



IMPACT OF COVID-19 ON SRI LANKA INSURANCE CORPORATION: FOCUS ON LIFE AND GENERAL SECTORS

A.A. Lakshitha^{1} and E.B.S. Samarakoon²*

¹*Department of Computer Science, The Open University of Sri Lanka, Sri Lanka*

²*Department of Computer Engineering, University of Peradeniya, Sri Lanka*

The COVID-19 pandemic has had a significant global impact, affecting various economic sectors, including the insurance industry. This research aims to analyse the performance of Sri Lanka Insurance Corporation (SLIC) during the pandemic, focusing on key areas such as profitability, the implementation of digital services, and the introduction of new insurance policy covers. The findings offer valuable lessons for navigating future crises, providing a framework for adopting similar strategic responses in times of uncertainty. The data were collected through structured questionnaires administered to SLIC officers who work in both the General and Life insurance sectors. With a Cronbach's alpha value of 0.961, the reliability of the measurement scale is affirmed. A high satisfaction level was observed in areas such as "flexible working hours" and "payments options in banks," with a particular emphasis on health-related policies like "Medi Plus" during the Covid-19 pandemic. T-test analysis indicated no significant differences between Life and General insurance sectors in profitability, digital service implementation, and new policy covers during the pandemic, suggesting a balanced strategic response by SLIC. Recommendations include the continuous diversification of insurance policies, promotion of flexible work arrangements, and expansion of health insurance portfolios, embracing digital transformation, and enhancing customer engagement. These strategies not only addressed immediate pandemic challenges but also aligned with evolving customer needs and industry trends. The insights from this study provided a robust framework that can guide SLIC and other insurers in preparing for and mitigating the effects of future pandemics or similar crises through proactive strategic planning and innovation.

Keywords: COVID-19, insurance industry, Sri Lanka, life insurance, general insurance

*Corresponding Author: alaks@ou.ac.lk



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INTRODUCTION

The COVID-19 pandemic has significantly disrupted global life, society, business, and economies (Ireland, 2020). It led to lockdowns, travel bans, and office closures, resulting in business shutdowns, job losses, and a deep recession. Insurance companies and governments have been crucial in mitigating the impact of the crisis (Babuna et al., 2020). In Sri Lanka, the insurance industry comprises 27 companies, with Sri Lanka Insurance Corporation Limited (SLIC) being the largest. SLIC is the only Sri Lankan insurer with a AAA- rating from Fitch Ratings and manages over \$1102 million in assets. Insurance transfers risk via policies, providing financial protection against losses. Most individuals have insurance for cars, homes, health, or life to hedge against financial losses from accidents or damages. Insurance also covers liability costs for third-party injuries or damages.

Life insurance provides financial security to nominees and serves as both protection and investment. SLIC offers diverse life insurance plans catering to various protection and investment needs (Sri Lanka Insurance, 2022). These policies cover theft, damages, health, car, travel, and home. The pandemic has increased consumer awareness of life and health insurance but decreased disposable income has reduced demand. High deposit interest rates have also deterred some customers. The pandemic's impact on motor insurance has led to increased competition and a shift towards third-party coverage (Sri Lanka Insurance, 2022).

SLIC responded to the pandemic with a strategic roadmap focusing on performance-driven culture, customer centricity, digital transformation, revenue generation, and investment optimization. Despite the decreased demand for non-essential services, SLIC adapted through digital solutions and e-commerce platforms, launching new products for specific market segments. This research aims to analyze SLIC's performance during the pandemic, focusing on profitability, digital service implementation, and new insurance policies. The insights will reflect SLIC's adaptability and provide lessons for future pandemics.

METHODOLOGY

The research study investigates the impact of COVID-19 on the business operations of the SLIC in two sectors: General insurance and Life insurance. The study has adopted a quantitative research approach, using both primary and secondary data sources. The data were collected through a structured questionnaire circulated among respondents who are employed in the Life and General insurance sector of SLIC. Secondary data collection was through reference to the company's official website, annual reports, newspaper articles and blogs. All data analysis was performed using the statistical software SPSS 24. A one-sample t-test was considered to identify any significant relationship between profitability, the implementation of digital services and the implementation of new policy covers with both Life and General insurance.

RESULTS AND DISCUSSION

4.1 Demographics distribution

Table 01: Demographic summary of the collected data.



Demographic characteristic	Category	Frequency (n=56)	Percentage
Gender	Female	31	55.4%
	Male	25	44.6%
Age	20 - 30	15	26.8%
	31 - 40	21	37.5%
	41 - 50	14	25.0%
	51 and above	6	10.7%
	Working experience	Less than one year	5
	1 - 3 years	4	7.1%
	4 - 7 years	12	21.4%
	Above 7 years	35	62.5%
Working sector	General	28	50.0%
	Life	28	50.0%

Table 01 reveals insightful information about the demographic characteristics of the sampled population. First and foremost, when examining gender distribution, it is evident that the sample is nearly evenly split between females and males with 55.4% of the participants are female, while 44.6% are male. This diverse distribution of age and gender within the sample ensures a comprehensive representation of various professionals’ insights in this study.

Figure 01 provides a detailed visualization through a bar chart which encompasses four distinct categories, each contributing to a comprehensive understanding of the distribution of professional expertise within the sampled population.

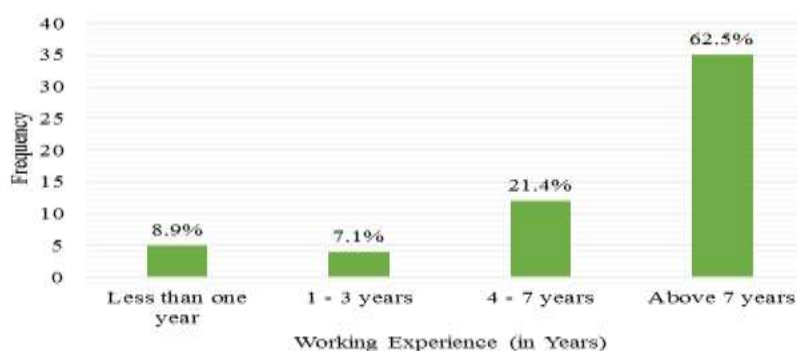


Figure 01: Working experience of the participants

The majority of participants possess extensive professional experience, with 62.5% having worked for more than 7 years, 4 - 7 years category constitutes 21.4%, while those with 1 - 3 years and less than one year of experience make up 7.1% and 8.9%, respectively. Notably, the 4 - 7 years and above 7 years categories collectively account for more than 80% of the sample, marking a significant proportion of participants with substantial professional experience which may also impact on high accuracy and reliability of the collected data.



4.2 Cronbach’s alpha

Table 02: Cronbach’s alpha value for profitability, implementation of digital services and implementation of new insurance policy covers.

	Cronbach's alpha	No. of items
Profitability	0.915	16
Implementation of digital services	0.933	05
Implementation of new insurance policy covers	0.943	05
Total	0.961	26

The overall Cronbach's alpha attains a robust value of 0.961, underscoring the exceptional reliability of the measurement scale. Additionally, within each group, Cronbach’s alpha consistently surpasses 0.8 and being close to 1, emphasizes the consistent and reliable performance of the scale within distinct groups. As the data set reveals that approximately 84% of the total respondents have professional experience more than 4 years. This extensive professional background may significantly contribute to the reliability and precision of the research results as indicated by the high internal consistency, evidenced by the Cronbach’s alpha, elevating the overall quality of the study.

Further, mean scores were compared for levels of satisfaction across three categories: profitability, digital transformation and new insurance policy covers. The questionnaire was divided into these categories with 16 questions for profitability, five questions each for digital transformation and new insurance policy covers. The mean scores for each item within these categories were then compared. Notably, the “flexible working hours” marked the overall highest mean score of 3.66, among items belong to Profitability. This suggests that respondents appreciate flexibility in working hours. Further, several research studies that conducted based on employees’ flexible working hours also indicated that it positively impacted on job satisfaction, work-life balance and productivity (Orpen, 1981; Aziz-Ur-Rehman & Siddiqui, 2019). Moreover, "payments options in banks" has marked the highest overall satisfactory level (mean=3.48) across all five digital services. This implies that, respondents expressed a comparatively higher level of satisfaction with payment options through QR, CDM, Internet and mobile banking rather than other options when it comes to General insurance amidst the pandemic. Further, several research studies that conducted based on behaviour and adoption of digital payments also identified that increment of using QR and mobile banking during Covid-19 pandemic for transactions in Sri Lanka (Dissanayake *et al.*, 2022; Hewawasam *et al.*, 2023).

Across both General and Life insurance categories, the overall mean score for "Medi Plus" is 3.52, making it the highest mean compared to new insurance policy covers among five insurance policy covers namely Medi Plus, Medi 60, Motor Plus Pinnacle, Jana Rakuma and School Fee Protector by SLIC during the pandemic. This satisfaction trend could be linked to a Covid-19 scenario, where individuals demonstrate an increased focus on health-related insurance offerings. The emphasis on medical coverages aligns with the global shift in insurance preferences following the pandemic. It's important to note that these observations are in line with the broader trend observed Covid-19, where people actively seek out and prioritize insurance options that cater to their health needs. This shift in consumer behaviour is reflective of a collective awareness and emphasis on the importance of health-related coverage in the wake of the pandemic (Qian, 2021; Tavares, 2023).

4.3 T-test analysis for profitability, implementation of digital services and implementation of new insurance policy covers

T-test was assessed to check if there is any statistically significant difference between working sectors (Life & General) on the three variables: profitability, implementation of digital services and implementation of new insurance policy covers.



Hypothesis

H10: There is no significant impact of profitability on Life and General insurance

H11: There is significant impact of profitability on Life and General insurance

H20: There is no significant impact of implementation of digital services on Life and General insurance

H21: There is significant impact of implementation of digital services on Life and General insurance

H30: There is no significant impact of implementation of new insurance policy covers on Life and General insurance

H31: There is significant impact of implementation of new insurance policy covers on Life and General insurance

The obtained results were shown in Table 03.

Table 03: T-test results for profitability, implementation of digital services and implementation of new insurance policy in Life and General insurance sectors.

	t	df	p-value
Profitability	1.381	54	0.173
Implementation of digital services	0.777	54	0.441
Implementation of new insurance policy covers	0.993	54	0.325

According to Table 03, all p-values are greater than 0.05 and we do not reject null hypotheses (do not reject H10, H20 and H30). Therefore, this finding implies that there is no statistically significant impact of profitability, implementation of digital services and introduction of new insurance policy covers on the Life and General insurance sectors during the Covid-19 pandemic.

The T-test results for profitability (p-value = 0.173 > 0.05) indicate that the pandemic did not significantly affect the financial performance of either sector. Both Life and General insurance sectors maintained comparable levels of profitability despite the disruptions, reflecting effective financial strategies. The overall industry's growth in gross premium income by 6.13% during 2020, alongside a 6.24% increase in the number of policies issued, demonstrates the sector's capacity to withstand economic pressures. This finding underscores the need for insurance companies to build on their financial resilience, focusing on maintaining robust liquidity and capital adequacy to navigate future crises.

Similarly, the findings related to digital service implementation (p-value = 0.441 > 0.05) suggest that both sectors embraced digital advancements at an equal pace during the pandemic. This response highlights the growing importance of digital transformation in insurance operations, especially in times of crisis (Giordani & Rullani, 2020; Toh & Tran, 2020; Loginov et al., 2020; Islam S., 2021). The increased use of digital services for transactions and customer interactions during the pandemic offers a strategic lesson for the future: the necessity of investing in digital infrastructure and technological innovations to enhance service delivery, customer engagement and operational efficiency. The global trend of embracing digital payment systems, particularly in low- and middle-income countries (Mansour, 2021), further emphasizes the need for SLIC and other insurers to prioritize digital transformation as a cornerstone of their strategy.

In the context of introducing new insurance policy covers, the T-test results again emphasize the lack of a significant impact on Life and General insurance sectors during the Covid-19 pandemic. Since p-value is greater than 0.05 (p-value = 0.325 > 0.05), we accept H30. This implies that both sectors exhibited a comparable level of innovation and responsiveness to emerging risks and market demands, indicating a shared commitment to expanding and enhancing their coverage offerings. Further, Sri Lanka Insurance Annual Report (2020) indicated that SLIC launched different new



insurance policies during the period of Covid-19 pandemic in order to enhance their coverage offerings more effectively.

The findings from this analysis not only reflect SLIC's effective response during the COVID-19 pandemic but also provide strategic insights for future insurance planning. The balanced approach across both sectors in terms of profitability, digital adoption and policy innovation suggests that a unified, company-wide strategy can enhance resilience during crises. For future strategies, it will be crucial to further develop digital services, diversify product offerings and maintain financial stability to adapt swiftly to unforeseen global challenges. These insights can guide SLIC and other insurers in shaping resilient, future-proof strategies for potential crises ahead.

CONCLUSIONS

This study provides valuable insights into the demographic characteristics, working sectors, age distribution and professional experience of the sampled population, enhancing the study's depth and relevance. The Cronbach's alpha value of 0.961 affirms the high reliability of the measurement scale. Analysis of profitability, digital services and new insurance policy covers at Sri Lanka Insurance Corporation (SLIC) during the COVID-19 pandemic shows positive trends. Despite differences between life and general insurance, both sectors performed satisfactorily. The T-test analysis revealed no significant disparities in key performance indicators, indicating SLIC's balanced strategic response across both sectors. Strong associations between profitability, digital service implementation and new policy covers underscore SLIC's adaptability and innovation. High satisfaction levels with flexible working hours and health-related policies, particularly "Medi Plus," reflect evolving policyholder priorities. Recommendations include diversifying and innovating policy covers, promoting flexible work arrangements, expanding health insurance portfolios, embracing digital transformation and enhancing customer engagement as beneficial during challenging times. These strategies aim to align with evolving customer needs and industry trends. These findings highlight the insurance industry's ability to adapt and innovate, providing valuable insights for stakeholders navigating the post-pandemic landscape. If future pandemics occur, it is likely that the insurance sector will exhibit similar trends.

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