

Impact of Covid-19 on Life Insurance Sector: An Analysis on Ramanathapuram District

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ABSTRACT

The insurance industry took a giant leap at the twentieth-century mark. Insurance has been an integral part of man's life all over the world. In the case of insurance, the proverb 'Will is the mother of invention' is similarly right. It's already had a significant impact on our society. The Covid -19 pandemic and lockdown have impacted almost all the industries and sectors across the world including the insurance sector which has a significant contribution in the country's GDP and economic development. The study is an attempt to analyse study the effect of COVID-19 pandemic on life insurance sector the growth, sales, risk management, claim paid management and issues and challenges are facing insurer during this pandemic period in Ramanathapuram district. The study is exploratory in nature and thus give new insight to related future researches. In order to conduct the study, the study used qualitative and quantitative interviews to estimate the impact of the pandemic. Presently, the trend is an economic recession with decreasing profits but increasing claims. Covid-19 has adversely affects the life insurance business mainly in term of drop down in sales of new policy, premium income and crises of claim settlement. The experts view that the demand of pure and health insurance has been shown a positive growth due to life uncertainties in times of Covid-19 pandemic.

Key words: Life insurance, Covid -19, Pandemic, Economy, GDP, Sales, Premium.

I. INTRODUCTION

The topic for my research is “**Impact on covid-19 on life insurance sector**” followed by the area of Indian insurance industry. India has traditionally been an underinsured country in

health and life insurance schemes. During this pandemic time “Ayushman bhrat”, which has attempted to insure the poor and vulnerable, most of India continues to be underinsured when it comes to the health. Due to the widespread of COVID-19 pandemic, health and life insurance companies are facing various challenges and are foreseeing an impact on these areas.

The insurance industry in India has seen a strong growth series after the year 2000 and broadly divided into two major categories i.e., Life Insurance and Non-life Insurance. Both the sectors are governed by the Insurance Regulatory Development Authority of India (IRDAI). The role of IRDA is to regulate and monitor the entire insurance sector in India. All the insurers have to follow the rules and regulations of the IRDA. The Insurance sector in India consists of a total of 57 insurance companies, out of which 24 companies are the life insurance providers and the remaining 33 are non-life insurers. All life insurance companies offer wide range of products under both individual and group schemes. The Covid-19 pandemic and succeeding lockdown have impacted various sectors of the economy and both life and non-life insurance businesses has also affected adversely by current pandemic situation. New business policy sales have been dropped, percentage of policy causation has been increased and also noted delay in premium payment. This will bring about the industry losing around four million policies and premiums value around Rs 45,000 crore.

Insurance is the means of protecting from financial losses. It is a form of risk management. It is mainly used to known and unknown risk of a contingent or uncertain loss. Since insurance hedge against risk, this pandemic is one of the examples

for managing the risk. During COVID-19 there occurs losses in the Insurance sectors. For India, where compensation is very small, general insurance usually protects both organized industrial operation and organized business employees. Life insurance sales at one time were hit the year ends in March, when they are most remunerative. The buyer-seller confidence gap now has to be bridged, and insurers need to consider the behavioural dynamics of this as well as the investment Process which eventually leads to a dynamic long-term financial decision that goes beyond life. Although Very highly relevant for insurance companies may be able to apply appropriate mitigation strategies to society to continue supporting and ensuring its reach through product development activities is comprehensive. In this study, life insurance is taken into account and the performance of listed companies are analysed and evaluated to acquire knowledge about how the companies hedge against risk during COVID.

CONCEPTS USED AND THEIR DEFINITIONS IN THE STUDY:

The performance of the insurance company can be analysed using three methods. They are

- Premium Generated
- Claims paid
- Expenses of management

Premium Generated: An insurance premium is the amount of money a person or company which has to be pay for an insurance policy for claim at the end of the policy or else. Insurance rates are charged on plans covering wellness, transportation, residence, life and others. Insurance premiums can rise once the policy period is over.

Claims Paid: Claims will only be paid while the policy remains active, the policy cannot be cancelled by the insured facing a claim while the claim is pending, often for years, unless he or she is willing to pay the claim from personal assets.

Expense Management:Expense management refers to the programs that a company has implemented to handle, pay, and monitor costs Incurred by its staff. Such costs include, but are not limited to, the travel and leisure expenses incurred. Expenditure control involves the rules and practices controlling these spending, as well as the software and resources used to collect and interpret the relevant data.

Insured:Any agency or corporation, or a member thereof, designated by name as the insurance scheme covered persons

Insurer:The party to an insurance policy which undertakes to pay for Losses, pecuniary gains, or

services rendered. The word "insurer" is mostly used in insurance companies only, since it applies to all types of individual's persons or an organizations who has enrolled insurance in the company.

Loss:Generally, refers to

- ❖ The quantity by which an insured's interest is decreased
- ❖ The amount sought by an insured claim or
- ❖ The amount paid on behalf of an insured under an insurance contract.

Exposure:The state of being prone to failure due to a certain threat or possibility. Also used as a rating unit measure, or the premium risk base.

Proximate Cause:The real cause of any loss or injury. It is an unbroken chain of cause and effect between an insured danger or negligent action and resulting injury or damage.

Insuring Agreement:The section of an insurance policy the spells out the insured liabilities, the individuals and/or properties protected, their positions and the contract term.

Claim: A request made by the insured or the beneficiary of the insured for payment of the Contract services received. Insurable

Events:Any contingent or unknown event that may damage a person with an insurable interest or create a liability against him, whether past or future, may be insured against, subject to the provisions of the code.

Risk:Uncertainty about the result of a case when there are two or more options. There are two types of risks, Pure Risk: There is no chance of gain or loss, only chances of loss.

Speculative Risk:The chance of both gain and loss. There are five ways to analyse risks,

- ❖ Sharing
- ❖ Transfer
- ❖ Avoidance
- ❖ Retention
- ❖ Reduction

STATEMENT OF THE PROBLEM:

The main attributes to success for every company rely on the client's satisfaction of business. During COVID most of the policy holders will claim their insurance and renewals might get delayed because of the paucity of funds in hands of the policyholders. They have to serve essential insurance during lockdown. Their investments on various filed is also not Beneficial's due to low rate interest. Due to expenses their asset values are depressed. The performance of insurance sector is affected during

COVID. The problem to be focused on is, to measure the performance of the life insurance sector during COVID and how the insurance company hedge

NEED FOR THE STUDY

Insurance Sector plays a very significant role in growth of Indian economy. The breaking of monopoly and deregulation of the sector in year 1999, has resulted a double-digit growth in both life and non-life sectors. This sector provides manifold benefits such as covered life risks, health risks, opportunity of savings and investment etc. India is a huge country with second largest population but still the insurance penetration is low as compared to other countries like china, japan, Germany etc. The present Covid-19 pandemic situation and lockdown has significantly hit the insurance business in India. Due to rising number of corona positive cases, the business of life insurance in India is decreasing The insurance industry not only gives protection against life and non-life risks but also provide huge employment and together with banking sector contributes nearly 7% total GDP of an economy. Hence the study becomes important to analyse the after effect of Covid-19 pandemic on business of insurance industry and particularly life insurance which considered as a unique financial tool to cover against life related risks of an individual and family.

II. REVIEW OF LITERATURE:

Ahmed Mahdi Abdulkareem (2021) "An Analytical study of profitability and liquidity positions of selected life insurance companies in India", its main objective is to find out truth which is hidden and which has not been discovered as yet. It's mainly focused on knowing insurance sectors and its performance in India through study conceptual frame work of profitability and liquidity. Its most of the data was secondary and its interpretation was obtained from the annual reports and financial statements of the reports and financial statements of the selected insurance companies.

Adarsh Sachan (2020) "The impact of covid-19 in Indian economy with reference to insurance sector", this will analyse the effect of covid-19 in Indian economy in regards to coverage sector. And it's discover how the peoples are react on coverage at same point of covid-19 with some they used statistical equipment like average, sum and ANOVA to discover covid-19 effect on

insurance agencies and how its far helpful to grow their business.

C Kalpana & PARAMASIVAN C (2015), "Emergence and growth of online life insurance in India" The prospect of the Indian life insurance sector for the future seems promising. In this field IRDA has also ensured peace and fair play. Innovative product ranges, diverse sales systems, and vivacious advertisement and publicity campaigns run by insurance providers can all be related to the growth of this industry.

Disha Sanghvi (2020) Covid-19: How it's impacted India's insurance industry's, with a crisis like this, there's a rush to extend one's cover. Consistent with the PwC report, pure life covers should see renewed interest, and since that's largely a web market, it should see a lift in demand. Long-term guarantees will look attractive, but insurers will face constraints in continuing to marketing these products as interest rates plummet. It added that the general uncertainty

Dr Ramasamy (2020) "Impact analysis in banking and insurance services industry due to Covid -19 pandemic", covid-19 affects various industries and economics across the globe. It discuss various factors such as lockdown approach, moratorium, and different impacts in banking and insurance sectors. Further it given some recommendations to mitigate the Situation so that the financial services can continue with the less negative impact which will help for better services to the customer and minimal revenue loss to the fanatical organisations.

Dr. Jitender Singh & Dr. B. S. Bodla (2020), "COVID – 19 Pandemic and lockdown impacts in insurance sector", This report is an effort to determine the effect of this pandemic on insurance as a result of a lockout resulting in the closing of all commercial enterprises, educational establishments, public and private agencies, suspension of means of transport, etc.

Joydeep Roy (2020) "COVID 19 impacts on the insurance sector" This study provides the depth study on insurance sectors that are affected by COVID. It tells in detail about the areas in insurance sectors are affected and gives some suggestions to uplift the insurance industry after Covid.

Neal Baumann (2020), "Understanding the sector impact of COVID 19" In the insurance industry, the post COVID-19 timeline will not be just about the split between WFH and the office or about the digital transfer of other market

processes. The business is an integral part of the banking system and represents all other industries.

OBJECTIVE OF THE STUDY

- To identify the issues and challenges in the life insurance sector during the pandemic period.
- To discuss insurer expectations and present solutions during the Covid 19 pandemic.
- To analyze whether the annual income impact of buying number of insurance policies during the Covid 19.
- To study the various factors that influence the customer to choose Life insurance during this pandemic.

III. RESEARCH METHODOLOGY:

Research design:

Study area	:	Ramanathapuram
District	:	
Samples size	:	135
Sample people	:	All gender
Data	:	Primary data
Research method	:	Descriptive research
Sampling Method	:	Non random sampling
Sampling technique	:	convenience
sampling technique	:	

Sampling technique

Every researcher may take on a more feasible approach by selecting a small group from the population. The small group is referred to as a sample size, which is a subset of the population that is used to represent the entire population. A sample may be selected from a population through a number of ways, one of which is the Convenience sampling method. This is a non-probability sampling technique where samples are selected from the population only because they are conveniently available to the researcher which means people are sampled simply because they are “convenient” sources of data for researchers. A total number of 135 samples were collected through this sampling technique.

Statistical tools:

All the data analysis was performed using the statistical software SPSS 24. One sample t-test was for analysis of normally distributed continuous data. Categorical variables were compared using Chi-Square Independence of Attributes. The statistical level of significance was assumed at the 5% level. Also, the Pie and Bar diagrams were sketched the data in a scientifically meaningful way using MS-Excel.

Inferential Statistics

Inferential statistics are concerned with making inferences based on relations found in the sample, to relations in the population. In this study, Inferential statistics help us decide, whether the differences between groups that we see in our data are strong enough to provide support for our hypothesis that group differences exist or not. Accordingly, we describe the following statistical tests that help to make assumptions for our study objectives.

Questionnaire model:

The questionnaire was originally written in Tamil and translated by self in English. Due to the pandemic situation the data were collected through google forms only. The data from the 135 samples were classified and tabulated for the purpose of analysis and interpretation. The tabulated data clearly depicts the views of the district “impact of covid-19 on Life insurance sector” in multi dimensions.

STUDY AREA:

This study was carried out investigate the awareness about the electric scooter on women in Ramanathapuram district. The study confined to Ramanathapuram district of Tamil Nadu state covering taluks Thiruvadana, R.S.Mangalam, Thondi, Paramakudi, Rameshwaram, Kamuthi, Kadaladi, Mudhukalathur and Ramanathapuram

IMPORTANCE AND SCOPE OF THE STUDY

The insurance sector has a considerable impact on the economy as a whole. Insurance is important because we face many uncertainties in life and it is not possible to prevent the unwanted events that occur in our lives. Insurance also facilitates loss mitigation, financial stability, and promotes trade and trade activities resulting in sustainable economic growth and development. Insurance risks are spreading. It is important to study this sector during a crisis like COVID, so that we can hedge against the risks. Through being able to raise their money and support customers by offering protection for the vulnerable, we will learn the ways to boost the insurance market there. People can also claim the insurance. The future of life insurance industry has a several changes in their regulatory framework, rules, regulations and premium amount it will lead to further change in the industry conducts its business and engages within its customers also. The study of the

relationship between the COVID19 and life Insurance sector is based on the results obtained from the data analysis. Therefore this study is most important in the present and feature of economic development of the country. The study will help

the concern to work in the areas of importance for future planning. The study has been done with a motive to change the attitude of the people towards buying an insurance product. These study acts as an example for the future generations.

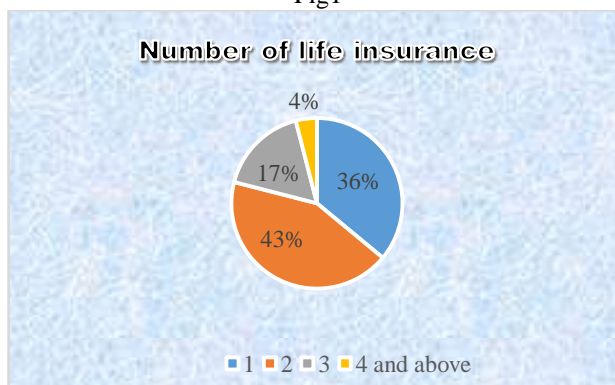
IV. DATA ANALYSIS AND INTERPRETATION:

4.1 Diagrammatic representation:

4.1.1 Table 1: Number of life insurance respondents currently having:

S. No	Factor	No of respondents	percentage
1	1	43	36%
2	2	52	43%
3	3	20	17%
4	4 and above	5	4%
Total		120	100

Fig1



Interpretation

From the above table and pie chart is interpreted that the respondent's insurance policy 43% are having 2 insurance policies ,17% are 3 policies,4% are 4 and more policies and remaining 36% are having 1 life insurance policies.

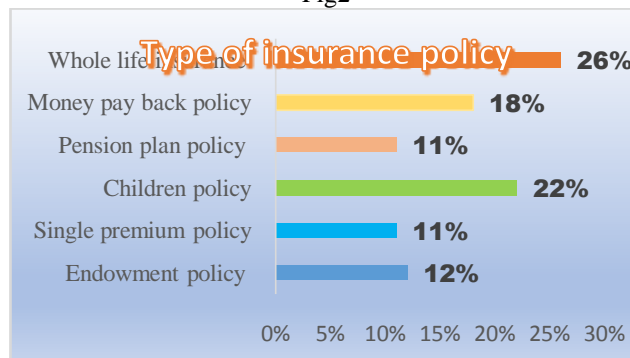
Inference

Majority (43%) of the respondents are having 2 life insurance policies.

4.1.2 Table 2: Types of policy respondents having during covid-19:

S NO	Particulars	Percentage
1.	Endowment policy	12%
2.	Single premium policy	11%
3.	Children policy	22%
4.	Pension plan policy	11%
5.	Money pay back policy	18%
6.	Whole life insurance	26%
TOTAL		100

Fig2



Interpretation

From the above table and Bar chart interpreted that type of insurance policy respondents currently having 12% respondents are having Endowment policy, 11% are Single premium policy, 22% are children policy, 11% are pension policy, 18% are money payback policy and remaining 26% respondents are having whole life insurance policy.

Inference

Majority (26%) of the respondents having Whole life insurance policy

4.2 INFERENTIAL STATISTICS:

4.2.1: Relationship between annual income of family and number of policies respondents taken

The research hypothesis is:

H0: There is no significant difference between family annual income and number of policies.

H1: There is significant difference between family annual income and number of policies.

Table 3:

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	149.163 ^a	15	.000
Likelihood Ratio	114.375	15	.000
Linear-by-Linear Association	36.117	1	.000
N of Valid Cases	120		

a. 15 cells (62.5%) have expected count less than 5. The minimum expected count is .33.

Inference:

The above Chi-Square table reveals annual income and number of policies. The P-value is 0.000 which is lesser than 0.05, so we reject null hypothesis H0 at 5% level of significance.

So, we conclude that H1: there is significant difference between family annual income and number of policy respondents taken.

4.2.2 Significant difference in the factor that influence customer to choose life insurance during the covid-19 pandemic

The research hypothesis is:

• H0: There is no significant difference in the factor that influence customer to choose life insurance during the covid-19 pandemic

Table 4: one sample T-test

FACTORS	(Test Value = 3)						
	N	MEAN	STD. DEVIATION	MEAN DIFFERENCE	T	DF	SIG
DEAT	120	1.63	.971	-	-	119	.000

H BENE FIT				1.375	6.517		*
INVES TMEN T	120	2.28	1.070	-.717	- 7.334	119	.000 *
FOR TAX BENE FITS	120	3.05	1.091	.43	.537	119	.564 **
SECU RITY TO FAMI LY	120	2.26	.974	-.742	- 8.338	119	.000 *
MOR AL OBLG ATIO N	120	2.42	1.009	-.583	- 6.333	119	.000 *

Inference:

The P value of variables namely Death benefit (1.63), Investment (2.28), Security to family (2.26) and Moral obligation (2.42) are less than 0.05 at 5 % level of significance. Hence null hypothesis is rejected. It conclude that there is a significant difference in the factor that influence customer to choose life insurance during the covid-19 pandemic.

The P value of the variable Tax benefit (3.05) is more than 0.05 at 5 % level of significance. Hence the null hypothesis is accepted. It conclude that there is no a significant

difference in the factor that influence customer to choose life insurance during the covid-19 pandemic.

4.2.3 To find out insurer expectations and present solutions

The research hypothesis is:

- H0: There is no significant difference in factor that insurer expectations and present solutions during the covid-19 pandemic.

Table 4: one sample T-test

FAC TOR S	(Test Value = 3)						
	N	ME AN	STD. DEVI ATIO N	MEAN DIFFR ENCE	T	D F	SI G
DIGI TAL PAY MEN T	120	2.34	.921	-.658	- 7.82 8	11 9	.00 0*
MO RE REL IABI LIT Y	120	2.46	1.036	-.542	- 5.72 6	11 9	.00 0*
QUI CK	120	1.71	1.040	-1.292	- 13.6	11 9	.00 0*

RESPONSE					01		
24*7 HELP LINE	120	2.38	1.014	-.617	-6.662	119	.000*
INCREASE IN CLAIM AMOUNT	120	2.24	1.167	-.758	-7.120	119	.000*

Inference:

The P value of variables namely Digital payment (2.34), more reliability (2.46), Quick response (1.71), 24*7 Help line (2.38) and Increase in claim amount(2.42) are less than 0.05 at 5 % level of significance. Hence null hypothesis is rejected. It conclude that there is a significant difference in the factor that insurer expectations and their present solutions during the covid-19 pandemic

V. FINDING OF THE STUDY

- It was found that 88% of the majority respondents paid their insurance premium amount during the covid-19 period.
- It was found that 42.4% of the majority respondents paid their insurance premium amount annually during the covid-19 period.
- It was found that 54% of the majority respondent’s insurance policy were lapsed during the Covid -19 pandemic period.
- It was found that 37.5% of the majority respondents considered premium amount increased highly during Covid -19 period.
- It was found that there is a relationship between annual income of their family and their choice of insurance policy.
- It was found that there is a significant difference in the factor that influence customer to choose life insurance during the covid-19 pandemic expect Tax benefit.
- It was found that there is a significant difference in the factor that insurer expectations and their present solutions during the covid-19 pandemic.

VI. SUGESSTION AND RECOMMENDATION:

- Due to strict social distancing norms and the general preference of people to stay away from physical branches, the industry should direct its focus towards providing all of its services through the digital mood.
- The insurance industry must step up its efforts to connect with their customers in a more proactive manner digitally.
- The industry should work towards providing its customer with products that can be tailor-made according to their needs and requirements.
- With the transition to digital the industry should also focus on enhancing the claim settlement process ad make it easy as possible, but also provide customers with faster pay-outs.
- Behavioral economic tools and strategies can be implemented to attract more customers and adopt digitization.
- For customers the trust on the company is very important so all the transactions and documents collected from them through online has to be transparent.
- To offer additional reporting and fast-track services to those who are additional vulnerable to COVID-19 risks at work
- Establish a consistent contact mechanism with all stakeholders to remind them of any policy changes and operating procedures.

CONCLUSION:

The impact of Covid -19 on the insurance industry is clear. Although it initially derailed the industry progress, it has also led to stimulus in

demand for insurance products. And though there are no specific COVID insurance plans, life insurance plans in general cover COVID -19 related deaths too. This has resulted in more people becoming interested in life insurance. Floated by the positive sentiment towards insurance, the industry likely to further intensify its efforts in the near future to increase insurance penetration in Ramanathapuram district

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