

How Insurance Industry of China Responds to The Crisis of COVID-19

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Abstract: In the context of the normalization of the COVID-19 epidemic, the insurance industry, as an important part of the financial market, has been affected positively or negatively, and its functions such as risk management and social stability have been widely valued. The transformation of the insurance industry is already in progress. In addition to the stimulation of the epidemic, the development of China's insurance industry faces many inevitable challenges in the fight against COVID-19; For example, insurance consumers are not rational, insurance claims are under pressure, offline business is blocked, and other challenges also usher in opportunities such as stimulated insurance demand, marketing upgrading, business transformation, and rapid development of life insurance, health insurance, Internet insurance, and credit insurance. In order to effectively cope with the crisis faced by the insurance industry, insurance companies can learn from international experience, establish emergency response function organizations, open online marketing models, innovate insurance types related to the epidemic, and actively build insurance smart enterprises by using science and technology to do a good job in the prevention and control of COVID-19 epidemic, so as to achieve the sustainable and healthy development of the insurance industry.

Keywords: Insurance industry, COVID-19 epidemic; Epidemic Prevention, Policy recommendations.

1. Introduction

Since ancient times, insurance has played a very important role in economic development. It is not only a stabilizer in the micro economy and a promoter in the macro economy, but also a powerful health and economic guarantee for people in the event of risk accidents. 2020 is a year full of tests for China and the world. The outbreak of the new corona-virus has made the country suffer a great impact in human, material and financial resources. Under such a severe economic background, the insurance industry is also subject to certain restrictions. Facing the impact and impact of COVID-19, the insurance industry should not only think about the crisis and challenges it faces, but also actively explore relevant countermeasures and innovate in some fields, correctly guide insurance consumers to apply for insurance, improve the trust of insurance consumers and increase the development opportunities of the insurance industry, so as to promote the sustainable development of the insurance industry. I have the opportunity to participate in a project of French reinsurance company as an intern in the summer of 2022.

Based on my experience and thinking, I will identify the problems faced by China's Insurance

Industry under the influence of COVID-19 and analyze the role that insurance can play in this epidemic.

2. Understanding and Influence of Insurance

2.1. What Is Insurance

The insurance we mentioned in our daily life generally refers to commercial insurance. In commercial insurance, if the insurer has a risk accident mentioned in the insurance contract, they can claim relevant insurance expenses from the applicant according to the insurance contract. When it comes

to whether to buy insurance, many people hold different views.

Some people think that buying insurance can prevent the occurrence of trouble and reduce the economic loss that has occurred or the potential loss that may occur; Others may think that insurance is within the scope of expenditure in their economic planning which makes them refuse to buy insurance. Insurance may reduce the maximum value of our wealth surplus, but it reduces our financial losses and expenditures, and avoids possible risks in another way.

From another perspective, this is also a way to increase our overall wealth.

2.2. Classification and Characteristics of Insurance

In order to reduce people's risk bearing degree from different aspects, we have carried out different classifications of insurance. In addition to commercial insurance, we also have more contact with policy insurance. Policy insurance can be divided into social policy insurance and economic policy insurance. The medical insurance and unemployment insurance mentioned in our daily life are all within the scope of social policy insurance, while economic policy insurance includes agricultural insurance and export credit insurance. What are the characteristics of insurance? From the legal point of view, insurance is a kind of contract, contractual behavior, so it has contractual nature. In addition, to a certain extent, insurance can help units or individuals to share the risks they cannot bear. Therefore, insurance has mutual assistance. Moreover, what insurance guarantees is the person or property of the insured or the beneficiary, which indirectly belong to the economic elements of social reproduction. When compensation is made, it is also in the form of money. Therefore, insurance also has economy. Moreover, insurance reflects a kind of commodity economic relationship, so insurance has a commodity nature. The treatment of insurance

is based on scientific theories such as the law of large numbers, which is one of the scientific methods to deal with risk accidents. Therefore, insurance is also scientific.

2.3. Influence and Importance of Insurance

Under the macro-economic background, insurance plays a role of booster. It can guarantee the progress and stability of social reproduction, promote the sustainable development of social production, and promote the circulation and consumption of goods. In addition, with the emergence of more and more emerging technologies, insurance can provide protection for their potential risks, promote enterprise development, and realize the transformation from technology to productivity. When the fiscal revenue decreases and the fiscal expenditure increases, insurance can ensure the smooth realization of fiscal and credit balance, thus promoting the sustained and healthy development of China's macro-economy. Under the micro-economic background, due to the objectivity of the risk and the uncertainty of the occurrence, insurance claims need to be settled actively, quickly and accurately, which is conducive to the timely recovery of production of the affected enterprises and to minimize the economic losses of the enterprises. In addition, insurance companies can provide experience in risk management to other enterprises, and can mobilize the enthusiasm of enterprises in disaster prevention and loss prevention through the leverage of premium rates, which is conducive to strengthening risk management. When a civil compensation dispute occurs, we can perform the compensation obligation through liability insurance, which is conducive to the performance of civil liability for damages. It can be seen that insurance has certain protection for enterprises and individuals in the micro economic environment and plays a stabilizing role.

3. Influence of Normalization Of COVID-19 Epidemic on Insurance

3.1. Substantial Increase in Medical Insurance Expenditure

According to the data of the national health insurance administration of China, in 2020, the medical insurance departments in various places allocated 19.4 billion yuan of special funds to the designated institutions for the treatment of COVID-19 patients. The medical expenses of COVID-19 patients were 2.84 billion yuan, of which 1.63 billion yuan was paid by the medical insurance fund. During the epidemic period, the National Health Insurance Bureau of China included COVID-19 patients and suspected cases into the scope of protection, and revised the restrictions on medical insurance, eliminating restrictions on payment limits and drug consumption. And Most insurance companies include COVID-19 into the liability scope of various health insurance products without increasing premiums. In addition, the continuous mutation of COVID-19 has caused us to be unable to fully control the virus. We also need to consider the follow-up expenditure of medical insurance.

3.2. Fluctuation of Insurance Demand

The repeated outbreak of COVID-19 has caused many enterprises to be impacted from time to time and unable to operate. Even a few small and micro enterprises have problems in capital chain turnover, which directly leads to enterprise bankruptcy. The shutdown of enterprises means the

uncertainty of profits and the increase of operating pressure of enterprises. For individuals, especially those without formal employment or with unstable income, the income will drop sharply, and the demand for insurance will also drop. In 2020, the accumulated original premium income was 4.53 trillion yuan, with a year-on-year growth of 6.12%, but this growth was mainly reflected in the health insurance business, which realized a total of 817.3 billion yuan, with a year-on-year growth of 15.67%. The sudden outbreak of COVID-19 and the panic caused by it have made many people choose to buy health insurance types that include the COVID-19 epidemic into the scope of responsibility, so the demand impact on health insurance is not obvious.

3.3. Improvement of Insurance Industry Image

At the early stage of the outbreak, most insurance companies responded to social demands and quickly included COVID-19 into the scope of responsibility of most health insurance products. Moreover, the insurance company has also expanded the scope and depth of its public welfare activities. In addition to donating money and providing medical materials to the affected areas, the insurance company has also timely donated insurance covering COVID-19 infection and death liability nationwide through the Internet channel to actively assume social responsibility. In particular, for the staff working in the front line of fighting against the epidemic, such as medical personnel, public security police and community personnel, timely provide insurance related to the epidemic situation. It is very helpful to maintain social stability and improve the overall business image of the insurance industry.

4. Development Opportunities of Insurance Industry in the Fight Against COVID-19

The Awakening of people's risk awareness and the improvement of insurance awareness will gradually stimulate the demand for insurance. The occurrence of disasters requires the timely reflection of human society. The "Black Death" spreading in Europe in the Middle Ages killed more than 25 million people, but it has given birth to the emphasis on medicine, science and technology and even art, and opened up the road of Renaissance. In 2005, the United States was hit by Hurricane Katrina, and millions of people were homeless. The government learned this lesson and established the Federal Emergency Management Agency (FEMA) responsible for major disasters. After the Fukushima nuclear accident in Japan, the national disaster response guide was issued and the nuclear disaster prevention system was re formulated. From the outbreak of SARS in China in 2003, people's awareness of respecting nature and life has been continuously strengthened, and they have paid more attention to the prevention of their own life, health and safety risks. From the outbreak of SARS in February to the effective control in July, thanks to the improvement of residents' insurance awareness and the development of SARS related health insurance products, China's health insurance business has ushered in a period of rapid development. Since May, the year-on-year growth of sales for four consecutive months has exceeded 100%, and in May, it was as high as 309%. For the public, it is certain that it is a rigid demand to resist the risk of major diseases.

The outbreak of the COVID-19 epidemic has affected the

third and fourth tier cities and rural areas, making the public pay more attention to the insurance industry. In the short term, although the operation of the insurance company is frustrated, there are long-term advantages, which are conducive to the continuous expansion of the insurance audience and the sinking of the insurance market. Relevant data show that during the COVID-19 epidemic, the number of consultation on health insurance demand has increased significantly. Although it is difficult to realize the insurance policy of demand at the peak of the epidemic, after the end of the epidemic, this type of insurance is expected to meet the rapid growth after the early suppression. Insurance companies can follow up with the enhancement of people's insurance awareness and timely launch relevant long-term insurance products, such as accident, medical treatment, serious illness, term and life insurance. Product switching will benefit the growth of the company's new order business, which is a good opportunity for insurance companies to strengthen the public's awareness and trust.

After the outbreak of the epidemic, insurance companies responded to the call of the country to fight against COVID-19. Under the premise of controllable risk, they did a good job in insurance claim settlement from three aspects: rapid acceptance, convenient claim settlement and active expansion of insurance liability. A total of 68 property insurance companies have developed more than 600 existing insurance products by expanding product liability and other means; On the premise of not increasing the premium, 70 family life insurance companies extended the liability scope of 1210 accident insurance, disease insurance and other products to COVID-19, and cancel the waiting period (observation period), deductible and the restrictions on designated hospitals for customers with novel corona-virus pneumonia in disease insurance, medical insurance and other products. From the perspective of the interests of risk subjects, insurance companies actively undertake social responsibilities, enrich the supply of insurance products, earnestly perform insurance donation, treat donated insurance policies as normal insurance policies, and provide health and life protection for the general public. According to statistics, insurance companies have donated

15.7 trillion yuan of insurance protection. At present, the insurance industry has paid more than 76 million yuan in compensation related to the epidemic, including 24.6 million yuan for property insurance companies and 6.57 million yuan for front-line medical personnel. The life insurance company paid 795 people with insurance losses related to the epidemic, with a compensation amount of 61.74 million yuan (including 33.2 million yuan under the free insurance project); 338 first-line medical personnel were compensated, and the compensation amount was 30.78 million yuan. Take China Life Insurance Co., Ltd. as an example. After the outbreak of COVID-19, it launched a "Kang e worry free free insurance". The insurance recipient can obtain an exclusive epidemic protection of 300000 yuan and an additional accident protection of 1 million yuan (as shown in Table 1). The positive actions of the insurance industry in the COVID-19 epidemic have produced good social effects, and the social influence and public recognition have been greatly improved, which helps to establish a good industry image and the smooth development of business in the future.

Table 1. Kang e worry free free insurance coverage

Insured amount	Insurance coverage
15 Ten thousand yuan	Novel corona-virus pneumonia death protection (extended protection)
15 Ten thousand yuan	Disability protection for novel corona-virus pneumonia (extended protection)
80 Ten thousand yuan	Protection for death, disability and burn caused by plane accident
10-Ten thousand yuan	Insurance for accidental death, disability and burn of rail transit
8-Ten thousand yuan	Protection for accidental death, disability and burn of water transport
2-Ten thousand yuan	Insurance for death, disability and burn caused by motor vehicle accident
100-Ten thousand yuan	Accidents within the scope of insurance liability

The development of life insurance and health insurance has ushered in new historical opportunities. Affected by the outbreak of the epidemic, the Spring Festival holiday has been extended and interpersonal communication has been restricted. The life insurance and health insurance business can only be expanded in the "home" mode. The online exhibition industry has limited substitution rate for offline operations in terms of staff increase plan and training, agent order issuance and production capacity, and insurance company marketing and management mode. From the two major channels of personal insurance agent sales and bancassurance sales, not only did the business outlets postpone their operations, but also the willingness of salespeople to actively sell and communicate with customers also declined significantly. The life insurance and health insurance business will shrink seriously in the short term. However, from the perspective of "risks and opportunities" in the long term, the stimulation of the COVID-19 epidemic on the two insurance needs is still continuing, and there are major favorable opportunities in the future. According to statistics, the insurance premiums of life insurance and non life insurance in Hubei Province, where COVID-19 infection is the most serious, only account for 4% of the total national insurance premiums. This epidemic is likely to break the traditional situation that insurance penetration is biased towards coastal cities, and greatly enhance people's demand for life insurance and health insurance. Taking the trend of premium income during the SARS period as an example, from May 2003 when the epidemic was gradually controlled to July 2003 when the epidemic was completely eliminated, the growth rates of life insurance premiums were 19.81%, 48.74%, 17.13% respectively, and the year-on-year growth rates of health insurance were 309%, 265%, and 158%. Compared with health insurance, life insurance is less related to the epidemic, so the premium increase is not as obvious as the latter. However, the demand side of life insurance and health insurance is backward, and the attention and demand of people 41ix, l-health, medical care and epidemic prevention are significantly increased.

The development prospects of credit guarantee insurance are promising. Under the background of the outbreak of

COVID-19, credit guarantee insurance has ushered in great development opportunities. As enterprises, especially small and medium-sized enterprises, have weak ability to resist risks, the outbreak of the epidemic has increased their financing needs. In order to reduce the impact of X, I-enterprises caused by the epidemic, the amount of credit support provided by banking and other financial institutions to combat the epidemic exceeded 537 billion yuan; At the same time, the central bank set up 300 billion yuan of special re loans to support financial institutions to provide preferential interest rate loans to key enterprises in epidemic prevention and control, and to support enterprises directly participating in the fight against the epidemic. In addition to providing life insurance, insurance institutions can also act as intermediary institutions to provide loan guarantee insurance for enterprises to assist banks in risk mitigation. Loan guarantee insurance can support small and micro enterprises that cannot be reached and covered by banks to carry out financing activities smoothly, and has the unique contact and risk control advantages of serving long tail small and micro enterprises. The key to the development of credit guarantee insurance lies in the control of credit risk. On the premise that the foam is eliminated and the enterprise exposes its own asset operation data, it is helpful for the property insurance institutions to identify multiple risks and weigh the enterprise's risk control ability to decide whether to underwrite.

5. Suggestions for China's Insurance Industry

Strengthen the development of digital transformation. Insurance companies should accelerate the development of digital business models and increase the application of online service models such as remote consulting, online marketing and online claim settlement. We will strengthen the development of insurance technology and accelerate the application of modern science and technology such as big

data, block-chain, cloud computing and artificial intelligence in insurance business through our own technology research and development and strategic cooperation with technology companies. Strengthen the collection and statistics of data and the elaboration of research strategies.

Strengthen supervision. The sound development of finance can not be separated from financial supervision, which should keep up with the pace of financial innovation. In the face of many problems in China's financial innovation, China has established the financial stability and Development Committee of the State Council to take charge of supervision coordination.

How to effectively avoid trial and error costs in financial innovation. Peer to peer lending (P2P) has caused serious economic losses. Once the finance is out of danger, its destructiveness is huge compared with other industries. Therefore, in the process of financial innovation, China must be cautious, make full assessment and preparation before the introduction, and do not act too hastily, Too big a step in financial innovation also means that hidden risks are accumulating.

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