

# THE IMPACT OF COVID-19 PANDEMIC ON THE INDIAN INSURANCE MARKET AND CONSUMER ATTITUDES TOWARD HEALTH INSURANCE

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## ABSTRACT

Insurance Industry significantly contributed to India's economic progress, by offering risk coverage, investment opportunities, and tax planning for individuals. Life Insurance offers many benefits to people, while non-life insurance policies offer risk coverage for possessions like real estate, cars, and other assets. In March 2020, fast spread of the coronavirus resulted in declaring lockdown, and all industries have been forced, to rethink how they conduct business, and the insurance sector is no different from this. Everyone working from home, some employees' salaries were withheld, while others lost their employment. The aim of this study was to examine the benefits of insurance and the impact of the COVID-19 pandemic on the insurance industry. Furthermore, a research was focused on how customers perceived insurance during the Covid-19 period, the Lockdown, and the consequence of the pandemic on the selling of insurance policies.

**Keywords:** Covid-19, Lockdown, Insurance, Life Insurance, Non-life Insurance, Motor Insurance, Health Insurance, and Perception

## 1. INTRODUCTION

An Insurance is a formal contract or agreement exists between the insurance firm, which serves as the insurer, and the person who is covered. In the case of insurance, the insurance company promises to reimburse the insured for any incidents that occur. A total of 57 insurance firms operate in India's insurance sector; of these, 24 are active in the life insurance sector and 33 in the non-life insurance sector. A country's economic progress is significantly influenced by the insurance industry. By offering risk protection, investment opportunities, and tax planning for individuals. Life insurance offers a number of benefits to people, while non-life insurance policies offer risk protection for things like real estate, automobiles, and people's health, among other things.

COVID-19 spreads through direct, indirect, (through contaminated items or surfaces) or close contact with infected individuals. COVID-19 is transmitted between people through mouth and nose secretions, which is why the Indian government announced a lockdown in March 2020. Every one from each sector working from home, some employees' salaries were

withheld, while others worker's salary get deducted, some lost their employment, also some people were not able to fulfil their basic needs. Covid-19 pandemic affect many sectors and changes the way they operated. Covid-19 also affects Insurance sector.

This research study is about effect of Covid-19 on Insurance sector. This research covers which problems Insurance Industries are facing during pandemic. And how insurance industries selling their product with following social distancing rules. And customer perception towards Insurance policy. Which insurance policies are newly added to fulfil customer's demand? This research study is conducted using primary data which was collected using well defined and structured questionnaire and the survey was conducted online and responses were collected.

## 2. Literature Review

### Insurance:

Insurance is a contract or legal agreement between the two parties, namely the insurance company as insurer and the insured. In case of an insured event, the insurance organization promises to return the money to the insured. Redundancy refers to the event that causes a loss. Unforeseen circumstances can be property damage/destroy or death of the policyholder. This is called redundancy because these events occur with uncertainty. The insurer pays a premium against the promise of the insurance company.

### Insurance Policies Types:

1. Life Insurance
2. General Insurance

### Life Insurance:

Life insurance is a contract that provides financial compensation in the event of death or injury to the insured. Some life insurance policies provide financial compensation after retirement or for a certain period of time. Therefore, life insurance helps the insured to ensure financial security for the family even in the absence of that person.

### Life Insurance Types:

1. Term Life Insurance
2. Endowment policy
3. Unit Linked Insurance Plans
4. Whole Life Insurance
5. Money Back Policy

### General Insurance:

General insurance is a policy that provides financial compensation for property damage, but not death. It insures property or anything else that is life. General insurance compensates for financial losses due to loans related to car, bicycle, home, health, travel, etc.

### Types of General Insurance:

1. Health Insurance,
2. Motor Insurance

3. Travel Insurance,
4. Home Insurance
5. Fire Insurance

#### **Benefits of Insurance Policies:**

1. Provide safety and security
2. Generate Financial Resources
3. Help in Savings
4. Investment
5. Provide Medical Support

#### **Insurance Key concepts, terms and their definitions:**

**Mediclaime:** Mediclaime policy is a type of health cover that Medical emergency expenses, such as hospitalization and in-home care costs resulting from surgery, illness, or an accident, are covered.

**Customer perception:** Customers' awareness, opinions about the company, and perceptions related to products and brand are all referred to as "customer perception.

**Financial Security:** Financial security is the feeling of assurance one has that his income will be sufficient to meet all of his needs. Financial security also refers to having enough cash on hand or in savings to cover future expenses and financial goals.

**Risk:** Risk is defined in the context of insurance as the chance that something negative will happen. This includes theft, loss, injury, Or damage to expensive objects or objects.

**Premium:** The premium is the amount paid by the insured to the insurance company for the plan he has chosen. It is usually paid monthly, quarterly, or in several ways. The policyholder must pay a premium to maintain his coverage, whether he uses it or not.

**Policyholder:** A person who buys insurance and pays a premium is called the policyholder or the insured.

**Insurer:** A person or company that assumes the insurance risk; the party to the insurance contract who agrees to pay the compensation.

**Underwriter:** An entity that grants or provides insurance is called an insurance company, insurance company, insurer, insurance carrier or underwriter.

**Maturity Age:** It is the age of the life assured at which policy terminates or ends.

**Agent:** Insurance agents interact with individual, business, and family clients, and assess and analyse their clients' needs to determine which policy is best for them. Agents work for an insurance company and sell only that company's products.

**Brokers:** A person who works independently for insurance companies.

### **3. Effect of Covid-19 pandemic on Insurance Sector:**

The crisis hit the insurance industry around the world faster than the pandemic and the economic consequences. Operating costs have increased as a result of crisis management, while premiums have declined in many areas of the business. Car insurance was canceled as people drove less due to social distancing. Investment returns are also under pressure due to financial market volatility. As insurers grow, they want to take a closer look at digital

marketing patterns, digital employee and customer journeys, reduce costs to focus on recovery, practice analytics, and more, Cloud-based workforce. During the Covid-19 pandemic, workers have to work away from home for a few months or a year to prevent the spread of corona virus. But this new reality poses a new risk of cyberattacks. The insurance industry is rapidly embarking on digital transformation, using artificial intelligence (AI) technologies such as machine learning (ML), natural language processing (NLP), neural networks, and vision. computer. This development will fundamentally change the insurance industry from its current state of “detect and remediate” to “predict and prevent”, transforming all aspects of the industry. The COVID-19 crisis can eliminate many inefficiencies and gaps in technology, systems, products and processes in the insurance industry. Additionally, customer confidence can reach historic lows. As disaster subsides, insurers have a real opportunity to bridge the gap and use digital transformation with the technology, platforms and skills to deal effectively with future disasters. They also need to restore customer confidence with real, hassle-free financial protection when needed. In one paper discussed that, the COVID-19 pandemic has severely impacted many industries such as Travel & Transportation, Energy, Manufacturing, Retail and Hospitality. Covid-19 pandemic also affect Insurance Industry. It affects employee and business continuity issues, client service considerations to operating profit. The immediate focus for insurers is the protection of employees, its distribution partner’s safety and health along with business continuity. The Insurance carriers have lost roughly 48% of their market value since the crisis commenced; with health and life insurance carriers particularly hit hard with average drops of 58%. The cost of COVID-19 testing and treatment is denting health insurers' profits, which could lead to premium increases in 2021. To cover these costs, companies should consider increasing premiums between 4 and 40% in 2021. Fear of Covid-19 is driving people to buy health insurance and term life insurance. According to the report, just over 14% are in rural areas and private health insurance covers only 18% of the population in urban areas. The number of covid-19 claims does not affect the insurer as scheduled surgeries are currently decreasing. For insurance companies in general, auto insurance claims have fallen due to lockdowns and social distancing leading to a drop in loss rates. Insurers believe the fear of covid-19 has led people to buy health insurance. According to the report, inquiries about health insurance policies have increased by about 30-40%. But the problem now is the lack of data regarding the incidence, patient records, course and treatment costs needed to decide premiums for products specifically designed for covid-19. With the Covid-19 crisis, we rush to increase our coverage. As PwC reports, renewed interest in pure life insurance has grown, and as it is largely an online marketplace, demand is expected to grow. Even before the COVID-19 crisis began, women played an important role in emerging markets, but the big question they faced was money. Research on the economic impact of COVID-19 shows that this pandemic has the potential to widen the gender gap. COVID-19 may have an impact on women's risk profiles, and thus raise questions about their protection gaps and insurance needs. As women play a key role in the insurance industry due to their roles as agents, employees and increasingly as customers, insurers need to be aware of the many roles women play as

employees. Family breadwinners, business owners, careers and decision makers in the family. So, as insurance companies adopt relief, recovery and rehabilitation measures, they need to think about how to market, communicate, manage, sell and support female employees and use information agents, technology and customers. This means that implementing solutions will reduce the gender gap.

#### 4. Research Questions

1. Does the Health Insurance policy cover Coronavirus Treatment?
2. Which Insurance Policy preferred by customers during Covid-19 pandemic?
3. What are the different Life Insurance Policies preferred by customers during covid-19 pandemic?

#### 5. Objectives of the study

1. To study the perceived importance of Coronavirus Health Insurance coverage.
2. To study the impact of Covid-19 Pandemic on Insurance Sector.
3. To study the customer perception towards insurance during Covid-19 period/ Lockdown and impact of pandemic on selling of Insurance policies.

#### • Scope of the Study

The study's focus is on customer demand or perceptions of the insurance industry during the lockdown period, particularly which policies customers desired during the Covid-19 pandemic and which policies have been added in response with those requirements. As well as whether or not customers believe that insurance is going to assist them during the pandemic, and what issues the insurance industry is currently facing. Additionally, how insurance companies market their plans.

#### 6. Research methodology

This study investigates how the COVID-19 outbreak influenced the Indian insurance industry as well as how customers' insurance preferences and attitudes changed. The research is quantitative in nature, using a cross-sectional, descriptive approach. A survey was done with randomly selected people using an online questionnaire. There were 160 respondents in all, and the data they provided covered every area that was needed for research. It was used for analysis and interpretation.

Descriptive statistics can be used to characterize data presented in a bar graph. The bar chart data is tabulated and evaluated. The chi-square test was used to test hypotheses.

#### • Hypotheses of the study

1. The number of respondents with coronavirus health coverage is not the same as the number of respondents without coronavirus Health Insurance.
2. There is difference in respondent's preferences for insurance policy during covid-19.

3. There is difference in respondent's preference for types of life insurance policy during covid-19.

## 7. Data Analysis

### 1. Health Insurance policy cover Coronavirus Treatment?

**H0:** The number of respondents with coronavirus health insurance coverage equal to the number of respondents without

Coronavirus health insurance coverage

**H1:** The number of respondents with coronavirus health insurance coverage does not equal to the number of respondents without coronavirus health insurance coverage.

Sr, No	Response	Observed Frequency (O)	Expected Frequency (E)	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
1	Yes	65	80	-15	225	2.81
2	No	95	80	15	225	2.81
	<b>Total</b>	<b>160</b>	<b>153</b>		<b>χ<sup>2</sup> Value</b>	<b>5.62</b>

Table no. 1

$\chi^2$  Value = 5.625 > 3.84 (critical value) with 1 degree of freedom and P-value equals **0.0177** < **0.05**., this difference is considered statistically significant, hence null hypothesis rejected and alternative hypothesis accepted i.e. Number of respondents whose health insurance cover corona virus is not equals to no. of respondents whose health insurance does not cover is accepted. Therefore, it is found that the maximum respondent's health insurance does not cover corona virus.

### 2. Insurance Policy preferred by respondents during Covid-19 pandemic

**H0:** There is no difference in respondent's preferences for insurance policy during covid-19.

**H1:** There is difference in respondent's preferences for insurance policy during covid-19.

Sr, No	Response	Observed Frequency (O)	Expected Frequency (E)	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
1	Health	95	53.33	41.67	1736.39	32.56
2	Life	52	53.33	-1.33	1.769	0.033
3	Vehicle	13	53.33	-40.33	1626.51	30.50
	<b>Total</b>	<b>160</b>	<b>159.99</b>		<b>χ<sup>2</sup> Value</b>	<b>63.093</b>

Table no. 2

$\chi^2$  Value= 63.093 > 5.991 (critical value) with 2 degrees of freedom and P-value = 0.0001 < 0.05. The difference between the observed and expected values is considered to be extremely statistically significant. Hence null hypothesis rejected and alternative hypothesis accepted i.e. there is difference in respondent's preferences for insurance policy during covid-19. Maximum respondents will prefer health insurance during covid-19.

### 3. Life Insurance Policies preferred by respondents during covid-19 pandemic

**H0:** There is no difference in respondent's preference for types of life insurance policy during covid-19.

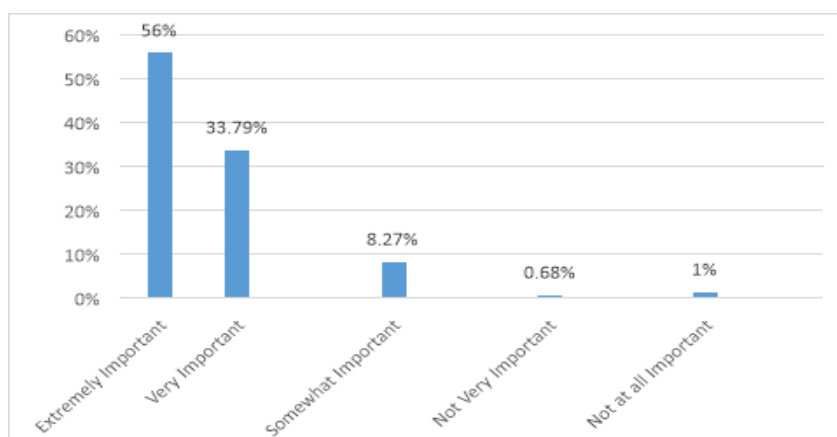
**H1:** There is difference in respondent's preference for types of life insurance policy during covid-19.

Sr, No	Response	Observed Frequency (O)	Expected Frequency (E)	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
1	Endowment	28	32	-4	16	0.5
2	United Linked Insurance	17	32	-15	225	7.03125
3	United Linked Pension	7	32	-25	625	19.53125
4	Term Plan	55	32	23	529	16.53125
5	None	53	32	21	441	13.78125
	<b>Total</b>	<b>160</b>	160		$\chi^2$ Value	57.375

Table no. 3

$\chi^2$  Value= 57.375 > 9.49 (critical value) with 4 degrees of freedom and P-value = 0.0001 < 0.05. The difference between the observed and expected values is considered to be extremely statistically significant. Hence null hypothesis rejected and alternative hypothesis accepted i.e. there is difference in respondent's preference for types of life insurance policy during covid-19. Maximum respondents preferred Term plan during Covid-19.

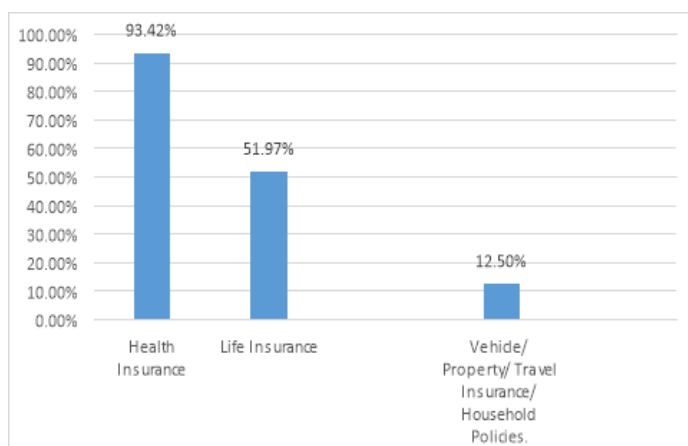
### 4. Importance of Insurance Policy to respondents and their family in terms of financial security



Graph no. 1

Most of the respondents were of the opinion that insurance policy is extremely important for financial security.

**5. Respondent’s preferred Insurance policies during Covid-19 pandemic.**

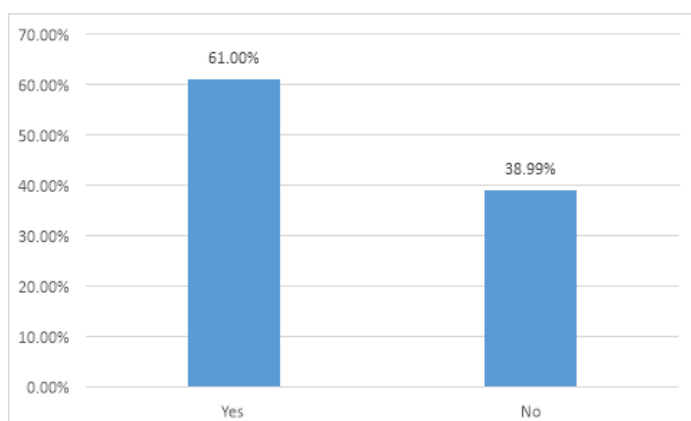


Graph no. 2

Most of the respondents preferred Health Insurance and Life Insurance during Covid-19 pandemic. Hence fear of Covid-19 pushes people to purchase health insurance.

**6. When respondent’s policy did not cover corona treatment, they purchased health/Life insurance during covid-19 pandemic**

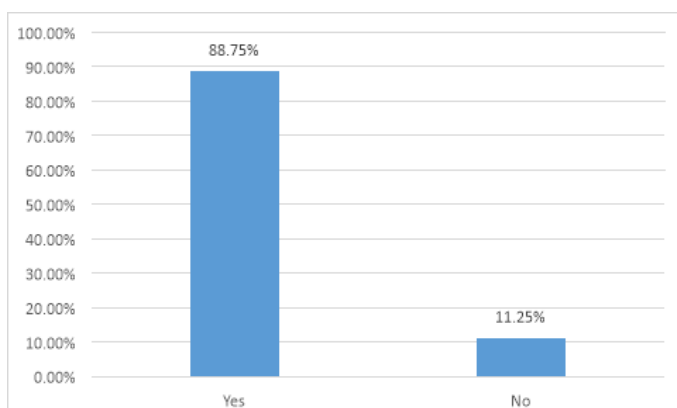




Graph no. 3

When respondent’s policy did not cover corona treatment, most of them were purchased health/ Life insurance during covid-19.

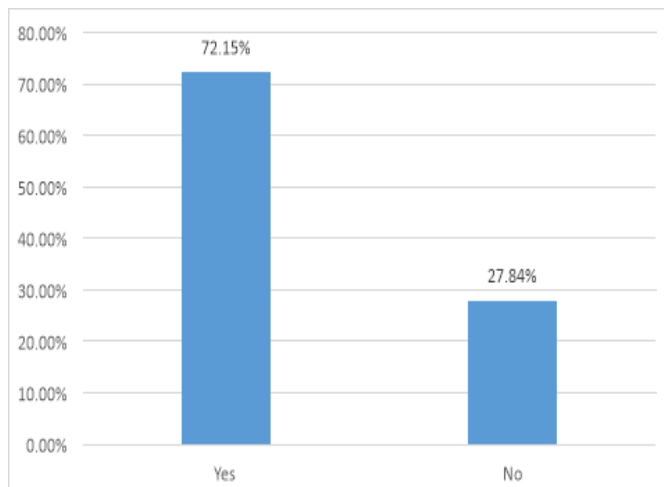
**7. Life Insurance and health Insurance Policies are really beneficial to respondents in Covid-19 pandemic**



Graph no. 4

Most of the respondents were of the opinion that Health Insurance and Life Insurance is beneficial during Covid-19 Pandemic.

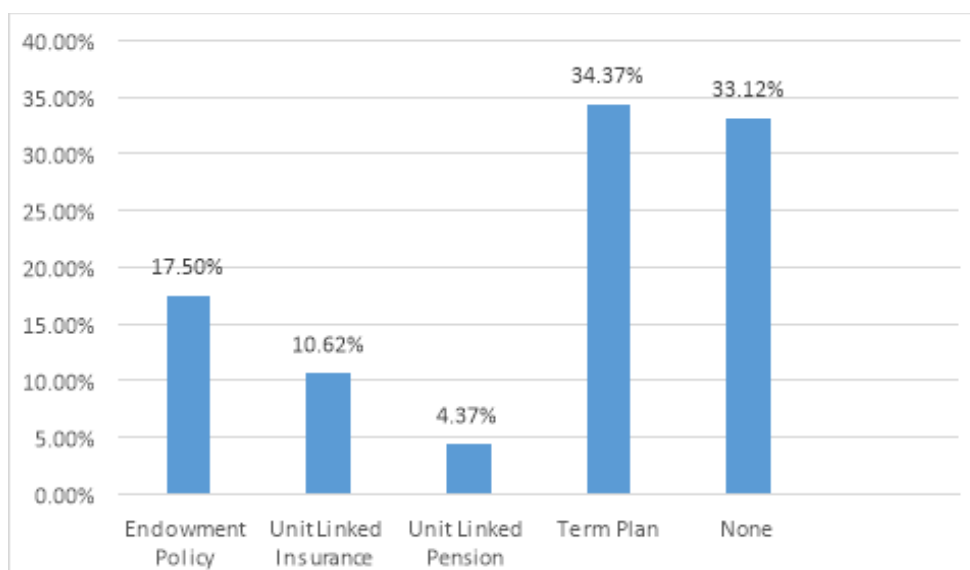
**8. Covid-19 Pandemic has affected respondent’s salary/Income**



Graph no. 5

During Covid-19 pandemic most of the respondent's salary/Income got affected and because of that may be many customers were not able pay premium or they are not able to renew policies.

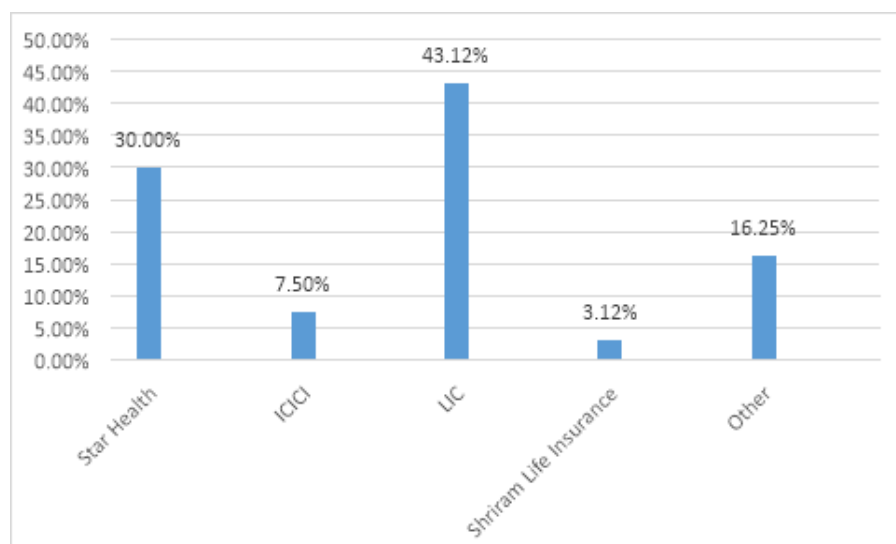
#### 9. Life Insurance Policies preferred by respondents during covid-19 pandemic



Graph no 6

Most of the respondents preferred Term Plan during Covid-19 pandemic. Hence fear of Covid-19 pushes people to purchase Term Plan.

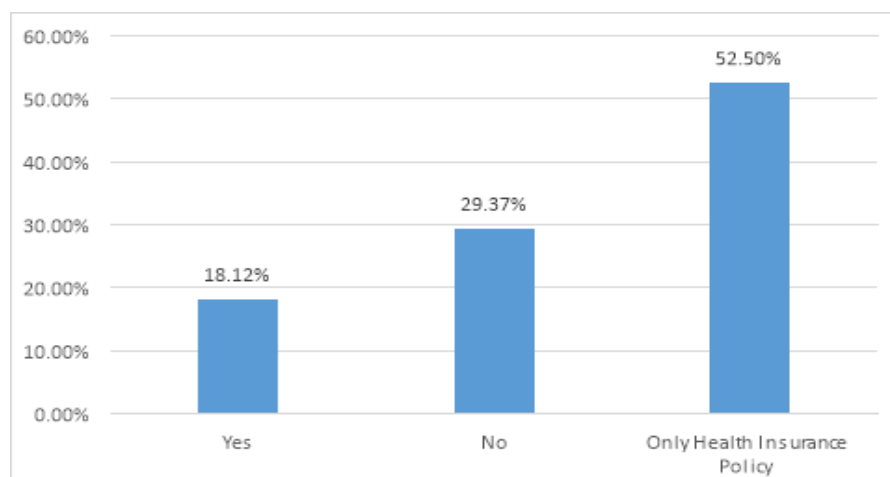
**10. Insurance Company preferred by respondents to purchase Health/ Life Insurance Policies.**



Graph no 7

Most of the respondents preferred LIC Company to purchase Health/ Life Insurance Policies.

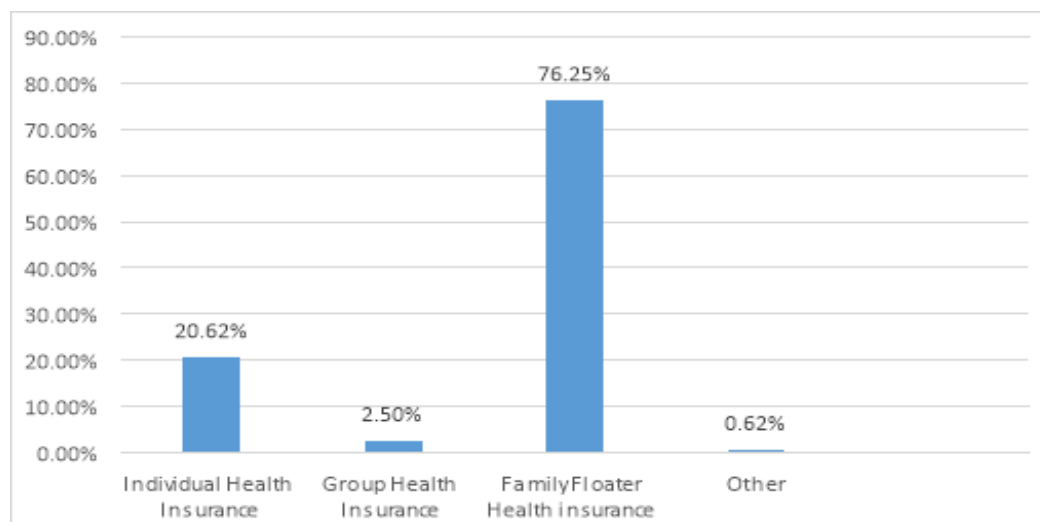
**11. Respondents purchased general Insurance in Lockdown/ Pandemic Period**



Graph no 8

Most of the respondents preferred Health Insurance from general insurance during Covid-19 pandemic. Hence fear of Covid-19 pushes people to purchase health insurance.

## 12. Type of Health Insurance Policy preferred by respondents during Covid-19 Pandemic.



Graph no 9

Most of the respondents preferred to purchase Family floater insurance policy during Covid-19 pandemic.

- **Newly added Insurance Policies during Covid-19 Pandemic:**

If during the period of Insurance, the insured person shall contract and is diagnosed with Novel Coronavirus requiring Hospitalization, then Company will pay the sum insured opted. Payment will be made only on Hospitalization and report of Positive diagnosis for Novel Corona virus from Government Authorized Centre.

1. Star Novel Coronavirus (nCoV) (COVID-19) Insurance Policy (Pilot Product)
2. Corona Kavach Policy by HDFC for Covid-19
3. Reliance COVID-19 Insurance
4. ICICI Lombard Covid-19 Protection Cover
5. Pradhan Mantri Garib Kalyan Package: Insurance Scheme for Health Workers Fighting COVID-19 etc.

### 8. Findings of Study

- a) Most people were aware of insurance policies and many of them had both general insurance and life insurance before Covid-19.
- b) India announced a lockdown in March. Schools, colleges, malls and industries have been closed. Many people lost their jobs and some employees had their salaries taken away. Many vehicles stop. As a result, many customers are unable to renew their car insurance.
- c) Due to the financial crisis, customers have been unable to pay premium for general

insurance except health insurance and life insurance as they feel these policies are beneficial and important during a pandemic.

- d) Fear of covid-19 drives people to buy health insurance and installment plan. The fear of coronavirus is responsible for creating awareness among people about health and life insurance and some of them have even bought it for themselves and their loved ones.
- e) Many insurance industries have embraced the digital transformation. Insurance companies have started selling policies on a digital platform.

## 9. CONCLUSION

The impact of the Covid-19 pandemic is affected almost every industry in the world. Many people have lost their jobs and some employees' salaries are withheld. People are unable to pay premiums for general insurance except health and life insurance. Insurance companies have been forced to move their businesses online.

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