claims-Management Processes:** The payment of claims has become a challenge for the Insurers. They need to carefully evaluate and simplify claims processing virtually by upgrading interactive voice-response systems. Artificial Intelligence and Robotics can replace field visits.

**Digitization:** Insurers have undergone a digital transformation by which they could benefit from digital and automation tools at the product level. They will reprioritize technology into InsurTech, digital distribution, and technological infrastructure. Digital underwriting can be used to maximize customer reach. They should establish Risk Management teams to assess and respond to the crisis. They can also implement auto-renewal for most cases using analytics.

## **INNOVATIONS IN PRODUCT PORTFOLIO**

The insurance Sector has managed risks traditionally through the products sold by the intermediaries and protected against threats. Insurers should sell more products with better flexibility and convenience. They can launch innovative and more capital-efficient insurance products for specific risks and reward life-insurance customers for maintaining a healthy lifestyle. During the COVID-19 Crisis, The Insurance Regulatory and Development Authority of India (IRDAI) has made health insurance products more customer-friendly and aimed at bringing maximum people under the insurance umbrella. The Internet of Things will help the insurers initiate the damage repair and claim process in auto insurance. Voice Analytics can be used to analyze and record customer interaction and experience.



### **Modernization of distribution channels**

The insurance distribution channel globally has got affected by the Pandemic. There is a need for the Insurers to rethink their distribution model and establish a digital agency channel for online recruitment, selection, and training with videos. They should encourage the sales forces and also the intermediaries to move entirely online to improve productivity. The reward and recognition schemes have to be introduced for agents and intermediaries.

### **CONCLUSION**

The Pandemic has posed an unexpected shock to the Indian Insurance Sector. The Insurers must act decisively to overcome the disruption created by the Pandemic. A robust insurance sector has contributed to India's growth in recent years. The government and IRDAI should get back to rebuilding the insurance sector. There should be regular updates with the regulatory authorities by the insurers. The strategies have to be re-evaluated, including business lines and products to reflect the business's Pandemic's impact. Insurers need to adapt to the Customers' expectations of what products and solutions they need. Channel strategies will need to be updated. New operating models viewed as unachievable will be at the forefront of planning. Investments in automation, including AI and RPA, have to be increased. The M&A opportunities for insurers may crystallize the further growth in existing lines of business or new segments. The World Bank can assist the insurers with training on Crisis response strategies and offer financial assistance to the insurers who cannot recover the loss.



## REFERENCES

1. Babuna, Pius & Yang, Xiaohua & Gylilbag, Amatus & Awudi, Doris & Ngmenbelle, David & Bian, Dehui. (2020). The Impact of COVID-19 on the Insurance Industry. *International Journal of Environmental Research and Public Health*. 17. 5766. 10.3390/ijerph17165766.
2. Cerra, V.; Saxena, S.C. Growth dynamics: The myth of economic recovery. *Am. Econ. Rev.* 2008, 98, 439–457
3. Dreyer, A.; Kritzinger, G.; Decker, J.D. Assessing the Impact of a Pandemic on the Life Insurance Industry in South Africa. In *Proceedings of the 1st IAA Life Colloquium, Stockholm, Sweden, 10–13 June 2007*
4. Peer, N.C.; Shrestha, N.; Rahman, M.S.; Zaki, R.; Tan, Z.; Bibi, S.; Baghbanzadeh, M.; Aghamohammadi, N.; Zhang, W.; Haque, U. The SARS, MERS and novel coronavirus (COVID-19) epidemics, the newest and biggest global health threats: What lessons have we learned? *Int. J. Epidemiol.* 2020, 10, 14–25
5. Ramasamy, Dr. Kannamani, Impact Analysis in Banking, Insurance and Financial Services Industry Due to COVID-19 Pandemic (August 6, 2020).
6. Ramasamy, Dr. Kannamani, Impact Analysis in Banking, Insurance and Financial Services Industry Due to COVID-19 Pandemic (August 6, 2020). *Pramana Research Journal*, Volume 6, Issue 8, 2020, Available at SSRN: <https://ssrn.com/abstract=3668165> Sravani Kumari, B., & Sruthi, A. (2020, June). Impact of COVID-19 on the Indian Economy. In *Perspectives on Business Management & Economics* (Vol. 1, pp. 1-14). Retrieved from <http://www.pbme.in/papers/3.pdf>
7. <https://www.mckinsey.com/industries/financial-services/our-insights/how-indian-insurance-companies-can-respond-to-coronavirus>
8. <https://www.pwc.com/us/en/library/covid-19/covid-19-and-insurance-industry.html>
9. <https://www.financialexpress.com/money/insurance/5-new-trends-that-will-shape-insurance-industry-in-2021/2192643/>

