
INSURANCE INDUSTRY POST-PANDEMIC COVID-19

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Abstract: The humanitarian tragedy caused by the COVID-19 pandemic has had profound and far-reaching effects on nearly every aspect of life and business. This unprecedented crisis has not only exposed vulnerabilities in healthcare systems and economies but has also accelerated changes that were already underway. The insurance industry has also undergone major changes in recent years as a result of the pandemic. During the pandemic, the health insurance class, for example, was key to human health because it provided free medical checkups for those who had COVID-19 symptoms. The pandemic highlighted the critical importance of health insurance, drove innovations in telehealth, and exposed gaps in coverage and access. Also, necessary to take into account when analyzing the insurance industry is the development of artificial intelligence and its role and impact on digital transformation. The benefits of artificial intelligence must be taken into account and a way must be found for their appropriate use in insurance, but also to prevent the abuse of the use of artificial intelligence. The pandemic accelerated the digital transformation of the insurance industry. Companies had to quickly adapt to remote work and digital customer service. This shift has led to increased investment in technology and digital tools; growth of insurance technology companies offering innovative solutions and enhanced customer experience through digital channels. The role of the insurance intermediaries that intermediate in the sale of insurance products also changed. The COVID-19 pandemic has significantly influenced the bancassurance model, where banks and insurance companies collaborate to offer insurance products through the bank's distribution channels. The pandemic accelerated digital transformation, reshaped consumer behavior, and highlighted the need for more integrated financial services. However, insurance markets are not developed on the same level in every country. Especially if a comparison is made between developed countries and developing countries, it can be noted that developing countries are significantly behind in terms of gross written policy premiums. Although access to financial services such as savings and credit has increased across the developing world, the use of insurance services for financial protection against these risks has remained low. This paper aims to determine the direction in which the insurance industry will move in the future and what should be undertaken by developing countries, such as the Republic of North Macedonia, where insurance is not at the same level of development as in developed countries, that is, how to more successfully and comprehensively face the challenges in the insurance industry brought by the new era.

Keywords: insurance challenges, digital technologies, insurance classes, insurance laws.

1. INTRODUCTION

After the outbreak of the COVID-19 pandemic and the subsequent spread of the infection, insurers had to take swift action to ensure the continuity of their business operations, even on a reduced scale. The priority was to protect the health and safety of their employees. The support from the IT function played a crucial role in minimizing disruptions to regular work and task performance within insurance companies. This was particularly important for facilitating remote work, addressing technical issues during audio-video meetings, selling insurance, and processing claims electronically or through online applications. As insurance companies, like other organizations, transitioned to remote work and minimized social contact, they had to ensure the necessary technical infrastructure was in place. Essential requirements included company-issued laptops or desktop computers, a virtual private network (VPN) for secure remote access to critical business applications, and auxiliary equipment for group audio, video, and screen communication. These provisions were fundamental to maintaining operations without significant interruptions. (Shaw, 2020) Moreover, insurers implemented various measures to adapt to the new working conditions and prevent the transmission of the virus. For example, in Austria, the insurer "Generali" opened a toll-free telephone line to provide support for issues such as the stress of balancing work and childcare, fear of the future, unemployment, loneliness, and isolation. This initiative was part of a broader effort to help employees and customers cope with the psychological and practical challenges posed by the pandemic. (Rohrbach, 2020)

The initial reluctance of society and the insurance industry was relatively quickly addressed through the adoption of appropriate measures. The pre-existing legal frameworks of various legal systems regarding infectious diseases were comprehensive, covering those diseases known prior to their establishment. Therefore, a certain delay in making changes and additions to the list of infectious diseases was justified. Insurers reacted swiftly to meet the needs of policyholders affected during travel by enabling the extension of insurance policies remotely or through authorized persons. Additionally, they offered extended coverage in existing insurance services to include illness from COVID-19. The primary feature of this coverage extension was not the reimbursement of treatment costs, but rather the

provision of a daily allowance, along with information, assistance, and services in precisely specified cases. This was facilitated through life insurance, travel health insurance, and accident insurance, thereby expanding the scope of coverage to address the new challenges posed by the pandemic. (Jovanovic, 2021)

Besides the usual challenges of the developing countries in the insurance industry for example: low penetration rates (insurance is less common, and there can be cultural and economic barriers to its adoption); regulatory challenges (developing regulatory frameworks can lead to instability and lack of consumer trust); infrastructure issues (weak infrastructure can hinder the delivery of insurance services, especially in rural areas); economic instability and other; the pandemic COVID-19 brought another important challenge. In this paper we will analyze the influence of COVID-19 on the insurance market in North Macedonia as a developing country, the development of digital technologies and their role in the insurance industry, and the future insurance challenges.

2. COVID-19 INFLUENCE ON THE INSURANCE IN THE REPUBLIC OF NORTH MACEDONIA

Global supply conditions following the COVID-19 pandemic have changed significantly and affected insurance companies, their terms, packages, and overall market strategies. The pandemic has increased awareness of risk, disruptions in the supply chain have increased awareness of business continuity risks, the risks we face in everyday life, and unpredictable life situations. The increased level of risks and the growing costs as a result of the increased inflation, were the input for increasing the insurance premiums. The pandemic has increased awareness of health risks, leading to increased demand for health and life insurance policies. The restrictions imposed by the pandemic period have accelerated the digitization process and many insurance companies have accelerated their digital transformation strategies to offer online consultation, claims processing, and virtual customer service. Overall, the combination of global supply challenges and the pandemic has forced insurance companies to innovate, reassess risks, and adapt their offerings to better serve a rapidly changing and more risk-aware market. This was the case in most of the countries, no matter if they were developed or developing countries, taking into consideration their financial capacities. We also have to take into consideration the fact that in many developing countries many foreign insurance companies on the insurance market help to stabilize the market and offer innovative products that are already established in the country where they come from. Such a case is the Republic of North Macedonia where most of the insurance companies consist of foreign capital.

The insurance markets in the Republic of North Macedonia have evolved gradually, adhering to the latest legislative updates. Key laws such as The Insurance Law, The Law on Insurance Supervision, and The Law on Obligatory Traffic Insurance were enacted, complementing the existing Law on Obligations. These laws, alongside the foundation of insurance companies, the revision of business conditions, and the specification of General and Special insurance conditions, have collectively contributed to establishing a new insurance market system. This new system, supported by normative acts within the insurance sector, places insurance within a fresh, qualitative legal and organizational framework. (Dacev, 2012). The new laws and their implementation by all the insurance subjects in the market have led to significant and steady growth of insurance industry in the Republic of North Macedonia throughout the years. Even in the pandemic, this trend continued. Although the insurance companies have ups and downs in the market share of gross written insurance premiums and sold insurance policies, in total these categories increase each year in the country. (Annual Report of the Insurance Supervision Agency of the Republic of North Macedonia, 2023)

In the Republic of North Macedonia, the role of the banks in selling insurance products is strengthening as well. The number of banks licensed as insurance intermediaries is also increasing; most of them have signed contracts with insurance companies for mediation in different classes of insurance. Most often, banks include the class of life insurance due to the benefits they have expressed in larger amounts of commissions and more comprehensive security when concluding contracts for issuing loans to customers, and customers receive more protection if they cannot pay them the credits. But banks also mediate in the sale of other types of insurance (non-life insurance products) with a tendency to increase their contribution to selling non-life insurance in the future. (Dacev, 2019)

Health insurance is a crucial component of healthcare systems, offering protection against the financial risks associated with medical expenses. This system mitigates the risk of catastrophic financial loss from serious diseases or injuries by distributing risk among many insured individuals. While voluntary health insurance has seen some development in recent years in North Macedonia, further measures are necessary to promote its growth. Deregulation and liberalization of the health insurance sector would provide greater freedom for all market participants, fostering a more competitive environment. Key steps to achieve this include amending the Law on Health Insurance and the Law on Voluntary Health Insurance. Amendments to the Law on Health Insurance should focus on expanding the additional package of health services available to those with voluntary health insurance, enabling them to access essential health services. This expansion would, in turn, reduce the basic package of health

services covered by the Health Insurance Fund of North Macedonia, alleviating the financial burden on the fund for mandatory health insurance services. (Dacev, 2016)

3. EFFECTS OF THE DIGITAL TECHNOLOGIES ON THE INSURANCE INDUSTRY

If the world wasn't already extremely digital and connected, the pandemic has been a catalyst for a bigger push toward digitization. (Martins, 2021) According to surveys by the consulting firm Bain & Company, digital adoption in the insurance sector grew by approximately 20% globally in 2020, marking an increase of "almost four times the compound annual growth rate of the prior four years. (Naujoks, Singh, Goossens, and Schwedel, 2020) Innovation through digital technologies, platforms, and infrastructures provides entrepreneurial opportunities across all industries and is reflected by new products, services, and enhanced processes. With regard to the insurance sector, innovation is strongly interrelated with emerging technologies and concerns the entire value chain. (Eckert and Osterrieder, 2020) The insurance sector has undergone significant digital transformation over the years, leveraging technology to enhance accuracy, profitability, customer engagement, and overall business operations. Here is a brief exploration of this evolution: **Accuracy in Pricing:** One of the earliest instances of digital transformation in the insurance industry was the integration of scanners and sophisticated algorithms. These tools enabled insurance companies to assess risks more precisely and price insurance premiums with greater accuracy. **Profitability and Risk Management:** The increased accuracy in pricing not only led to higher profitability for insurers but also enhanced their ability to manage and mitigate risks effectively. By accurately predicting potential losses, companies could set aside appropriate reserves and adjust their risk portfolios accordingly. **Direct-to-Consumer Sales:** In the late 1990s, the Internet revolutionized the insurance industry by allowing companies to sell their products directly to consumers. This shift reduced the reliance on intermediaries such as brokers and agents. **New Revenue Streams:** Online sales created a fresh revenue stream for insurers by reaching a broader audience more efficiently and at a lower cost. **Customer Loyalty and Retention:** The convenience of online purchasing, along with improved customer service and engagement through digital platforms, contributed to increased customer loyalty and retention. **Customer Insights:** In recent years, insurance companies have embraced data analytics to gain deeper insights into customer needs and preferences. By analyzing vast amounts of data, insurers can tailor their products and services to meet the specific demands of different customer segments. **Opportunity Identification:** Data analytics helps identify new opportunities for growth by uncovering trends and patterns that were previously hidden. This enables insurers to develop innovative products and enter new markets. **Personalized Marketing:** With a better understanding of customer behavior, companies can implement personalized marketing strategies, improving customer satisfaction and engagement. **Artificial Intelligence (AI) and Machine Learning:** AI and machine learning algorithms are being used to automate claims processing, fraud detection, and underwriting processes, increasing efficiency and reducing operational costs. **Internet of Things (IoT):** IoT devices, such as telematics in cars and smart home sensors, provide real-time data that insurers can use to offer usage-based insurance policies and proactive risk management solutions. **Blockchain Technology:** Blockchain offers a secure and transparent way to manage policies, claims, and transactions, enhancing trust and reducing fraud.

4. POST-PANDEMIC INSURANCE TRENDS

The COVID-19 pandemic has significantly impacted the insurance industry, leading to both challenges and opportunities. In this chapter, the focus is on some of the key trends and changes in the insurance sector post-pandemic that need to be analyzed and implemented, especially by developing countries. The use of telehealth services surged during the pandemic, influencing health insurance policies worth mentioning because it helps insurers cover telehealth consultations more comprehensively. Health insurance plans are now more likely to include telehealth services as a standard benefit. Insurers have had to adjust existing policies and create new products to address pandemic-related risks that introduced pandemic-specific coverage options and led to a reevaluation of business interruption policies to cover pandemics or similar large-scale events. The pandemic highlighted the need for better risk assessment and management: which implies an increased focus on pandemic risk modeling and scenario planning and underwriting processes to incorporate pandemic-related data and analytics. The surge in claims related to COVID-19, such as health insurance claims, travel insurance cancellations, and business interruption claims, has impacted the industry in a way that insurers are reexamining claim processes to handle increased volume and complexity with an emphasis on improving the efficiency of claims processing through automation and AI. Changes in the workplace, such as remote work, have influenced employee benefits which led to growth in demand for mental health support and wellness programs and adjustments in group health insurance policies to accommodate remote workers. With more businesses operating online, the risk of cyber threats has increased which led to a surge in demand for cyber insurance policies and pushed the insurers to develop more comprehensive cyber risk coverage and prevention strategies. Regulators have adapted to the new realities of the

pandemic, influencing insurance practices by introducing of new regulations to protect consumers and ensure fair practices and greater scrutiny of the solvency and stability of insurance companies. The pandemic has affected the reinsurance market as well, with reinsurers reassessing their exposure to pandemic risks which means that the reinsurance premiums may increase due to higher risk perception and develop new reinsurance products to cover pandemic-related losses. The pandemic has altered consumer behavior and expectations requiring increased demand for flexible insurance products that can adapt to changing circumstances and put greater emphasis on transparency and trust in insurer-client relationships.

5. CONCLUSION

The insurance industry has undergone significant changes due to the COVID-19 pandemic. While the challenges have been substantial, the crisis has also spurred innovation and transformation, positioning the industry to better manage future risks and meet evolving consumer needs.

We can conclude that the impact on the insurance industry by digital technologies is expressed in three categories: **Operational Efficiency:** Digital transformation has streamlined various operational aspects of insurance companies, from customer service to claims processing, resulting in faster turnaround times and lower administrative costs. **Enhanced Customer Experience:** The use of digital tools and platforms has significantly improved the overall customer experience, offering more convenience, personalized services, and better communication channels. **Competitive Advantage:** Insurers that have effectively adopted digital technologies are better positioned to compete in the market, adapt to changing customer expectations, and innovate continuously.

The digital transformation of the insurance sector, from the early adoption of scanners and algorithms to the current use of advanced data analytics and other emerging technologies, has fundamentally changed how insurance companies operate. These advancements have not only improved the accuracy of risk assessment and pricing but also opened new avenues for customer engagement and revenue generation. As technology continues to evolve, the insurance industry is likely to see even more innovative changes that will further enhance its capabilities and service offerings.

The insurance industry in developed countries is characterized by maturity, diversity, and advanced technological integration, whereas in developing countries, it is marked by growth potential, emerging regulatory frameworks, and opportunities for digital innovation. Both markets face unique challenges and opportunities that shape their strategies and operations.

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