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THE PANDEMIC'S IMPACT ON THE GLOBAL INSURANCE INDUSTRY

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A B S T R A C T

This article discusses the detrimental effects of a pandemic on the global and domestic insurance markets, as well as forecasts of future issues and recommendations for the development of the insurance industry during a pandemic.

A R T I C L E I N F O

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I. Introduction

The global insurance market's development is directly influenced by global economic trends. Financial sector crises, currency fluctuations, and changes in the price environment are just a few of the factors that have a direct impact on the insurance industry as a whole, and on each individual insurance company in particular. The increase in the number of natural disasters, climatic changes on the planet, the development of the automotive industry, including self-driving cars, the prevalence of diseases and other trends are making adjustments to the functioning of the global insurance market.

Today the world economy is plunging into crisis. The coronavirus first paralyzed part of production in China, then stopped hundreds of enterprises in Europe and Asia, followed by the United States.

As the Coronavirus outbreak continues to be a global concern, the insurance industry faces potentially far-reaching repercussions, but it has the expertise to deal with what could happen.

On the strength of the insurance industry has learned from previous pandemic threats, such as the Spanish Flu of 1918 and, more recently, the 2014 Ebola outbreak, the global pandemic affects

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practically every part of the insurance business.

II. Literature review

According to Paul White, economist and partner at Wilson Elser, the global pandemic could have serious consequences for the insurance industry. In fact, for lack of a better word, the "plague" that results from a global pandemic, if left unchecked, can become a disaster. In short, a pandemic is a global outbreak of a disease. An influenza pandemic, similar to what is happening now with the COVID-19, usually occurs when a new influenza virus emerges for which people have little or no immunity or no vaccine.

Pandemics are becoming more and more threatening in our society because we have a small global community, widespread commercial air travel and widespread international transport of food, which creates opportunities for the transmission of the virus and provides the means for the rapid spread of infection against a virus such as the coronavirus. COVID-19 is a large family of viruses that are common in many different species of animals, including camels, cattle, cats and bats. Rarely, animal coronaviruses can infect humans and then spread to humans, but we have examples of viruses such as MERS, SARS, and now the new COVID-19 coronavirus.

On February 11, 2020, the World Health Organization announced the official name of the disease causing the current coronavirus outbreak: COVID-19. The first cases were detected in Wuhan City, Hubei Province, China, and the epidemic continues to expand. Chinese authorities have detailed tens of thousands of cases in China. Ailments, most of which are related with travel from Wuhan, are moreover detailed in an expanding number of places around the world, counting the Joined together States. The Joined together States detailed the primary affirmed case of person spread of this infection on January 30, 2020. The infection is being observed exceptionally closely since we are at the arrange where we have the infection, we don't have a antibody for it, and we are in a circumstance where we are accepting human-to-human transmission of the coronavirus.

According to financier Robert Lane, vice president of Alliant Insurance, business interruption (BI) losses are on the rise during the coronavirus pandemic and insurers receive thousands of claims notices.

In addition, insurers are rapidly moving to adding exceptions to event cancellation insurance policies and are refusing to provide coverage for future policies. Sherilyn Pastor, head of “McCarter & English's Insurance Recovery, Litigation and Counseling practice”, noted that general liability insurance may be associated with an outbreak of coronavirus if there are claims from third parties for bodily harm as a result of exposure to harmful conditions or failure to take reasonable precautions to protection against the risk of virus infection.

Even when such coverage is provided, there may be an exception for epidemics or pandemics, and the definition of these terms will be important. In addition, liability insurance for directors and officers may be affected if there is a lawsuit with shareholders who claim that the company did not develop adequate contingency plans, did not follow recommended or required protocols, or did not disclose risks that affected financial results.

III. Research methods.

In the process of research, methods are used to reduce the negative impact of the coronavirus pandemic on the global insurance market, as well as proposals and solutions for the restoration and further development of the global and domestic insurance market after the period of this pandemic.

IV. Discussion of analyzes and results.

The insurance industry is well equipped to withstand this coronavirus outbreak, especially after having experienced many of the catastrophic events of the past decade. With all the global catastrophic events over the past decade - wildfires, hurricanes, tornadoes, previous outbreaks, and the like - insurers have a lot of experience dealing with unforeseen events affecting populations

According to the forecast of the rating agency S&P Global, a sudden disruption in the global economy will provoke a global recession in 2020. According to S&P analysts, the annual growth of world GDP will not exceed 1-1.5%, the second quarter will be the most difficult.

Whereas the conceivable affect of Covid-19 on the worldwide protections showcase remains vague, worldwide examiners accept the issue is likely to drive guarantees to maximize their chance reinsurance coverage. As the infection proceeds to spread in Asia, Europe, Africa and the Joined together States, wellbeing fears proceed to mount. Supply chains have been hindered; major occasions and occasions canceled; the workplaces are closed; travel plans have been canceled and the affect will be felt for weeks and months.

Analysts point out that potential claims include the following classes of insurance and reinsurance: life and health, unforeseen events, emergency and business interruptions.

However, other less obvious business classes are likely to be affected, such as management and officer errors, shipping and handling, employer liability, and civil liability.

Reinsurers will inevitably look at how the aggregate losses associated with Covid-19 change to maximize loss coverage for any reinsurance. The coronavirus pandemic will seriously hit the insurance market in 2020. The ongoing pandemic of the new coronavirus and its unprecedented pressure on the economy are making tough adjustments, including in the dynamics of the insurance market. According to our expectations, all segments of voluntary insurance will be subject to the strongest negative impact, while compulsory insurance is likely to suffer to a lesser extent.

The coronavirus pandemic will not lead to a sharp increase in insurance payouts, as such cases are usually considered exclusions from insurance coverage. Unlike, for example, the United States, the costs of treating people will be covered by the compulsory medical insurance program. However, the insurance business will still feel the negative impact of the pandemic, analysts say. A decrease in premiums as a result of the suspension of flights with most countries, a decrease in cargo turnover, the cancellation of mass events, and a deterioration in the financial situation of small and medium-sized businesses is inevitable. In addition, the consequences of the crisis will affect the investment income of insurers.

Foreign insurance companies have currently suspended the execution of insurance contracts for the risks of canceling events planned for the near future. At the same time, events that have occurred due to the coronavirus may fall under the coverage of existing agreements, if such a risk is spelled out in them.

Some foreign countries recommended that insurance companies meet halfway with clients when they request to extend the deadlines for settling insurance claims and to defer payment under voluntary insurance contracts if they provide an official confirmation of the diagnosis of coronavirus infection.

As for the forecast for the development of the industry as a whole for 2020, the active implementation of IT technologies can provide support to insurers. At the same time, a decrease in fees and an increase in unprofitability will be influenced by such factors as a decrease in lending to individuals, an increase in the cost of spare parts for vehicles due to the rise in currency prices, and a decrease in sales of new cars.

Despite the growing uncertainty surrounding the coronavirus pandemic, reinsurers around the world are

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well capitalized and resilient thanks to a long history of innovative and prudent risk management. The adverse impacts of the pandemic could limit the capacity of reinsurers, which will further support tariff increases. Therefore, the global reinsurance segment is well positioned to withstand these risks.

However, insurers need to keep a close eye on the situation and if a pandemic causes a prolonged economic downturn or governments impose legal restrictions, or if other unforeseen events occur, it will adjust its forecasts accordingly. For the global non-life reinsurance industry, the American rating agency A.M. Best currently considers the risk of COVID-19 underwriting manageable. Analysts point out to a large extent that the extent of the loss will depend on the duration of the pandemic in the world.

The foreign insurance companies with the highest potential for insured losses belong to special business classes such as event cancellations, travel, loan (surety) mortgages, agriculture and business interruptions.

Business interruption coverage usually involves loss or damage to the insured person's physical property. Contracts that cover contingent business interruption are usually triggered by physical damage to the property of the business.

Of course, the ongoing COVID-19 pandemic is a challenge for reinsurers and the market is expected to suffer losses in multiple directions, a robust risk-adjusted segment capitalization means reinsurers are in a good position to cover any potential COVID-19 losses as in underwriting. and in investments. To a large extent, the level of losses will depend on the duration of the pandemic. Reinsurance contracts usually contain exclusions for losses that are the result of contagious disease pandemics and the actions of civilian or military authorities.

American rating agency “A.M. Best also sees potential negative short-term impact on insurance and reinsurance premiums, which will exacerbate the impact of reported losses and expenses. However, this will be mitigated by smaller losses.

Total risk-adjusted equity in the global reinsurance segment has been exceptionally robust in recent years, largely due to relatively low levels of underwriting leverage.

Investment quality also remains conservative, and the industry maintains low exposure to investments in low-investment grade bonds and stocks.

The global life reinsurance market is generally more concentrated than the non-life market, with fewer players occupying a larger market share. Major life reinsurers have traditionally avoided the investment risks associated with several primary life insurance products. The life reinsurance segment started the year with a large capitalization, but as with risk reinsurers, unrealized losses will negatively affect their short-term profits.

The risk of mortality is a critical factor. Currently, even the most conservative estimates still suggest that, given the information currently available, the death rate from COVID-19 will be significantly lower than a pandemic that appears once every 200 years - a scenario that most reinsurers use to stress test capital.

The actual numbers will depend on how effective the government's actions are to contain and slow the spread of the infection, as well as on the ability of local residents to treat severe cases.

German reinsurer "Hannover Re" has estimated that its maximum losses in property and accident classes (P&C) from the coronavirus is about 200 million euros.

The figure of 200 million euros, which analysts came to, explains the cancellation of the Olympic Games in Tokyo 2020, as well as the cancellation of major sporting events.

Nonethless, management said it did not consider the possible cancellation of the Olympic Games to be "dangerous for the reinsurer" as cancellation is also not a major focus in its sports risk portfolio.

The reinsurer confirmed possible losses only for reinsurance of property risks and accidents, and not for reinsurance of life and health. P&C reinsurance payments will be related to cancelled events or business interruptions that occur during the year due to the progressive spread of the coronavirus. The German reinsurance company, Hannover Re, has been well protected in terms of the life and health of the business thanks to the € 360 million pandemic index coverage it provides for the United States, Australia, the United Kingdom and other countries. Thus, there is a weighted death rate for the United States, Great Britain and Australia. And if the weighted value reaches a certain index, exceeds a certain parameter, then the payment becomes mandatory. And it's capped at 360 million Euros. Depending on how far the index is exceeded, the higher the pay will be. But for this, the mortality rate of the population in these countries would have to increase significantly.

But Hannover Re is likely to feel the impact of the coronavirus to a greater extent through the slowdown in the global economy, which could affect premiums.

Amid the coronavirus outbreak, US ratings agency AM Best said it believes European insurers and reinsurers are well positioned to manage their potential exposure to pandemic risk.

COVID-19 has the potential to challenge European reinsurers on both assets and liabilities in their balance sheets, although the economic downturn caused by the virus is likely to have the greatest impact.

But despite significant uncertainty about losses for insurers, the industry has long recognized the potential danger posed by pandemics.

For example, financial markets have been particularly volatile in recent weeks, but the insurance industry as a whole is not expected to be hit hard given its relatively modest impact on equity markets. Likewise, the prospect of a global economic downturn caused by the coronavirus could lead to a global decline in insurance demand, but US ratings agency AM Best expects this to be offset by lower industry claims that tend to come with periods of weaker economic activity.

Credit insurance is one area that may feel the impact of disruptions on global trade, but insurance claims will be delayed until loan payments are late. However, credit risk insurers are already using a projective approach, constantly monitoring risks and preparing to reduce limits when a problem is identified.

There is also uncertainty that insurance companies will be able to avoid paying for contracts in the event of unforeseen cancellations of major events such as the Tokyo Olympics and the UEFA European Football Championship, as the pandemic is usually not covered by a contingency policy.

There is also some discrepancy regarding triggers for contingency insurance, as organizers who choose to cancel an event as a precautionary measure are unlikely to receive payments from insurers. A deterioration in the balance sheet of insurers ' assets, such as investment losses leading to lower profits and a lower solvency ratio, may have a greater impact on the increase in tariffs for certain insurance classes.

In addition, any claims in specialized business sectors, such as trade credit insurance or cancellation of mass events, can very quickly lead to the strengthening of insurance markets.

As of May 10, 2021, 3306723 people died worldwide from the COVID-19 coronavirus disease about 159 million were infected, more than 19 million are currently infected, and about 137 million of those infected are recognized as recovered. Average mortality: 2.1%. The most infected people were identified in the United States: more than 33 million people. About 23 million in India. More than 15 million in Brazil. More than 5 million in France and Turkey. More than 4 million in Russia, Great Britain, and Italy. More than 3 million in Spain, Germany, Argentina, and Colombia. More than 2 million in Poland, Mexico, Iran, and Ukraine. More than 1 million in Peru, the Czech Republic, Indonesia, South Africa, the Netherlands, Chile, Canada, Iraq, the Philippines, Romania, Belgium, and Sweden.

To date, more than 94,759 cases of coronavirus have been registered in Uzbekistan, and 90,292 and 662 deaths have been recovered.

The United States is the largest insurance market in the world and the country-leader in health care costs, despite the fact that insurance premiums provide only 7-8% of the country's GDP, and the growth rate of the American insurance market is minimal: up to 2% per year.

Medical institutions are private, and they have the necessary insurance to serve them. Its presence in every citizen has become mandatory. The state subsidizes medical services for people over 65, the poor and the disabled, and all other residents are required to either buy insurance on their own or use a corporate package from an employer.

The situation is similar in Germany: 86% of the population covers the cost of medical interventions at the expense of the national health system, and insurance also accounts for 6-7% of GDP. Commercial insurance covers premium services and often comes as part of a social package from the employer. At the same time, Germany is one of the world leaders not only in the quality of medical services, but also in the implementation of IT services in healthcare. As in other developed countries, where medical services are paid for by the state, in Germany, property, liability and life insurance is becoming more important for insurance companies. In terms of life insurance and pension savings, the country is one of the four largest European markets, along with Britain, France and Italy. The same four together account for about 65% of all European insurance premiums on policies not related to life or health insurance. Speaking of France, it is worth mentioning that this country is actively using tax breaks to stimulate the insurance market. Due to this, life insurance is popular in it, which is used to form pension savings. First, retirement insurance programs bring citizens more profit than bank deposits.

Secondly, if a citizen decides to take all pension savings from the insurer, then he will only need to pay tax on the profits that he managed to get. As for health insurance, the French are obliged to buy it, but the state covers most of the cost of medical services.

In the UK, the insurance market is responsible for 11% of GDP, despite the fact that all residents of the country are provided with medical services of the NHS public health system. The insurance market shows an annual increase, car and real estate insurance is developed. Citizens have access to a large number of Internet services that facilitate the process of finding and buying a policy. Commercial health insurance is purchased primarily for faster access to services, as in the National Health System, you can wait a long time for your turn to a narrow specialist, as well as to get a better service. The NHS system has problems with budgeting and staffing, so the quality of public health services varies greatly depending on the region of the country. In the event that we conversation around life protections, at that point in Britain the so-called venture or benefits protections is far reaching. Whereas a citizen works, he or his manager pays premiums to a private protections company. After the client resigns, the protections company either returns to him the gathered sum of commitments, or makes month to month installments break even with to a certain% of the reserve funds, at the same time utilizing the client's reserve funds for their needs.

During the coronavirus pandemic, the peak of the stressful situation for the insurance market has not yet passed, insurers are still adapting to work in the new conditions and must restructure their business processes taking into account the current realities. In 2020, the volume of insurance premiums will decrease in all segments, but will be less severe for life insurance. The decline in lending will force banks to try to make money on commission income. This may support the volume of insurance premiums in the segments of endowment life insurance and investment life insurance. The further development of the situation will naturally depend on the quarantine-exit regime in which the country lives. If by the beginning of summer the country returns to its usual working rhythm, then the insurance market, one might say, will get off with a slight fright - the drop in volumes by the end of the year will be 5-10%. But each additional month of quarantine will eat up several percent of the annual market dynamics. According to his estimates, even in the most negative scenario, the insurance market will lose 15–20%. Large corporate clients are usually renegotiated in the first quarter.

In a positive scenario, the quarantine will end quickly, and the shock to the economy will be short-term - the recovery will begin in the second quarter of this year. But even with this development of events, insurance premiums will decline in 2020. The market will be affected by a decrease in lending volumes - in conditions of quarantine, customers are less likely to go to bank offices, which are the main channel for insurers to promote some products. Also, the industry is expected to deteriorate effective demand: both citizens and banks will begin to save on operating costs.

If this scenario develops, the most vulnerable segment will be insurance against accidents and illnesses - premiums for it will fall by several percent. Premiums in voluntary medical insurance, property insurance of individuals and life insurance will also decrease by a few percent.

In a negative scenario, the COVID-19 pandemic will be protracted. By the end of 2020, the volume of contributions will fall by more than a quarter and will barely exceed a significant amount. The negative scenario assumes that the recovery of the insurance market will begin not earlier than the end of this - early next year.

Conclusion

The players with a well-diversified portfolio in terms of item sorts and clients, as well as those who will be able to support deals in conditions of working from home, will be more flexible amid the emergency. Moreover, the foremost critical calculate of supportability will be the nearness of solid, basically state, shareholders. For those companies that don't have any of these strength variables, the dangers of genuine issues are particularly high. Large guarantees have collected a significant capital buffer to assimilate potential misfortunes, which can require monetary bolster from the controller. Insurance companies will have to rely on their strength. Some insurance companies will be able to smooth out the crisis phenomena at the expense of segments that are supported by the state.

In contrast to other business areas, agricultural insurance can show the growth of premiums at the end of the year. Growth in this segment due to an increase in funding at the state level (subsidies are increased), and in addition - an increase in support at the regional level. This will significantly support the market and it is imperative for policyholders to review their current insurance program in coordination with their broker and an experienced coverage advisor.

During the pandemic, our domestic insurers can be offered the following areas of development of the insurance business:

The first is to improve the regulatory framework. It is planned to adopt the law on mandatory types of insurance, (mandatory health insurance) improve the mechanisms of voluntary pension insurance, as well as create a Fund for guaranteed payments for life insurance.

With the adoption of new legislative acts, market participants will have the opportunity to use new investment instruments.

Today, insurers are limited in this regard. If we expand the list of investment instruments, this will allow us to participate in budget financing and private investment projects tomorrow. Insurance companies will be able to act as founders of investment funds, this will serve the development of the capital market.

The second is the institutional development of insurance regulation. The standards for the solvency of insurers will be revised, the size of authorized funds will be increased, and requirements will be imposed on the quality of assets of insurance companies.

In addition, it is planned to revise the methodology for calculating the formation and placement of insurance reserves.

The first stage of the transition to International Financial Reporting Standards begins next year. This will allow companies to enter the international market.

Third, strengthening the protection of the rights of consumers of insurance services and other entities, especially during a pandemic, and popularizing insurance and insurance culture.

The fourth is to expand the scope of the range and improve the quality of insurance services. It is planned to introduce new innovative types of insurance. The services will be provided electronically.

"In developed countries, there are no separate licenses for life insurance and general types of insurance. They have one license, which allows them to combine these two types and specify different insurance cases in the same contract. Today, there are 135 types of insurance in Uzbekistan, and they will be increased several times. This number will grow.

The fifth is the system of training specialists in the insurance market. To date, this area is the most important and at the same time very problematic.

The implementation of all these measures will make it possible to increase the level of penetration of common assets twice, density — three times and premiums more than three times in two years.

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