

IMPACT ON INDIAN LIFE INSURANCE INDUSTRIES DUE TO COVID-19

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ABSTRACT

The Indian life insurance industry is tenth rank in the world and Indian non-life insurance industry is fourteenth rank in the world. Covid-19 have impacted almost every sector and region, everywhere on the globe Insurance Industries also effected vigorously by the covid-19 epidemic. Insurance industries is very important for growth of GDP and the prosperity of the country. In this paper we studied the market and economic shrinking and growth of the Insurance Industries. In this paper we also discussed the difficulties and modification in the life insurance industries due to covid-19 epidemic.

KEYWORDS: Covid-19, Prosperity, Insurance Industries, Epidemic.

Introduction

The diseases due to Covid-19, is an influential force that demonstrates the sudden and unforeseen blow in various spheres of society. In December 2019, the first case in Vuhan, China the virus quickly spread thought the globe. It has infected 41.3 million people worldwide including 7.71 million in India Covid-19 was declared as a global Epidemic by the world health (Director General, 2020) which is a viral disease that has not only affected humans, but also has a negative effect on the country's economy.

The first nationwide lockdown in India from March 24, 2020 after Covid-19 being declared as Epidemic had a negative effect on the all sectors. India is one of 15 countries whose GDP was negatively affected. India's GDP rate fell to its lowest level ever after this lock down. Its GDP drops from 4.5% in the first quarter of FY 2019 to -23.9% in the first quarter of FY 2020.

The insurance sector in our country developed very effectively in the 21st Century. Rules and regulations of the Insurance sectors are framed by the Insurance Regulatory Development Authority of India (IRDAI). The authority has the rights to enact a variety of legislation, ranging from the registration of insurance companies for the safety of policy holders.

The various restriction on the peoples due to Covid-19 effected unfavourly the various economic zone including insurance industries all the economic zone including insurance sector shrink due to the lockdown and other restriction imposed on the peoples during Covid-19. Covid-19 adversely effected the economic growth of the country including insurance industries. The covid-19 Epidemic forced all the economic zone to improve their working and Indian life insurance industries also experienced the world vibration. New business policy sales have been postponed, during Covid-19 due to lockdown and other restriction on the peoples, they loss their income resulting they cannot pay the premium in time due to this reason they failed to hold the policy. The disruption caused by the corona virus spread and the Epidemic induced lockdown resulted in the life insurance industry around million policies and premiums of around Rs. 45000 crore. Overall, the insurance industry lost around four million policies and almost Rs. 15000 crore in new business. According to MD LIC, around Rs. 30,000 crore of renewal premium did not come out for LIC during the Epidemic period. If the delay in premium continues than there will be more

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adverse effect on the new policies or restoration of policies and overall sum assured also get adversely affected and shown a turndown of 9.2% to Rs. 12.6 lakh crore between April and July month of year 2020 as per a recent report by CARE Ratings. The report of Global Data Company, the life insurance trade in India is anticipated to get shrink by 0.9% in 2020 as compared to 8.8% increase observed in 2019. The cause for decrease is mainly due to terror of financial uncertainties, job loss and no growth in income.

Due to covid-19, many are purchased by virtual mode only pure insurance and health insurance but the demand for unit linked insurance in the market was very low because the share market index during Epidemic was down. The shortage of money uncertainties discourages more many clients to either delay or cancel the idea to purchase new policy during Epidemic.

Goal of the Investigation

- To investigate the impact on the business on the life Insurance industries due to Covid-19.
- To enumerate the changing trends and challenges in insurance section during covid-19.

Research Methodology

The present analysis is based on research data. Research data was obtained from IRDAI Annual report, IBEF websites and newspaper articles.

Data Investigation and Explanation

This analysis is totally on Research data based. Based on the data, a differentiation has been made to examine the heightening of life insurance industry in both pre-Epidemic and post Epidemic period. According to latest updates from Global Data, India's life insurance coverage market share is estimated to develop at a compound annual growth rate (CAGR) of Approx. 5.3% in the time frame 2019-2023. The life insurance trade in India is anticipated to get turndown by 0.9% in 2020, contrasted with 8.8% development recorded in 2019, because of the episode of covid-19 and the ensuring lockdown. The premiums from new business for life policy holders in India declined for the second month in April, with business fundamentally hit by the epidemic and paired with nationwide lockdown decision of government. According to the insurance regulatory development authority of India, in the month of April, Premium from new business fell down 32.6% to Rs. 6728 crores in comparison to Rs. 9928 crores for the same time frame in the last year. In the month of March 2020, collection of premium from new insurance business fell down 32% to Rs. 25409 crores in comparison to Rs. 37459 crores in the month of March 2019, Banc assurance and agency channel accounts for almost over 90% of insures' premiums from new insurance business in India. Premium from new insurance business aggregates up to 42% of the life insurance segment.

Lock-down resulted in fall of 32.6% in premium from new insurance business in April 2020 against the same time frame of the last year. Private insurance companies also witnessed a thrashing 33.3% downfall in premium from new insurance business for April at Rs. 3146 crores in comparison to Rs. 4714 crores in April 2019. HDFC life insurance co and ICICI Prudential life insurance also saw a fall of 54% to Rs. 669 crore and around 60% to Rs. 256 crores respectively.

In its latest news, Morgan Stanley said that while it expects the first quarter of the year ending June to be a little weak and shaky for insurances, the pack of survival and bumping back will be the key thing to keep a track of as the lockdown will be lifted. Insurance by nature is a resource - intensive sector. In such business human capital is required right from the commencement of process like underwriting, maintenance of policies and claims management. There is also a great deal of dependency and collaboration with the brokers, third or outside parties (TPAs, valuers, etc) and service providers of technology.

Modification and Difficulties in life Insurance during Epidemic-19

- **Growth in Digital Access:** With the number of corona virus cases rising every day, people are more increasingly buying commodities and services virtually, including insurance service. During period of lock down, policy holders buy and payments of the premium by the virtual mode and upload documents from the protection and convenience of their own homes.
- **Boost in Demand of Pure Insurance and Health Insurance:** 2020 year has been a difficult year for masses, with the corona virus destroy the globe by increasing the diseases. Many insurers started purchasing pure insurance and health insurance policies during the period of lock down and after wards also. A considerable increase of more than 35% was observed in health and term insurance plan.

- **More Customer Focused Innovative Solutions:** More customer focused innovative solutions previously, insurance firms are now more focused towards offering consumer centric innovatory solutions which gives extensive range of satisfaction along with Covid risk cover.
- **Increased Awareness of Benefits of Life Insurance:** Before covid-19 Epidemic in general insurance perception was extremely small but with become greater life risk in covid-19 Epidemic makes insurer more conscious with the benefits of life insurance.
- **Turndown in Demand of New Policy Business:** Like other section the modified strategy of sale or modified insurance trade size has been shown a remarkable reduce for a period of indefinite period.
- **Delay in Premium and Increase in Policy Lapsation:** Due to terror of economical unpredictability, loss of jobs and reduce of earning, finally make late in the payment of premium by insurers. Due to the scarcity of liquidity and economic unpredictability many insurers can not pay the premium in the time resulting their current policy expired.
- **Decrease Investment due to Financial Uncertainties:** During Covid-19 in lockdown people were not interested to purchase new Insurance policy due to decline in share market index and low interest rate of bank.
- **Enhanced Claim Setting:** During Covid-19 Epidemic the death rate was unexpectedly high due to the decease and it was the duty of the insurance company to pay the claim of the people for this reason the insurance. Company was facing the economic crises.

Conclusion

Insurance industries is very important for the development of the country's GDP, it cover the life of that people's family who purchase insurance policy after unexpected death, for this reason people invest in these industries because this investment is very important after unexpected death of the investor. Insurance turn accumulated capital into productive investment. Insurance also enables mitigation of losses, financial stability and promotes trade and commerce activities those result into sustainable economic growth and development. Insurance plays a crucial role in the sustainal growth of an economy. During Covid-19 Epidemic due to the lockdown and other restriction on the peoples Insurance industries badly affected because people does not want to invest in any new sector due to the job losses and uncertainties in the economy of the country. During covid-19 period, great substitute mode has been seen that people get became aware with significance of life insurance plan, remarkable increase in the order of pure life insurance and health insurance and increased business of online insurance.

The insurance sector face financially problems in the little period and bankruptcy problem ultimately run if the Epidemic diseases survive for a endless time. With the effective planning, the problems can be revolved into lucky chance by focusing on different possibilities like giving extra virtual services to the policy holders in terms of giving virtual information, premium payment, policy buying and also paying the fast claim to the clammiar. All services for the policy holder should be either in virtually mode or should be at the door step and workers of the company are permitted to work in virtually mode, so that expenses of the insurance company can be lower, insurance industry will need to adopt new technologies and new ways of working as they adopt to these new realities.

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