



Changes in Demand in the Insurance Market in the Post-COVID Period

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INTRODUCTION

Forecasts for the indicators of insurance sales and financial results were the most pessimistic, given the market decline that began in 2019, due primarily to a decrease in interest in life insurance (Bank of the Russia, 2021). Nevertheless, Russian insurers ended the first half of the year with a positive financial result, and the results of the year make it possible to consider the state and structure of the market as quite stable.

Insurers' first reactions to the rapidly evolving pandemic were changes in the supply of personal insurance products. Risks associated with coronavirus infection appeared in the composition of boxed products (including coronavirus risks), offers for insurance against risks associated with infections, by types of health insurance, accident insurance, life insurance.

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The first responses in the spring of 2020 to the new risks associated with coronavirus were the additions of insurers to accident insurance policies, health insurance policies. Thus, the Russian insurance organization SOGAZ launched a collective insurance program in May 2020, which includes the risks of death from coronavirus (SOGAZ JSC, 2021) with a standard insured amount of 1 million rubles.

The wave of inclusion of new risks in insurance policies led to a response from the insurance supervision. The intervention of the insurance supervision was required in connection with the refusal of insurers to pay insurance payments for the COVID19 risks, which, simultaneously with the inclusion in insurance coverage in special insurance products and the accident and health insurance programs, fell under the exclusion from payments in connection with the epidemic as force majeure. The regulator interpreted such products as consumer risks associated with refusals and delayed payments and demanded to avoid mutually exclusive provisions in insurance rules and delayed payments.

Simultaneously with the protection of the rights of insurers to receive insurance services of proper quality, the All-Russian Union of Insurers (Bank of Russia, 2020), insurance supervision reacted to the pandemic and toward supporting insurance organizations: already in March 2020, the insurers' association appealed to the Chairman of the Government of the Russian Federation, the State Duma, the Ministry of Finance, the Bank of Russia with a package proposal on the possibility of facilitating document flow using digital technologies, reducing the requirements for technical inspection, and a possible postponement of tightening regulatory requirements. Basically, all the proposals were taken into account. If in the spring of 2020 there were discussions about the ethics of the formation of insurance products against coronavirus, then an increase in demand for insurance against COVID-19 by an average of 60% in the second wave in the fall transferred insurance products for citizens to the category of regular (Vedomosti, November 2020).

The secondary development of the volumes, structure and quality of the insurance market in relation to the economic situation (in most aspects, with the exception of preventive measures), the state of corporate and private policyholders allows participants and the regulator to assess the necessary changes in the offer of insurance products, to reorient the set of forms and types of insurance in accordance with the needs, effective demand, market situation of consumers. The cyclical nature of the market, the seasonality in relation to certain insurance products, the traditional

conclusion and prolongation of insurance contracts in accordance with the astronomical year gave insurers an almost one-year time margin to respond to changes in the risk situation in connection with the pandemic in relation to their consumers.

METHODOLOGY

The reasons for the changing demand for insurance products are different for corporate and private policyholders. If for citizens and corporate insurers, in order to supplement social packages, collective insurance of personnel, this is a request to include risks of disability, disability, death from coronavirus in insurance policies, then for property and liability insurance of legal entities, compulsory forms of insurance of enterprises, a change in demand in the first place can be due to a decrease in solvency, a decrease in the output of finished products, a change in relations with suppliers and contractors as a result of the worsening economic situation. Another manifestation was the massive purchases of insurance policies and the wave of insurance payments associated not only with actuarial errors, but also with cases of insurance fraud.

The availability of insurance products also has a significant impact on demand. In Russia, even before the pandemic, the insurance market was extremely heterogeneous geographically, characterized by high concentration, the absence of insurers in certain regions, the washing out of regional insurance organizations in recent years and the lack of motivation to create networks and representative offices, similar, for example, to Rosgosstrakh.

According to the Bank of Russia, the number of insurance entities at the beginning of 2020 amounted to 255 units, per 1 million adults in 2019, it was 2.19 on average in Russia (1.49 per 100 thousand sq. Km of area); at the same time, there are 177 constituent entities in the Central Federal District, and not a single one in the North Caucasian Federal District. Accordingly, the number of separate subdivisions of insurers is 2,197 in Russia, 19 subdivisions per 1 million people of the adult population and 13 per 100 thousand square km of area (Financial inclusion indicators, 2019).

In part, these negative factors were offset by the digitalization of the processes for concluding insurance contracts and claims settlement; at the same time, numerous surveys (about 160 listeners were interviewed) conducted with regional participants in educational programs, both by

insurers and by insurance supervisory authorities, indicate the importance for policyholders of the physical presence of representatives of insurance organizations in the territory of the subjects.

Compulsory forms of insurance and imputed types of insurance turned out to be affected by the pandemic, mainly in the direction of technical support under existing contracts and contracts that must be implemented by virtue of the law. To help policyholders, for example, some inspection procedures have been simplified. The withdrawal from the market of a part of small and medium-sized businesses and, as a result, the liquidation of insurance objects had a significant impact on the insurance demand for compulsory and imputed insurance; decrease in the economic activity of large economic agents.

The quality and development of the insurance market, which makes it possible to respond to new challenges and offer demanded insurance products, is largely determined by the financial condition of market participants, insurance capital and assets, along with the goal-setting of management and owners, and the regulatory framework.

The formation of new insurance products in accordance with changes in the needs of policyholders depend on the financial condition of insurance organizations, the budget that can be used to create a product. Working Change in Demand on the Insurance Market in the Post-COVID Period (Tsvetkova et al., 2019). A comparison was made of large Russian insurance companies with medium and small intermediaries (the former are much more financially stable) (Tsvetkova et al., 2019) and proved a significant advantage of the former. The factors of sustainable supply are presented in the work Methodology of assessing risks to sustainable supply chain of an insurance company (Tsvetkova et al., 2019). Comprehensive analysis of indicators of regional insurance markets involves identifying key indicators of sustainable development and taking into account regional specifics in the formation of insurance products (Tsyganov & Kirillova, 2019).

The impact of the pandemic on the development of the economy and insurance has been considered by many authors (Mesquita de Carvalho et al., 2021; Shevchuk et al., 2020). These are the economic factors of the market, the issues of changing insurance strategies, adapting consumer behavior to the conditions of a pandemic, and responding to it by economic agents.

RESULTS

After the first inclusion of the risks associated with COVID-19, the next stage in the response of insurance organizations to the new situation was complex insurance products in countering the consequences of the coronavirus (Table 20.1).

The hypothesis of the study is the significance of new pandemic risks affecting the demand for insurance products. If this hypothesis is accepted as correct, it is necessary to determine the changes in the demand for insurance products during the 2020 pandemic, which will determine directions of development of insurance products.

It can be assumed that changes in demand during a pandemic depend on three global changes in risks, economy, effective demand of economic agents (insurers and policyholders) and the need for changes in insurance regulation. In reality, these changes are manifested in the following:

- a set of new risks associated with the impact of coronavirus on human health and life;
- a set of new risks associated with the impact of coronavirus on the economic life of enterprises, businesses, corporations, territories, countries;
- new risks of interaction between insurers and policyholders;
- the need to change the regulation of the insurance market by supervisory authorities, associations of insurers;
- decrease in the solvency of corporate and private policyholders;
- changes in the financial condition of insurers and the possibility of offering them new insurance products (Fig. 20.1).

The demand for insurance products is determined by many factors:

- risk situation (country, regional) (Kirillova, 2013a; Tsyganov, 2017);
- the state of the economy of the country, region (Kirillova 2013b);
- availability of insurance products; digitalization and positive/negative insurance experience;
- development of compulsory forms of insurance;
- availability of imputed insurance;
- the solvency of the population and enterprises;
- others.

Table 20.1 Some new insurance products of the Russian market for coronavirus risks

<i>Insurance organization</i>	<i>Ingosstrakh life</i>	<i>Renaissance insurance</i>	<i>Alfastrakhovanie</i>
Insurance product	Program Stop Coronavirus (Ingosstrakh, 2021)	Antivirus program (Renaissance Insurance, 2021)	Coronavirus insurance COVID-19 (Alfastrakhovanie, 2021)
Main risks/conditions	Lump-sum payment of up to 40,000 rubles in case of temporary disability (incapacity for work for a period of more than 14 days); one-time payment of up to 110,000 rubles in case of hospitalization for more than 7 days; payment of up to 2,500,000 rubles in case of death due to newly diagnosed coronavirus infection (COVID-19)	Newly diagnosed diseases: <ul style="list-style-type: none"> • coronavirus infection COVID-2019; malaria, anthrax, West Nile fever, tularemia, Dengue fever, Ebola fever Sick leave payments due to illness, including COVID 19—up to 60,000 rubles Payment in case of death as a result of illness up to 1,000,000 rubles	Reimbursement for infectious diseases—from 2 to 5% of the sum insured. Death due to infectious disease—100% of the sum insured
Tariff rate/insurance premium; term; age	Insurance premium 6300 rub.—11,000 p Term 3–6 months Age 3–60 years old Consulting on compulsory medical insurance	Insurance premium 3000 rub Sum insured 500,000 rubles Unlimited number of online consultations of doctors of various profiles around the world, excluding war zones Term 1 year, temporary deductible 7 days Age 3–64 years	Sum insured RUB 1,000,000 Age 7–70 Term 1 year, temporary deductible 10 days

Source Created by author on the basis of official websites of insurance companies

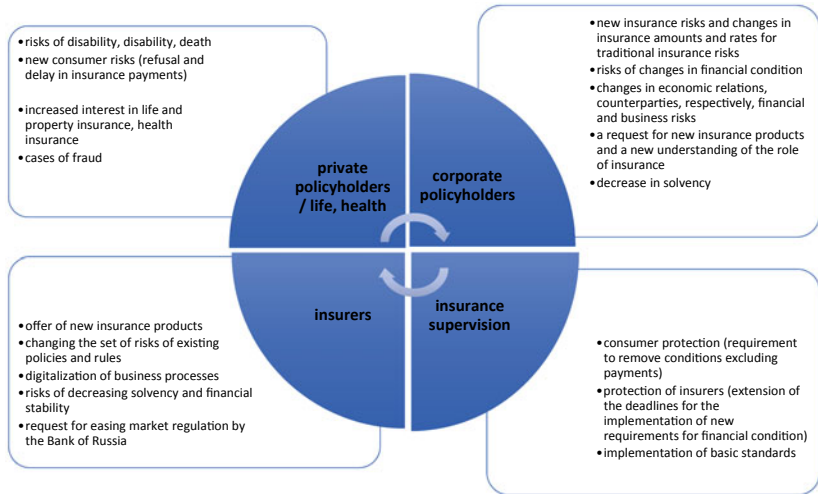


Fig. 20.1 Changes in the insurance market during a pandemic (*Source* Designed by author)

Let's consider the main factors of insurance demand. The risk situation tends to worsen: since 1970, according to the Sigma agency, damages from natural and man-made disasters have grown from \$ 2–5 billion in the 70s to \$ 75–100 billion in the 2010s (Osipov, 2010; Sigma, 2021). Sigma survey predicts a 3% decline in global premium collection for all types of insurance due to the pandemic (Sharma, 2020; Sigma, 2020).

Economies are struggling to recover from the shock events of 2020; all sectors, except industry and agriculture, showed a decline in 2020 (Ministry of Economic Development of the Russian Federation, 2021; Ra Expert, 2021). Overwhelming number of enterprises in the corporate sector emerge from the pandemic with over-indebtedness, according to IMF research (IMF, 2021a). The IMF's findings indicate a softening of financial conditions to support economies in 2020 during a pandemic. The fund's forecasts for GDP growth are now more optimistic: global growth of 6% in 2021 and 4.4% in 2022 (IMF, 2021b). At the same time, the way out of the crisis is expected to be extremely uneven for developed and developing countries. In Russia, the IMF predicts a 3.1% decline in GDP in 2020 and 3.3% growth in 2021 and 2022 (IMF, 2021b).

The Russian insurance market grew by 4.1% in 2020, despite the pandemic (Bank of the Russian Federation, 2021). Some decline in insurance premiums, which is the most difficult for the population and enterprises due to quarantine measures in the 2nd quarter of 2020, leveled off in the fall and in subsequent periods. In 2020, the Russian insurance sector showed the maximum return on assets among financial markets of 30%, which is largely due to an increase in the share of investment income in insurers' profits. In 2021, according to expert estimates, growth is expected from 13 to 25% (Ra Expert, 2021). The structure of a collection of insurance premiums has changed (See Table 20.2).

The increase in the share of life insurance is largely determined by preferential mortgage lending programs (Tsyganov & Yazykov, 2017), launched in Russia in 2020.

DISCUSSIONS

So, the demand for insurance products has changed during the pandemic and the main factors behind its change were a total change in the quality and consequences of risks for individuals and legal entities.

With a sharp change in the risk situation, the understanding of the role of insurance on the part of the insured changed, and the support of the insurance market participants from the insurance supervisory authorities increased and became faster and more adequate. Along with the change in the risk situation, the main factors in the change in demand for insurance products are the effective demand of policyholders and the availability of insurance service providers.

An important positive result of the pandemic and quarantine measures was the sharp digitalization of the processes of concluding contracts and receiving insurance payments (Kirillova & Dorozhkin, 2019; Pukala, 2016), the expansion of the use of telemedicine (online consultations, telemedicine offices, etc.) in personal insurance.

Other areas of development of insurance products were also rethought. So insurers plan to abandon insurance of tour operators (financial guarantees are planned to be terminated from 2022)—this is not the first decision to refuse insurance in the tourism industry—the crisis in tourism in 2014 has already raised the problem of loss-making in tourism insurance for the insurance market. This raises the question of the relationship between the responsibility of insurers for their own financial results, the development of the company and personnel and compliance with social

Table 20.2 Structure of the Russian insurance market by insurance premiums^d

Insurance type	Insurance premium							
	Russian Federation, billion rubles		SOGAZ JSC mln. r. (market share, %)		AlfaStrakhovanie JSC mln. r. (market share, %)		SPAR "Ingosstrakh" mln. r. (market share, %)	
	2020	2019	2020	2019	2020	2019	2020	2019
Total, trln	1.51	1.48	298,838.1	194,334.5	118,449.6	108,352.59	116,027.3	103,273.5
			(18.7%)	(13.1%)	(7.4%)	(7.3%)	(7.3%)	(7.0%)
Life	430.6	409.3	75,880.53 ^a	45,617.9	84,287.52 ^b	55,494.1	5037.52	7165.7
			(17.6)		(19.6)		(1.17) ^c	
OSAGO	230.3	213.9	10,522.99	11,243.3	32,356.65	30,750.9	24,332.58	27,950.3
			(4.8)		(14.7)		(11.0)	
KASKO	157.7	106.9	11,159.9	9884.4	No data	19,868.99	29,583.3	533.7
Personal property	71.7		4024.97	1925.6	54.6	10,078.2	4242.5	3504.9
Corporate property	114	103.3	60,883	53,428.4	939.6	9948.0	16,040.6	12,894.0
Voluntary health	147.6	180.8	64,352.89	60,242.1	17,857.46	15,357.4	9619.95	10,891.1
			(36.3)		(10.1)		(5.4)	
Accidents and illnesses	143.3	187.4	96,381.54	25,940.6	7539.64	6072.1	4122.41	3219.4
			(47.5)		(3.7)		(2.0)	

^a LLC "SOGAZ-LIFE"

^b LLC "AlfaStrakhovanie-Life"

^c LLC IC Ingosstrakh-Life

^d As an example, we selected three insurance companies with the maximum sum of the insurance premiums in 2020

Source Calculated by author according to bases of Expert Ra (2019, 2020), Bank of Russia (2019, 2020)

norms, the response to the social needs of society and the need for a more or less fair distribution of the burden with the budget, citizens and economic agents.

An important response to the changing needs of policyholders was the proactive change in traditional insurance products and the formation of new insurance programs to counter the consequences of the risks of a pandemic.

CONCLUSIONS

Objective shock changes in the risk situation for economic agents of all forms, individuals and organizations in the aggregate impact had a positive impact on the supply of insurance products. New insurance products related to the risks of a pandemic were not only a response to the increased interest in insurance and understanding of its role, and an increase in insurance literacy (Belousova et al., 2019), but were and continue to be initiated by the insurance community.

The negative expectations of the insurance community did not come true and the financial results of the insurance market showed the best profitability among the financial markets. At the same time, a more prompt actuarial response to changes in the risk situation and, as a consequence, the proposal of a new and changed traditional insurance product is also necessary. Thus, the participants of the Russian insurance market justified their intended purpose, showing also an investment result that made a more significant contribution to profit than before the pandemic.

The positive response of the regulator to the request of the insurance community in postponing the strengthening of the regulatory impact on the market turned out to be justified.

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