

Страхование и пандемия коронавируса: от убытков к технологическому прогрессу

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Аннотация

Предметом исследования данной статьи являются изменения, произошедшие на страховом рынке в результате пандемии. Рассматривается влияние коронавируса на страховой рынок, финансовую деятельность компаний, изменения в клиентской базе, и какие улучшения и инновация оно привнесло на рынок. С одной стороны, такие отрасли, как бизнес страхование и туристическое страхование претерпели огромные убытки. Но, с другой стороны, пандемия коронавируса стала катализатором для ускоренного развития новых технологий, таких как предоставление удаленных услуг. Данная статья представляет общий обзор примеров инноваций в страховании, которые уже были внедрены и оказались весьма полезны во время пандемии или же будут внедрены в ближайшем будущем.

Ключевые слова: страховой рынок, пандемия, диджитализация, иншуртех.

Insurance and the coronavirus pandemic: from losses to technological advancement

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Abstract

The object of the research in this article is the changes in the insurance market as a result of pandemic. It is examined how coronavirus has affected the insurance market, how it has influenced

the financial performance of companies, changed the client base, and what improvements and innovations it has brought to the marketplace. On the one hand, such sectors as business and travel insurance suffered huge losses. But on the other hand, the coronavirus pandemic has become a condition to accelerated development of new technologies, such as the provision of remote services. This article provides an overview of examples of innovations in insurance that have been already implemented and were really useful during the pandemic or will be implemented in the near future.

Keywords: insurance market, pandemic, digitalization, InsurTech.

The coronavirus pandemic unexpectedly came in our lives in the beginning of 2020 and has affected the usual way of living. In the 1st half of the year the world experienced huge changes: drop in oil prices, devaluation, increase in unemployment, small and medium-sized businesses suffered losses or shut down. Organizations in different sectors of economy had to step away from their traditional practices and adapt to new conditions created by COVID-19. Some companies had to invest in digitalization in order to make it possible for their employees to work from home. Other companies were forced to stop their operations and wait out the pandemic. In such unfavorable conditions, rent payment, overhead and operational costs continued to accrue, while profits of companies were declining.

Hence, it becomes obvious that in the beginning of 2020 the world has entered a new era. In a matter of weeks, the usual order of things in different sectors of economy was shattered. The spread of COVID-19 and measures which are implemented to reduce its effect are having a significant impact on different sectors of economy. It applies to the insurance market as well.

Before the pandemic, the insurance market existed in a stable order. But during the period of restrictions imposed by the governments, some business sectors had to suspend their activities. It includes travel agencies, cargo carriers and other corporate clients, which are the basis of activities and the main source of profitability of insurance companies. Moreover, the global GDP growth is expected to decrease by a few percent. This will lead to a significant unemployment and diminish people's ability to invest.

With the beginning of COVID-19 insurance companies faced huge difficulties. Falling demand for their services, large-scale reduction of customer base and unpredictable prospects created unfavorable conditions at the market. Some insurance companies did not survive, others lost a significant part of the market share.

One of the insurance sectors that suffered huge losses is business insurance. As business insurance protects businesses from losses suffered in the course of their normal activities, the growth of loss ratio from 50% to 70% was very significant. It can be explained by the influence of several

factors. A huge loss was brought by the insurance of downtime. As a result of a lockdown, small and medium businesses faced a lot of difficulties. In general, small businesses lost from 255 to 431 billion dollars of monthly income, while insurance premiums for commercial real estate insurance is 6 billion dollars per month. In most Western countries, loss payments in this sector account for the largest amount of total payments from insurers. If we take the United Kingdom as an example, out of 1.2 billion pounds of payment for other insurance (excluding life insurance), 900 million pounds relate to claims of business termination. Moreover, the creditworthiness and profitability of insurers is affected by the problems on the money market, where volatility and decrease of interest rates creates unfavorable conditions. All this leads to a significant increase in the loss in the sector of business insurance.

Another insurance segment which was put under pressure is travel insurance. In brief, travel insurance covers unforeseen losses incurred while travelling, either internationally or domestically. On the one hand, it has been significantly affected by unfavourable conditions created by the pandemic, but on the other hand COVID-19 has become the strongest driver of long-term development in the travel insurance market. For example, the demand for several products that insurers offer has significantly increased. These products include insurance against flight cancellation and delay, insurance against loss and damage of luggage.

In March - April 2020 the average loss for an individual as a result of flight cancellation was accounted for 849 dollars. With the price of policy from 8 to 15 dollars such insurance in the long-term perspective will be in demand.

It is believed that travel insurance will experience changes. Before the pandemic the most common type of policy was the insurance of travelers against flight cancellation for the range of cases listed in the policy. It accounted for about 8% of the cost of travel. In the long-term it is expected that the demand of travelers will be shifted to the general insurance, which would cover all the cases of flight cancellation. It is more expensive and accounts for about 12% of the cost of the trip. The demand on such insurance policies may increase from 5% to 50% after the pandemic. In some countries it has already become the majority of sales in the sector of travel insurance. For example, in Germany Reiserücktrittsversicherung is one of the most demanded types of insurance.

Unfortunately, with an inevitable approaching of the second wave of coronavirus and the number of cases going up again very quickly, risks of losing customers and of falling demand for insurances will increase and new difficulties will be created.

Despite the decrease of consumer demand and the reduction in the number of trips, in the long-term perspective the sector of travel insurance is expected to have a positive dynamic. According to the report which was published by Allied Market Research, in 2019 the world insurance market

reached the point of 19,24 billion dollars and the forecast is provided according to which in 2027 it will reach the point of 37 billion dollars. Nevertheless, the growth of the market is limited due to the lack of client's awareness about all available products they can invest their money in. With the enhancement of the product line and additional services as well as technological advancements new opportunities are created.

Let's take Russian insurance companies as an example and examine how it was affected by the coronavirus. As a consequence of the pandemic, insurance companies had to reduce salaries of top managers by 10-15%, reduce bonus payments in order to cut costs. At the same time, the interest of individuals in additional health insurance has grown significantly. Several companies started to include the risk of coronavirus infection in their insurance products (e.g. Sberbank, Alfa-Bank and etc.)

Despite the fact that coronavirus created a wide range of problems, the pandemic has brought new opportunities and accelerated the development and improvement of the insurance sector.

As a result of pandemic, companies started to develop plans which would provide continuity of business operations, which led to significant changes in the methods of doing business in different insurance companies all over the world. For example, insurers started to consider potential risks caused by the waves of coronavirus pandemic and find new ways of dealing with difficulties and new risks.

Insurance is at the crossroads of innovations and technology. The coronavirus pandemic forced insurance market to develop remote services, which has a positive impact on industry as a whole. Digitalization of the insurance market started several years ago, but the spread of Covid-19 has become a catalyst for the industry-wide introduction of new digital initiatives. However, insurers who actively used the online sales channel even before the pandemic overcame the period of self-isolation much easier.

For example, OSAGO's settlement of insurance events will be completely remote. The lockdown has shown that it was the right time to finally catch up with the digitalization of the system. During the lockdown, the insurers of OSAGO continued to settle insurance events and make payment to victims of accidents. According to the statistics, the settlement period is based on the results of the second quarter of 2020 essentially did not increase (if compared to the previous quarter), and even decreased compared to the same period last year. Therefore, it can be said, that despite the quarantine, insurance companies have been paying faster than last year. As a matter of fact, the quality of work of OSAGO insurers has improved and the number of complaints has decreased.

Despite the fact that introduction of digital technologies creates new risks, like cybercrimes, investments in digital transformation brings the long-term strategic advantage for the insurance

market. Digital channels lead to a reduction in service costs, allow to offer additional services to customers and make the business model more flexible. Insurers that can perform an adequate risk assessment through effective data analysis and use of capabilities of the Insurtech industry will have a better position on the market. The InsurTech sector can help insurers get over Covid-19 via introducing new digital initiatives.

Artificial Intelligence (AI) and machine learning (ML) are shaping its way to become the core part in activities of insurance companies. One of the benefits of using AI is a reduction of costs on paperwork and brokers as well as elimination of fraud. Moreover, such technologies bring competitive advantage to companies, increase customer satisfaction, improve efficiency along with an optimization of company's operations.

The InsurTech sector is gaining popularity in insurance and playing an important role in its transformation. InsurTech is connected with the mergence of the new IT technologies which are going to change the insurance industry, reduce costs for consumers and insurance companies, increase efficiency of interaction between insurance companies, banks, brokers and costumers. InsurTech companies have made the process of purchasing products of many types of insurance easier and more convenient. Nowadays, customer have an opportunity to examine and compare policies, and shop online at any time, without having to visit a local agent or insurance company physically.

Several examples of using InsurTech by insurance companies are presented below.

Tyche is an InsurTech firm, which has utilized an AI-infused claim likelihood model in underwriting in order to accurately determine the risks and reach higher profitability. Both the front and back-office will have standardized bots which will automate policy servicing and claims management for a much faster and more personalized customer service. For instance, within just three seconds, Lemonade Inc. 's claims bot Jim estimates and pays out property claims, whereas virtual assistant of one of the leading auto insurers in the U.S. answers customer queries on policies and payments. Another example of InsurTech is the automated insurance agent SPIXII that interacts with customers through a mobile app and other messenger platforms to help in the purchase of the right policies.

In Ukraine, EASY PEASY InsurTech company is going to implement its new startup project about online service that will allow people to buy car insurance on the principle of "pay-as-you-go" or payment for kilometers. Now, in order to insure your car under CASCO, you can buy an insurance (that already has 500 cascokilometers) by going to their website and fill up the tank depending on the intensity of car usage via the mobile app. The insurance can only be bought online and all the customer losses will be settled remotely.

Finally, it may be concluded, that the insurance sector has changed as a result of coronavirus. The risk of pandemic will become more common in insurance packages, the number of insurance applications will generally increase, and travel insurance prices will rise as well. Nevertheless, this article provides evidence that along with new risks, problems and losses, coronavirus moved the insurance market into the new era and brought technological advancements and introduced new innovations, which will improve the quality and convenience of services provided by insurance companies. Eventually, insurance companies will benefit from these new technologies as they can expand their customer base and be able to experience growth from new service-based models, and innovative products.

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