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Marketing in Insurance Service during Corona Pandemic

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ABSTRACT: Consumer reactions to COVID-19 are changing the way they view, buy and assess insurance. With the arrival of the COVID-19 pandemic, insurance companies found themselves in the center of the storm. Individuals are now seeking to understand their coverage, free up money, and address risks. Meanwhile, insurance companies have been scrambling to adapt their operations, expand digital channels, and meet the needs of their customers. Developed markets, particularly life ones, are likely to shrink in real terms as a result of the economic slowdown. Some states also are considering legislation that would mandate insurers to cover COVID-19-related losses under their **business interruption policies**. The digital channel managers expressly understand their key areas of strengths regarding the five dimensions of digital marketing strategies. Accordingly, they frame their plans for decision-making to improve customer satisfaction and resultant purchase intentions. Those who are protected with suitable health insurance plans can hope for best possible treatment and meet their medical expenses without their own finances being adversely affected or depleted. Similarly, those who have taken adequate life insurance for themselves are leaving behind some financial corpus for their loved ones to hang on to till they are able to fend for themselves. Insurers are also looking to balance financial caution and difficult trading conditions against the need to invest, and position for longer-term success. **Customers have switched insurance providers at a higher rate** in 2020 compared with the previous year. Meanwhile, an analyst said there could be premium increases of up to 25 per cent in the sector if the coronavirus cases rise more than expected. The life and non-life insurance market in India is estimated to register a CAGR of around 7 per cent over the next five years. Insurance penetration (measured as the ratio of insurance premium paid and GDP of the country) in India, according to Economic Survey 2020-21, increased from 2.71 per cent in 2001 to a mere 3.76 per cent in 2019 — much below the global average of 7.23 per cent. The survey also highlighted that the penetration in India was particularly low for the non-life segment.

I. INTRODUCTION

It is essential that all general insurance firms have plans in place to manage and mitigate the operational impact of coronavirus. More generally, we expect firms to:

- Have sufficiently robust systems and controls to continue to operate effectively in a stressed situation with business continuity plans to manage this.
- Act fairly, honestly and professionally in accordance with the best interests of customers.
- Ensure that all customer communications are clear, fair and not misleading.[1]

Policy issuance systems got redefined and have now become an OTP verified proposal form. We moved and learned what would have taken 5 to 7 years in normal circumstances. The COVID-19 pandemic has amplified the importance of the insurance sectors' role in development, and in the economic resilience of businesses and individuals. As of April 9, a third of the global population was in lockdown to slow the spread of the virus. Lockdown measures have forced many businesses not operating in essential services to temporarily close their doors. While this has a **huge impact on all businesses**, it is likely to hit micro-small-and medium-sized enterprises (MSMEs) the hardest. [2]

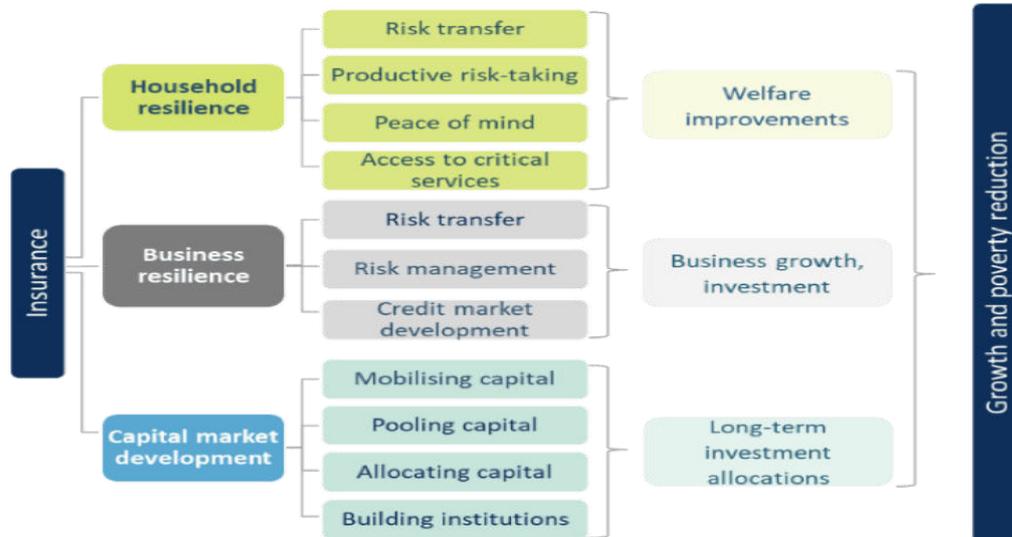


Figure 1: Insurance for growth transmission mechanisms

About digitizing intermediary experience **Web-based platforms and mobile apps** are expected to be key sales channels. Personalized products, lower premiums, and prompt services are some essential facets. Players have been quick to adapt and have introduced specific covers for pandemics, policies tailor-made to customer expectations and requirements, digital access to services, and enhanced claim settlement mechanisms. Increases in overall mortality risk should lead to increases in premiums or decreases in offerings (**a form of universal rejection**). Given that the primary function of the life insurance market is to correctly forecast mortality risk, the response could be sharp and swift, due to both direct effects from Covid-19 and indirect effects from other changes in behavior.[3]

II. OBSERVATIONS

Travel insurance will be significantly affected by reduced or stalled travel (both leisure/business). There will be a surge in the cancellation of policies, which will further lead to degrowth; many companies have shut down during the pandemic forcing them to either cancel or non-renew the policies. Insurers must provide or enhance mobile apps or agent portals to foster remote work for intermediaries and support them with all they need to service their customers. Besides this, they should switch to e-mode; eliminate everything that's paperbound, as much as possible. E.g., **e-delivery of policy, e-billing of policies, and electronic signature supported documentation/processes for new/renewal business, e-payments for claims, etc.** especially the ones that emerge out of black swan events like COVID-19 crisis.[4]

Firms should review the impact remote working has on the effectiveness of their business to deliver services, to determine whether the adoption of new working practices and collaboration tools can enable this operating model to be the new norm. If the answer is yes, then firms should embrace as it provides opportunity to weather future disruptive events, helps to improve the quality of life of their employees and reduce fixed costs such as offices and related infrastructure.

Customers are bound to be elated when they are served the right information at appropriate junctures, enabled through educated guesses, made aware of trade-offs, and allowed to take an informed decision. It is therefore vital to educate the customers, provide them with choices, and guiding their decisions intuitively. **Empowered customers will feel connected with a brand** when they are provided with choices on the products, a menu to personalize and when educated for their decisions, for their risk cover. This recreates a seamless experience like shopping on Amazon, as well enables customers to buy insurance in a socially distant world.[5]

IN THE FIRST HALF OF 2020-21, HEALTH PREMIUMS OCCUPIED TOP SPOT IN NON-LIFE SEGMENT

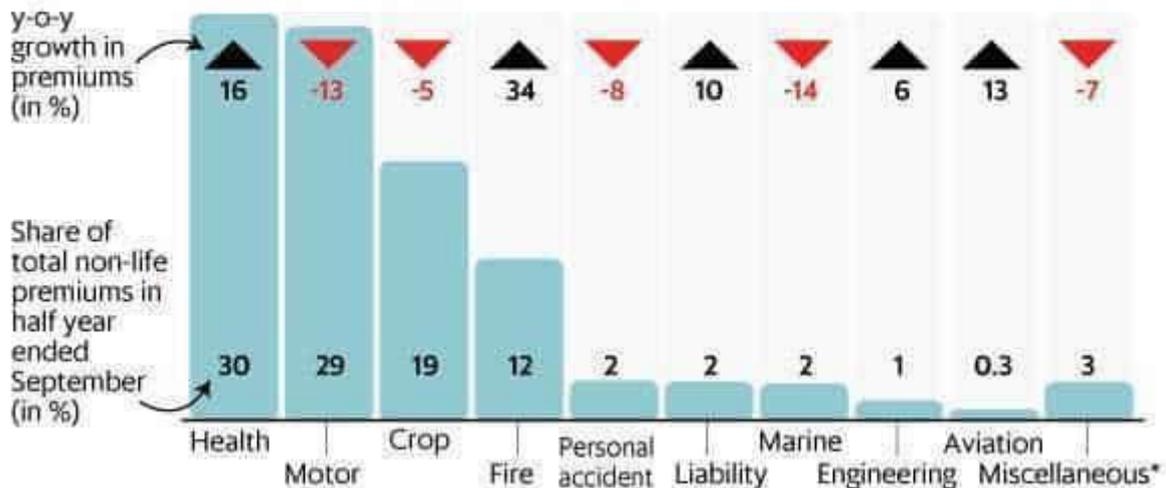


Fig.2-The covid-19 boost to health insurance

Agility is paramount to facilitate quick problem-solving and easy innovation. We all need to have the foresight to recognise the merits and longevity of new-age platforms and stay ahead of the curve, in terms of adoption.

III. DISCUSSION

Work from Home (WFH) impacts employees and policies. Over the past 12+ months, massive shifts in where people work have forced insurers to figure out how to make their own workforce productive while simultaneously maintaining a positive customer experience. While digital solutions enabled the shift to WFH, they also exposed inefficiencies in existing processes.[6]

Rising customer expectations highlight digital deficiencies

Anything consumers want is now only a few taps or clicks away. With COVID-19 forcing many to rely solely on digital means to meet even their most basic needs, the world has seen a seismic shift. Now customers have heightened expectations for anything and everything to be digital, including insurance.[7]

Personalization matters more than ever

In addition to ease and convenience, consumer apps also excel at personalizing experiences and making processes simple. Salesforce’s Tom King suggested, “Insurers specifically will be measured by how well they know their customers. Experiences need to be tailored to the individual, and for this to happen the business needs to have better visibility into the customer.”

Launch new insurance products that showcase best-in-class technology

Insurers are looking to capitalize on the “next normal” by developing and launching new products that meet the needs of the post-pandemic consumer. Insurers are piloting new types of coverage, services and distribution options to address a more volatile marketplace. This year, many young drivers will hit the roads for the first time, and homeownership will become a reality for many in the midst of a red-hot real estate market. SMART insurers will tailor their offerings to gain market share among this tech-savvy crowd.[8]

Investments in digital communication technologies empower human connection

One of the big lessons to come out of the pandemic is the importance of embracing the human side of business. Ultimately, customers want to feel like a name, not a number. But traditionally, insurers have been a bit distant when thinking and even talking about their customers. “In the insurance industry, when you buy a policy, you are a



‘policyholder.’ When you make a claim, you are a ‘claimant.’ You are never a ‘customer.’ The language we use reflects a mindset, and this mindset needs to shift to be more customer-centered,” noted Seth Rachlin, Ph.D., Executive Vice President, Chief Innovation Officer at Capgemini.

IV. RESULTS

Term Insurance- is the purest form of life insurance. Term plans provide life insurance protection to the life assured for a specific term. A death benefit is paid to the nominee in case of the life assured’s death during the policy term. In addition to these advantages, term insurance is also one of the most cost-effective life insurance products, because it allows you to enjoy a higher sum assured in exchange for a premium that is highly affordable.[9]

Guaranteed return products-These products are non-participating savings plans that enable you to accumulate a corpus in a systematic manner over the long term to meet your life goals. Savings plans provide the advantages of insurance as well as guaranteed benefits. The life insurance cover enables you to secure your loved ones in your absence. In addition to this, savings plans come with the benefit of guaranteed returns at the end of the maturity period.

ULIPs-Unit Linked Insurance Plans (ULIPs) are market-linked products that offer the two-fold advantage of investment coupled with insurance coverage. They give the policyholder the dual benefit of investing in either equity funds or debt funds (or both), while providing life insurance coverage.

Commercial mortgage loans (CML) and commercial mortgage-backed securities (CMBS)- This asset class, which was performing well until recently, has abruptly experienced a sharp decline in value. It could be under duress over the longer term as the economic slowdown caused by the novel coronavirus continues. Take the commercial office space sector, for example. Before the COVID-19 pandemic, occupiers were already experimenting with new workplace designs to foster productivity through shared spaces, which was reducing both their footprint and, in turn, their real estate costs. Now, social distancing requirements due to COVID-19 have changed the long-term market dynamics again as companies realize the benefits of remote working on productivity and costs. [10]

Municipal bonds-March saw a significant decline in the S&P Municipal Bond Index, but this recovered quickly as buyers saw bargains in this asset class. According to BlackRock: “Municipals will experience some stress alongside the U.S. economy. Muni issuers must continue to operate despite revenue uncertainty. Some segments will face daunting financial challenges, and federal support may be insufficient. Issuers with solid balance sheets will need to draw down reserves to meet obligations. Safety net hospitals, senior living facilities, mass transit and airports with limited resources will require funding from the states and municipalities they serve.

High-quality corporate bonds- These bonds have benefited greatly from recent interventions by the Federal Reserve, such as: cutting the federal funds rate close to zero, opening a lending facility to enhance liquidity in short-term commercial paper markets, and lending directly to corporations and buying investment-grade corporate bonds. In addition, the Treasury restarted its bonds buying program. [11]

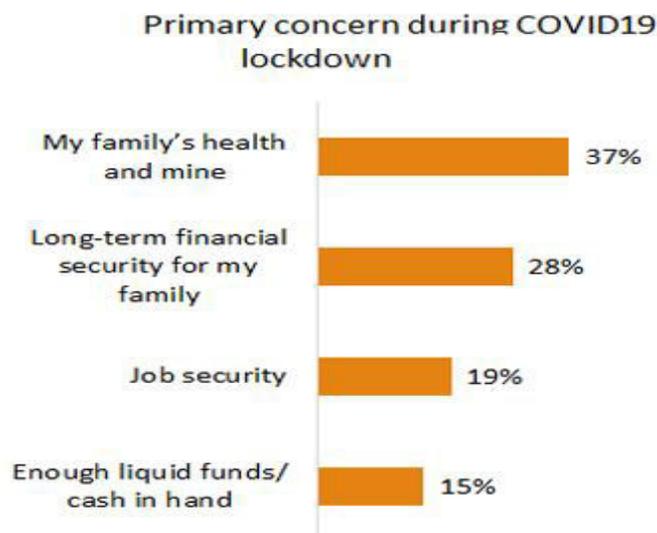


Fig.3. Perception of importance of insurance



V. CONCLUSIONS

As we have highlighted over the last few years, companies need to modernize and optimize their current business while also looking to create their business for the future – one that aligns to a new generation of buyers, risks, behaviors and expectations. **New leaders will emerge** with new operational models (processes, technologies, products, people, partners) from the ground-up, exploiting the “**legacy debt**” of others who are focused on digital transformation and innovation. This approach aligns **Best innovation ratings** – finding the right balance between operational innovation and disruptive innovation with new business models.

Today’s stress points are proving that insurance must rapidly adapt to fit a different future than what we thought just 6 weeks ago. The future will require us to not only become **innovation experts** but also to become **expert managers of the unexpected**. [12]

In this unprecedented new normal thrust upon us by the Coronavirus pandemic, we will likely see a dramatic restructuring of economic, commercial, social and business aspects as well as shift in needs, expectations and demands of individuals (employees and consumers) that will reshape how we live, how we work, and how we use technology. **Companies that reinvent themselves based on these shifts will disproportionately succeed.**

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