COVID-19 – Threats and Opportunities for the Insurance Industry

by Priyanka Chaturvedi

The implications of the ongoing global pandemic include an increased awareness of the various associated risks. There is a need for insurers to research, analyze, and evaluate the impact of Coronavirus and apply appropriate techniques to attenuate expected losses.

Insurance products that include pandemic/epidemic coverage are already on the market. However, they are expensive and often not affordable for small businesses. The availability of such policies is also very limited as they are difficult to price. A pandemic of the scale of COVID-19 is new to the industry, so the associated risks are still being scrutinized and evaluated.

The magnitude of the pandemic has forced insurers across the globe to start preparing the products that cover such risks. Without a doubt, it will be one of the most costly crises in insurance history. According to a report by Lloyd's of London, COVID-19 payouts will be in excess of $200bn.

Companies will suffer significant losses through large-scale event cancellations such as the Tokyo Olympics, which had an estimated $2bn of coverage including protection against pandemics/epidemics. Other notable examples include the Shanghai Grand Prix and the Mobile World Congress in Barcelona. Moreover, travel insurance providers have received large claim volumes due to flight cancellations, closed borders, and more.

This article will touch upon how the pandemic is impacting insurance providers, the challenges and opportunities that lie ahead, and how computer technology will play a vital role in the future of the industry.
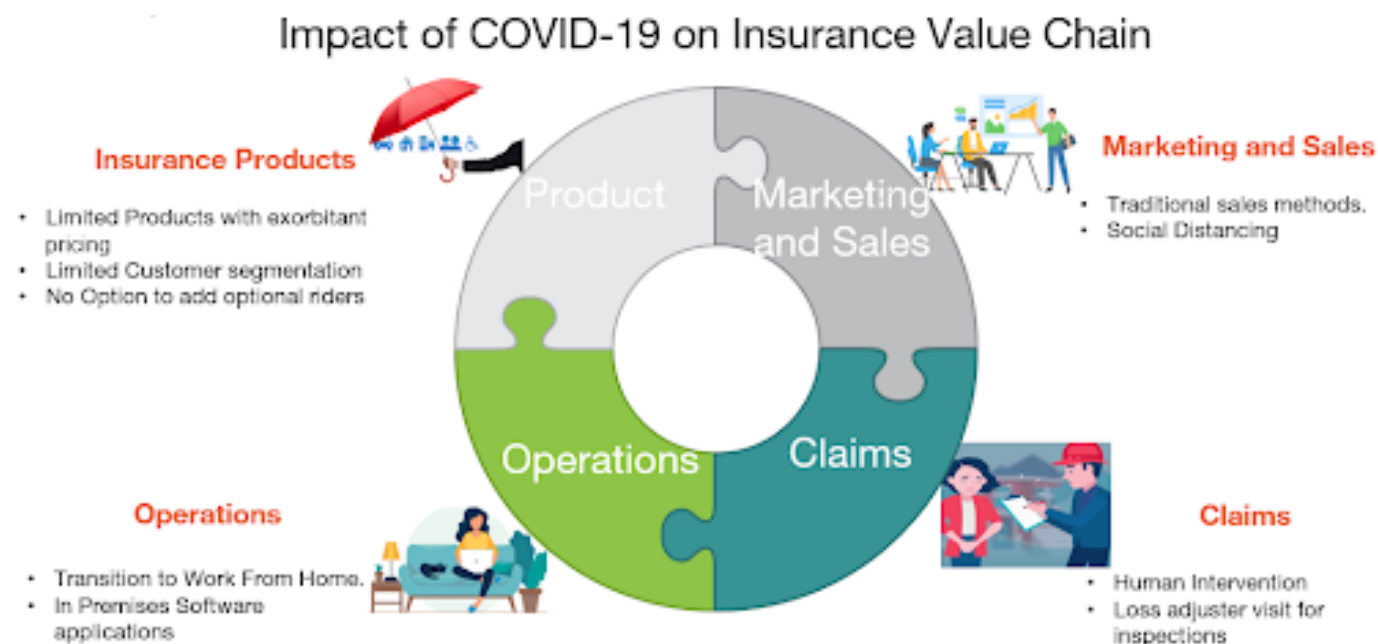
Pandemics and Insurance

Though pandemic coverage has long been available through policies such as **PathogenRX**, it has never been considered essential. This is largely due to a lack of awareness of the potential risks of such an event. For this reason, many providers simply do not offer it.

Following the 2003 SARS outbreak, some insurers added specific pandemic and epidemics exclusions into their policies. Many people were unaware of this until insurance companies started rejecting their Coronavirus-related claims. Insurers that offer pandemic coverage are set to suffer large losses.

The Impact of COVID-19 on Insurance Value Chain

COVID-19 has had an impact across the insurance value chain, as can be seen below:

Impact of COVID-19 on Insurance Value Chain

Insurance Products
- Limited Products with exorbitant pricing
- Limited Customer segmentation
- No Option to add optional riders

Marketing and Sales
- Traditional sales methods.
- Social Distancing

Operations
- Transition to Work From Home.
- In Premises Software applications

Claims
- Human Intervention
- Loss adjuster visit for inspections

Product Development has been significantly affected due to the limited availability of existing product policies. Launching new ones will be challenging because of complications regarding defining policy terms with the exclusions clearly stated.

Marketing and Sales for the new policies have also been impacted due to social distancing. This is especially true for travel insurance, as people have been confined to their homes for global lockdowns with limited to no mobility. In many cases, international travel has been halted by governments while an influx of claims has increased processing times.

Insurance Operations have also been altered as many transitioned from working in an office environment to working from home. This presented challenges as most insurers are still in the process of migrating their core applications to the cloud, making it a Herculean task to manage full operations remotely.

The Pivotal Role of Computer Technology

As the saying goes, "Necessity is the mother of invention." While COVID-19 has hit the insurance industry hard, it has also created opportunities for digitalization. There has been a shift away from traditional policy purchase methods to buying online. This has enabled companies to design products that focus on these types of sales.

Attempts made to understand pandemic risks have also led to the development of more rigorous analysis and meticulous risk evaluations. Data analytics now plays a major role in collating and calculating information.

Social distancing has also created opportunities for clients to make use of the digital mediums for interacting with insurance systems for both claims and policies. Robotic process automation and artificial intelligence have paved the way for this through chatbots and mobile apps.

Overall, effective use of technology will likely result in the IT end-to-end automation of claim processing. Capitalizing on digitalization will also help the insurer proceed down the path of automated underwriting.

The below images shows how technology will play a role in the digitalization of the current insurance process:

Insurance Value Chain	Product Management	Marketing	Sales	Claims	Operations
Support from Software Solutions	• Enhancing Products Speed to market. • Configurable and scalable Products . • Flexible Pricing • Usage and Subscription based Products	• Digital marketing and promotion . • Marketing strategy to attract new customers with premium rebates like 30,60 and 90 plans. • Chatbot to purchase new policies	• Launching Agent Portals. • Self Service Portals. • Insurance Apps	• Automatic Claim Process • APPs to report the claim and upload the Pictures and Bills .	• On Premises to Cloud . • Call Centre. • Chatbot. • Automatic Underwriting .

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