



STUDY ON THE AFTER EFFECT OF COVID-19 PANDEMIC IN LIFE INSURANCE SECTOR IN INDIA

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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.

Keywords: Insurance industry, Pandemic.

INTRODUCTION

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 lapsation 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.

According to MD LIC, around Rs 30,000 crore of renewal premiums did not receive because of tendency to save more by middle income group people in view of increasing life risk and uncertainty due to continuous lockdown.

If the slowdown continues there will be more unfavourable impact on the new business premium, revival or renewal of policies and overall, Sum assured also get badly affected and shown a decline of 9.2 percent to Rs. 12.6 lakh crore between April and July month of year 2020 as per a recent report by CARE Ratings. Due to continuous lockdown from March to May in FY 2020, many insurance companies give two months grace period for the revival of lapsed individual life insurance policies. There are fewer takers of new insurance policies. Based on the opinion of some insurance experts, there has been recorded a significant decrease in getting new business from the lower- and middle-income group people. The growth in new businesses is mainly boosted by high income group individuals. The report of Global Data Company, the life insurance business in India is expected to get declined by 0.9 per cent in 2020 as compared to 8.8 per cent growth recorded in 2019. The cause for decrease is mainly due to fear of financial uncertainties, job loss and no growth in income. In times of Covid-19 pandemic, there has been seen a great demand for pure insurance and health insurance products but demand for unit linked and other life insurance policy was low. The shortage of liquidity and income uncertainties discourages many customers to either postpone or not to buy new policy during present pandemic. The post lockdown period helps in revival of life insurance business by finding more customer centric innovative solutions to stay profitable and strong. Insurance is among one of the core sectors of the economy and this sector is less affected by the present Covid-19 pandemic situation. In simple words, despite of downfall in pandemic situation an insurance industry is not very much affected and still generating revenue and offer tremendous growth opportunities in both life and health sectors. The risk of life encourages many customers to invest in term plan and other life insurance policies to protect an individual and family against the future uncertainties.

OBJECTIVE OF THE STUDY

- To study the after effect of Covid-19 pandemic on the business of Life Insurance sector.
- To understand the changing trends and challenges in Insurance sector during Covid-19

1.1 Need of 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 provides 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 is considered as a unique financial tool to cover against life related risks of an individual and family.

Review of literature

A literature review surveys books, scholarly articles, and any other sources relevant to a particular issue, area of research, or theory, and by so doing, provides a description, summary, and critical evaluation of these works in relation to the research problem being investigated.

Donthu & Gustafsson, 2020 In Somaliland, the COVID-19 outbreak has forced many businesses and stores to close, leading to an unprecedented disruption of commerce in most industry sectors. Retailers and brands face many short-term challenges, such as those related to health and safety, the supply chain, the workforce, cash flow, consumer demand, sales and marketing.

Rius & Diallo, 2020 Private electricity Companies increased the cost of bills due to dependent on fuel imports from foreign countries. Therefore, price changes in all services have importance consequences for all Somaliland's business sectors.

Bartik et al., 2020 In addition to its impact on public health, coronavirus disease 2019 has caused a major economic shock. The pandemic had already caused massive dislocation among small businesses just several weeks after its onset, approximately 25% of businesses had temporarily closed and nearly all of these closures were due to COVID-19.

(Stephen, 2020) Business owners have been shocked with challenges of their businesses to include irregular running of businesses, work methods and possible financial constraint on Companies with uncertain of the future.

McKee & Tucker, 2020 The COVID-19 is likely to cause bankruptcy for many well-known brands in many industries as consumers stay at home and economies and shut down.

Donthu & Gustafsson, 2020 .This is not only having consequences for the economy; all of society is affected, which has led to dramatic changes in how businesses act and consumers behave.

IMF, 2020 IMF predicts that the import volume of developing countries is expected to decline - 8.2% in 2020, while export volume of the same countries is projected to decline - 9.6%.

Research methodology

Research methodology is the specific procedures or techniques used to identify, select, process, and analyse information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

The present study is new and thus researcher used exploratory research design in order to study the after effect of Covid-19 on life insurance sector in India. The study is based on a qualitative research approach used to gain new perspectives on issues where little literature is known. Secondary data was obtained from various IRDA reports, websites, online reviews and newspaper articles and blogs. Content analysis was used to conduct this study as researcher movement were restricted due to Covid-19 pandemic situation.

3.1 Research design

The research design refers to the overall strategy that you choose to integrate the different components of the study in a coherent and logical way, thereby, ensuring you will effectively address the research problem; it constitutes the blueprint for the collection, measurement, and analysis of data.

Nature of data

Secondary data is used in the study.

Period of study

The study based on last 2 year.

Sample design

The sample size is limited Hdfc life insurance.

Tools of analysis

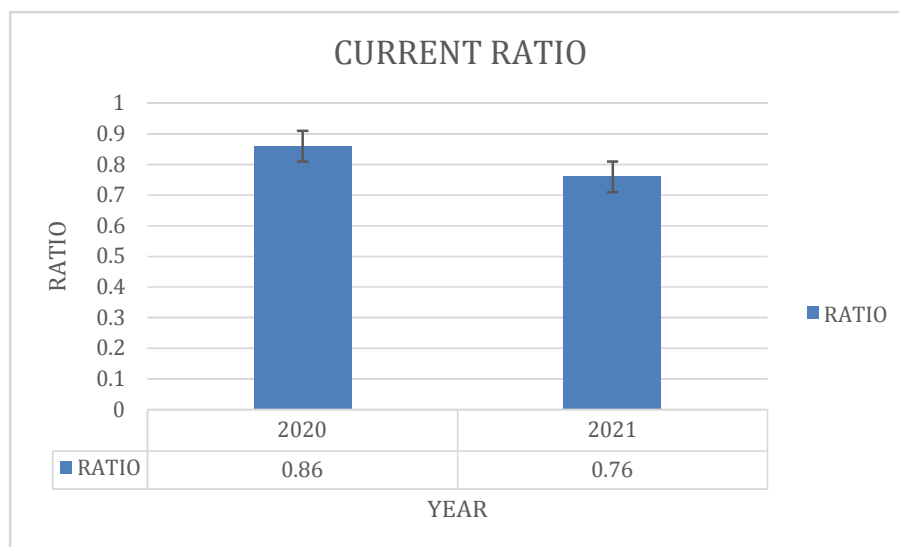
Ratio analysis, Tables, Graphs.

4.0 Data analysis

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Year	Current Assets	Current Liabilities	Ratio
2020	4307.04	4976.93	0.86
2021	4964.31	6502.12	0.76

The following table show current ratio. The current ratio is 2:1 is said to be an ideal ratio. The table shows that the current ratio of the company in last past year is below the ideal ratio. So the current ratio of the company is highly unsatisfied.



Liquid ratio = $\frac{\text{quick assets}}{\text{Current liabilities}}$

Current liabilities

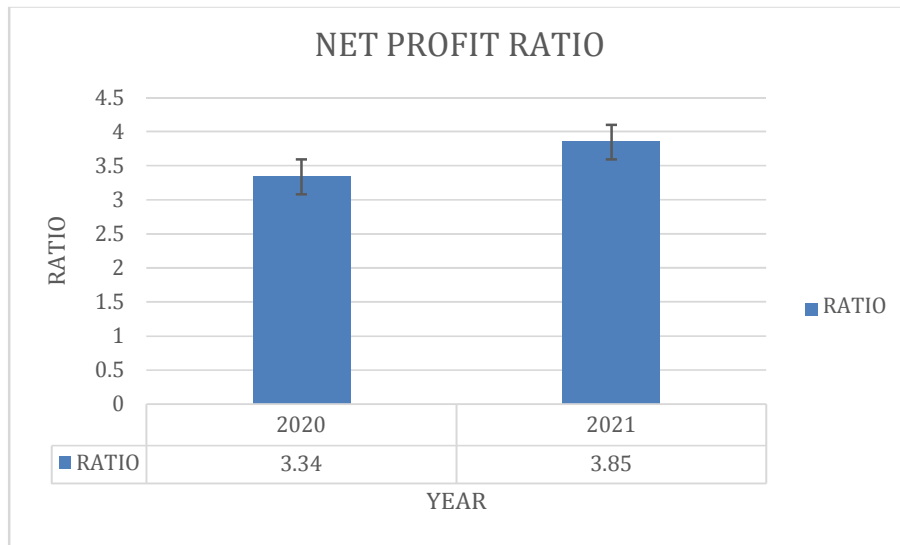
Year	Liquid Assets	Current Liabilities	Ratio
2020	4307.04	4976.93	0.86
2021	4964.31	6502.12	0.76

The following table show liquid ratio. The liquid ratio is 1:1 is said to be an ideal ratio. The table shows that the liquid ratio of the company in last past year is below the ideal ratio. It further means that the company is not able to pay off its current liabilities

$$\text{NET PROFIT RATIO} = \frac{\text{NET PROFIT}}{\text{TOTAL REVENUE}} \times 100$$

YEAR	NET PROFIT	TOTAL REVENUE	RATIO
2020	1074.15	32223.60	3.34
2021	1467.65	38122.30	3.85

The following table show net profit ratio. The net profit ratio is generally 10% is said to be an ideal ratio. The company has failed to attain the standard ratio. Also show low profitability and low return to the shareholder.



FINDING

- Current ratio is below the ideal ratio and it decline rate.
- Liquid ratio of the company is not satisfied because it is lower than the ideal ratio.
- The company highly dependent on creditors for the working capital so it is not good for the company.
- The company use shareholder fund and short term fund are finance for fixed asset.
- The profitability of the company is not good so it is not good for the shareholder of the company.
- The company short term financial position is not good.

SUGGESTION

The company has to improve the short term financial position by increasing the working capital. The have to improve its share capital by improving the net earnings of the company. Generally the company don't pay the dividend to shareholders so the amount has been use in operation of the business. So it is very important for the company to increase their sales revenue.

CONCLUSION

The study was conducted with the aim of describing the insurance industry before Covid and after Covid-19 pandemic in India. The changing trends and challenges faced by life insurance providers are also been analysed under the study. To attain the stated objectives, researcher has used exploratory research design. Insurance industry plays a very crucial role in economy as its saves life, encourage investment, household's savings and also provides mass employment to youth of the nation. Together with banking sector contributes more than seven percent GDP of an economy. Like other sectors of economy, insurance sector is also adversely affected with the present situation of covid-19 pandemic mainly in terms of decline in new policy business, delayed premium payments, increase policy lapsation and financial crises of claim settlements due to rise in number of deaths in Covid pandemic. To deal with these issues, insurers need to come up with more customer centric innovative solutions which gives multiple benefits to the policyholders. During Covid-19 period, many changing trends has been observed that people get more aware with importance of life insurance plan, significant growth in the demand of health and pure life insurance, increased business of online insurance and more oriented towards customer centric unique solution.

The insurance companies face liquidity problem in the short run and solvency problem in the long run if the pandemic stays for a long time. No doubt there are many hurdles for insurance companies in present tough times. But with the effective policy measures, the challenges can be turned into opportunity by looking for alternative options like giving more digital services to the customers in terms of giving online policy information, policy buying, premium payment and also fast claim settlement. All customer services are available at door and insurance and other expenses.

Employees are allowed to work from home which helps to reduce companies' operation cost In current uncertain situation where life related risks are very high. People tend to invest in long term insurance in order to secure their family and loved ones. Both pure insurance and health insurance come out as an great opportunity for insurance providers.

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