



**Libyan International Medical University
Faculty of Business Administration**



The Impact of COVID-19 on Insurance Industries

How to Cite This Research Paper :

El-Mesmary Ayub , Elkrghli Sabri (2023), “The Impact of COVID-19 on Insurance Industries”, *Faculty Research Volume*, 1(14),pp. 1 -28.

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Abstract

The **COVID-19 pandemic** was the main risk faced among sectors such as **economic, health, banking**, and specifically the insurance sector. This study analyzes how COVID-19 pandemic has affected the insurance sectors either in a negative or positive way. Using qualitative methods mainly secondary data from journal articles; the findings indicate that **insurance companies** faced both positive and negative aspects depending on the services they offer. It is found that the health, and life services for insurance companies found a major positive increase, however when it comes to non-health such as travel insurance, they have faced a major decline in sales and were influenced negatively.

Keywords: COVID-19 pandemic, Economic, Health, Banking, Insurance companies.

Introduction

The **coronavirus** outbreak, which has been scientifically classed as **COVID-19**, has spread throughout the world. The World Health Organization (WHO) declared it to have pandemic status on March 11, 2020. which prompted a complete lockdown of nations, travel restrictions, restrictions on public events, and office shutdowns. Around the world, businesses have shut down, along with deaths and job losses. In order to be saved from total destruction, most people look to the **insurance industry** and governments around the world as their signposts of hope.

Introduction

Insurance companies are under pressure to quickly alter their business models in response to the global economic crisis and shifting consumer preferences. Some believe it will result in growth, while others think it will result in failure and bankruptcy. The **COVID-19** regulation has had **the biggest impact on health insurance companies**. Insurance and reinsurance rates have changed. The crisis is making it harder for people to pay their debts, which reduces demand for insurance. However almost each aspect of business has been significantly impacted by the corona virus pandemic, and the **insurance industry** has taken on a great deal of responsibility.

Value of Study

The value of studying the topic is to recognize the impact of COVID-19 on insurance industries, Which talks about the life insurance, car insurance health insurance, home insurance, marine insurance, travel and fire insurance, etc. As well as how the COVID-19 pandemic is being mitigated by these insurance companies around the world. Additionally, the key concept is which industry is negatively and positively affected.

Data Methodology

This study shows a qualitative method depicting the COVID-19 pandemic influence on the insurance industries using secondary data.

The 20 papers that have been gathered consist of multiple results that depend on the countries effected by the corona virus. The data that have been gathered by observations, surveys, case studies, etc.

Summary of Literature Review

Arora, G. (2021).

- Studied COVID-19 effect on Indian insurance.
- Findings that general insurance companies are seeing a significant drop in business, while life insurance is experiencing both an increase and a decrease in business.

Shafau, S. T., & Johnally, A. O. (2021).

- Studied the COVID-19 consequential effects on insurance industry, risk management and insurability of pandemic risk.
- Findings that COVID-19 has a significant negative impact on how insurance businesses operate in Nigeria. An efficient risk management strategy is urgently needed to ensure that the performance of the insurance industry is once again guaranteed.

Summary of Literature Review

Polinkevych, O., Glonti, V., Baranova, V., Levchenko, V., & Yermoshenko, A. (2021).

- Studied the change of business models of Ukrainian insurance companies in the conditions of COVID-19.
- Their study's objective is to systematize insurance company business model approaches using Ukraine as an emerging market country example, and to demonstrate how a business model can change under the influence of a pandemic using the CANVAS approach.

Harris, T. F., Yelowitz, A., & Courtemanche, C. (2021).

- Studied the change of life insurance offerings during COVID-19
- Findings that some evidence that premiums were differentially raised for people who posed a very high risk and that some policies were dropped for the oldest of the elderly.

Summary of Literature Review

Wang, Y., Zhang, D., Wang, X., & Fu, Q. (2020).

- Studied How does COVID-19 affect China's insurance market
- Their research shows that the growth of social security and digital insurance has a positive impact on reducing the negative effects of COVID-19 on the insurance market.

Parvathi, D. V., & Lalitha, D. C. (2021).

- Studied the impact of COVID-19 pandemic on the Indian insurance sector
- Results that the 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.

Summary of Literature Review

Carannante, M., D'Amato, V., Fersini, P., Forte, S., & Melisi, G. (2022).

- Studied the disruption of life insurance profitability in the aftermath of the COVID-19 pandemic.
- Their study shows a greater acceleration of mortality due to COVID-19 for older ages, and the financial situation, that also shows a long-term tendency for interest rates to decline with some volatility, were both discovered.

Puławska, K. (2021).

- Studied the financial stability of European insurance companies during the COVID-19 pandemic.
- Results demonstrate that the pandemic increased the value of receivables in all countries. However, only the increase in receivables owed to Belgian insurance companies was statistically significant.

Summary of Literature Review

Jovanović, S. O. (2021).

- Studied the impact of the COVID-19 pandemic on internal and external aspects of insurance organizations, and particularly on insurance terms and conditions.
- Results that Insurers responded quickly in meeting the needs of insured persons who found themselves on a trip, allowing the extension of insurance policies remotely or through an authorized person, while in the existing insurance services they offered the extension of cover in case of COVID-19 pandemic.

Ecer, F., & Pamucar, D. (2021).

- Studied to identify insurance companies' priority ranking in terms of healthcare services in Turkey during the COVID-19 outbreak.
- Ten insurance companies in Turkey are evaluated by five experts from the insurance sector as per seven criteria. The payback period, premium price, and network are determined as the most crucial factors. Finally, a comprehensive sensitivity analysis is performed to verify the proposed methodology's stability and effectiveness.

Summary of Literature Review

Shevchuk, O., Kondrat, I., & Stanienda, J. (2020).

- Studied the pandemic as an accelerator of digital transformation in the insurance industry by using evidence from Ukraine.
- Findings that Insurers should leverage new technologies including automation, machine learning, which is currently used for customer service, fraud detection and the cloud to streamline the underwriting process and offer a seamless and efficient claims process.

Babuna, P., Yang, X., Gylbag, A., Awudi, D. A., Ngmenbelle, D., & Bian, D. (2020).

- Study investigated the impact of COVID-19 on the insurance industry by studying the case of Ghana.
- The initial response of insurers was poor as the Ghanaian insurance industry does not have good experience in managing a pandemic situation, but recovery was quick as most insurance companies have now adapted to working from remote locations and enhanced their IT as well as security protocols.

Summary of Literature Review

Stojkoski, V., Jolakoski, P., & Ivanovski, I. (2021).

- Studied the short-run impact of COVID-19 on the activity in the insurance industry in the Republic of North Macedonia
- Findings that during the first half of 2020, the activity in the insurance industry shrank by more than 10% to what was expected. The total loss in the industry amounted to approximately 8.2 million euros.

Qian, X. (2021).

- Studied the impact of COVID-19 pandemic on insurance demand in the case of China
- Results show that more confirmed COVID-19 cases are associated with greater per capita insurance revenue and the results are robust when considering endogeneity concern. Economically, the per capita insurance revenue increases by 0.896 Yuan for each more confirmed case. In terms of insurance type, the greatest increased insurance revenue is for life insurance, followed by health insurance.

Summary of Literature Review

Liedtke, P. M. (2021).

- Studied vulnerabilities and resilience in insurance investing during COVID-19 pandemic.
- Findings illustrated the effects on insurance investing with a focus on the private markets. Studying the effects of the COVID-19 crisis on insurance balance sheets should provide insights that will help the industry to effectively evolve its regulatory regime while still taking advantage of the increasingly broader opportunity set in the markets.

Klonowska, A., & Strupczewski, G. (2021).

- Studied to identify the challenges of the global insurance industry arising from the Covid-19 pandemic.
- Stated that the insurance business was severely hit by the pandemic. But the Covid-19 has the long-term positive effect connected with an increase in social risk perception and greater awareness of the role of insurance in mitigating the negative effects of random accidents.

Summary of Literature Review

Haque, A., Mohona, N. T., Sultana, S., & Kulsum, U. (2021).

- Study investigated the impact of COVID-19 on the insurance industry of Bangladesh.
- The gross premium growth rate for both life and non-life insurance companies between the first and second quarters of 2020 indicated a sharp decline in growth. The gross premium growth rates for the majority of non-life insurance policies, including fire insurance, marine (cargo) insurance, motor insurance, and other insurance, were negative.

Machnes, Y., & Shachmurove, Y. (2020).

- Studied the global insurance industry during the COVID-19 pandemic. The paper details several insurance policies, and describes the management of the industry, emphasizing its global diversification.
- Findings that the insurance industry did not capture extra losses during the year 2020 and did not suffer from the pandemics more than the economy as a whole.

Summary of Literature Review

Farooq, U., Nasir, A., Bilal, & Quddoos, M. U. (2021).

- Studied the abnormal returns of 958 insurance companies from Australia, Canada, Germany, USA, UK, Brazil, India, and Indonesia under the COVID-19 scenario.
- The results indicate a negative overall impact on stock returns, particularly for insurance companies doing business in developing nations. Life insurance is found to be more negatively impacted by COVID-19 in a smaller window than non-life insurance.

Nebolsina, E. (2021).

- Study investigated the COVID-19 pandemic related changes in the demand for insurance services in the United States.
- This paper is the first attempt to obtain estimates by applying Google Trends with a search key word “Business Interruption Insurance”. The conducted analyses reveal that the demand for insurance services due to the Covid-19 outbreak in the United States can be expected to increase 2–6 times, with the total amount of the incurred costs for the economy due to the virus ranging from 0.3 to 7 percent of the US-2019 GDP.

Reflection

The papers that were studied indicates that COVID-19 pandemic had a negative impact on the global economy specially the insurance industries because the business and households is putting more pressure in the insurance sector during and after the COVID-19 pandemic. Additionally, all the business were closed during the pandemic that situation led the insurance companies to engage with remote locations, e-payments. Regarding to the 20 papers that I have reviewed the majority of these papers indicates that most of insurance companies had a negative effect by the novel coronavirus from all around the world.

Reflection

Moreover, there are indications of reducing profits and premiums, stable assets and market share but increasing claims. **To conclude**, Profits for insurers have been sharply cut. Some businesses had to fire employees, which decreased productivity. If people are unable to pay premiums or decide not to, insurers also see an increase in policy lapses in some areas of their business. Most of life and health insurance had a positive impact during the pandemic regarding of being operative but because they are insurance companies it leads them to a numerous amounts of claims pulling these companies to bankruptcy.



Limitations

In regards to this study there is plenty of research gaps that haven't been touched by researchers, such as studying if the response of insurance companies that chose not to operate during the **COVID-19 pandemic**. Another limitation faced when conducting this theoretical study is the absence of data in regards to the **Libyan insurance sector** due to insurance services not being offered excluding **car insurance companies, life insurance, and health insurance**, thus no papers were found to fill the research gap that exists among Libya when it comes to how insurance companies were influence in the time of the **COVID-19 pandemic**. However, a **comparison** was made between third world countries similar to Libya in the economic stability, and the comparison indicates that those specific countries faced a downfall on the insurance sector.

Implications & Recommendations

Insurance companies face the most risk when it comes to a health crisis, due to insured claiming insurance payments resulting in a deficit for the insurance company, therefore as an implication insurance companies need to focus on avoiding offering or selling insurances such as travel insurance in a time of economic/health crisis to avoid any losses faced, and focus on improving and increasing the selling of other insurance specific services such as life insurance and health insurance increasing positively based on the data gathered and reviewed thoroughly in this study.

Conclusion

The objective of this study is to understand how COVID-19 pandemic has affected the insurance industries on a global scale. Showing that the insurance companies' stocks have had an abnormal volatile influence by the pandemic. Depending on various variables like liquidity, the risk to their portfolio, reliance on reinsurance, amount of free assets, and protection in place by reinsurers, insurance companies were affected differently. The majority of insurance companies have improved their IT and security protocols in order to accommodate working from remote locations. **Both life and non-life insurance companies** were affected from the first corona virus case, and the effect cumulated when the lockdown started. The corona virus has affected people's health that led to higher demand for life insurance.

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