

THE INFLUENCE OF COVID-19 PANDEMIC ON EUROPEAN INSURANCE MARKET

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ABSTRACT: *The COVID-19 pandemic represented an unprecedented systemic shock to the global economy, with significant implications for financial markets and risk-sharing mechanisms. This paper examines the impact of the COVID-19 pandemic on the European insurance market, with particular emphasis on developments in premiums, claims and benefits, insurance density and penetration, as well as consumer protection and market stability measures. The results reveal a pronounced contraction in life insurance activity, driven by heightened income uncertainty, financial market volatility, and persistently low interest rates, which weakened demand for long-term savings and pension products. In contrast, the health insurance segment exhibited relative resilience, supported by increased risk awareness and sustained demand for private health coverage.*

KEY WORDS: *COVID-19, life insurance, health insurance, market stability, consumer protection, premiums, claims.*

JEL CLASSIFICATION: *G22, G28, G32.*

1. INTRODUCTION

The COVID-19 pandemic represents one of the most severe global systemic shocks of the 21st century, generating profound health, social, and economic consequences. Unlike previous financial crises, the pandemic simultaneously affected supply and demand, disrupted global value chains, and triggered unprecedented government interventions. Within this context, the insurance sector, whose core function is the management and transfer of risk, was exposed to unique and multifaceted challenges. The European insurance market, one of the largest and most highly regulated in the world, faced significant pressure as the pandemic tested its financial resilience, operational continuity, and capacity to absorb extreme and correlated losses.

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Insurance companies were directly and indirectly impacted by the pandemic through increased claims, heightened mortality rates, volatility in financial markets, prolonged low interest rates, and legal uncertainties surrounding business interruption coverage. At the same time, insurers played a crucial stabilizing role by supporting households, firms, and governments during the crisis, highlighting their systemic importance within the European financial architecture. The pandemic thus raised fundamental questions regarding the insurability of pandemic risk, the adequacy of existing regulatory frameworks such as Solvency II, and the balance between consumer protection and insurer solvency in extreme events.

The primary objective of this research is to analyse the influence of the COVID-19 pandemic on the European insurance market, with a focus on both short-term disruptions and long-term transformations.

The methodology combines quantitative and qualitative approaches; data are drawn from reports published by Insurance European institutions. By integrating statistical evidence with theoretical frameworks, the research seeks to provide a comprehensive overview of the structural impact of COVID-19 on the European insurance market and to highlight potential pathways for resilience and innovation in the post-pandemic era.

2. THE EUROPEAN INSURANCE MARKET BEFORE COVID-19

The figures presented in this publication highlight the fundamental role of insurance in supporting Europe's economies and societies. Without the stability and risk protection provided by insurance, many economic and private activities would be difficult or impossible to sustain. In 2019, Europe's insurance industry paid an estimated €2.7 billion per day in claims, illustrating the scale of financial protection offered by insurers. Furthermore, the more than €10.4 trillion invested by European insurers in the economy in the same year underscores the sector's significance as a major source of stable, long-term financing.

Table 1. Key Insurance Market Indicators in Europe (2019)

Indicator	Value (2019)
Total premiums (€ bn)	1,254
Benefits and claims paid (€ bn)	997
Insurance density (€ per capita)	2,120
Insurance penetration (% of GDP)	7.7%
Life insurance penetration (% of GDP)	4.3%
Non-life insurance penetration (% of GDP)	3.4%

Source: processed by the authors based on data extracted from European Insurance in Figures 2019 data

In 2019, total premiums across Insurance Europe member countries amounted to €1,254 billion, representing a 3.3% decrease compared to the previous year. This decline in benefits and claims was largely driven by a sharp reduction in UK business,

due to changes in the companies contributing data to the ABI and structural adjustments within ABI members' operations.

In contrast, the rest of Europe experienced growth of 4.5%, with property and casualty (P&C) premiums rising steadily by 2.2% and health insurance continuing to grow at 6.8%. Life insurance premiums fell by 7.5% across all Insurance Europe members, but excluding the UK, they actually increased by 4.7%. Over the seven years leading up to 2019, total premiums outside the UK grew at an average annual rate of 3.9%.

Positive performance in most national markets drove the overall increase in premiums in 2019. Europe's five largest markets - UK, France, Germany, Italy, and the Netherlands - together accounted for 76% of total premiums. Additionally, the Nordic and Central and Eastern European markets contributed to the favorable results, posting growth of 7.3% and 4.2%, respectively, in these regions.

The statistical evidence highlights the essential role of the insurance sector within Europe's economies and societies. In the absence of the financial security provided by insurance, numerous business operations and private activities would be significantly constrained or rendered unfeasible. In 2019, the European insurance industry disbursed an estimated €2.7 billion per day in claims, underscoring the scale of protection extended to policyholders. Moreover, with over €10.4 trillion invested in the European economy, insurers demonstrated their strategic importance as providers of stable and long-term capital, thereby contributing to economic growth and financial stability.

In 2019, total claims and benefits disbursed to customers across Insurance Europe's member countries amounted to €997 billion, corresponding to an average of €1,671 per capita or approximately €2.73 billion per day. Within the United Kingdom, however, a marked decline in reported life insurance claims and benefits was observed. This reduction stemmed from several factors, including changes in the set of companies reporting data to the Association of British Insurers (ABI), business transfers and restructuring processes, as well as a decrease in pension-related payments. Consequently, aggregate European claims and benefits registered a 6.2% decline in 2019. When excluding the UK from the analysis, however, total claims and benefits exhibited a 5.5% increase, highlighting divergent trends within the European market.

3. IMPACT OF THE COVID-19 PANDEMIC ON THE EUROPEAN INSURANCE MARKET

The year 2020 marked the first global pandemic in more than a century. The outbreak of COVID-19, together with the policy measures implemented to contain it, disrupted economic activity across all sectors and countries, leading to a contraction of global GDP by 3.3% and a decline of 7% in the European Union. At the global level, insurance losses related to the pandemic are currently estimated to range between USD 50 billion and USD 100 billion (€41–82 billion). Although the full economic and financial consequences of the pandemic will only become apparent over time, this

publication provides an initial assessment of how the European insurance industry performed during this extraordinary year.

The pandemic affected European insurance markets and lines of business in markedly different ways. While certain common patterns can be observed across countries and insurance segments, the crisis has highlighted the distinct role insurers play within individual economies, as well as the extent to which insurance products and services are adapted to specific national market conditions and dynamics. Consequently, the impact on premiums and claims remained relatively limited in some markets, whereas in others it was considerably more pronounced.

Table 2. Key Insurance Market Indicators in Europe (2020)

Indicator	Value (2020)
Total premiums (€ bn)	1 264
Total claims & benefits paid (€ bn)	1010
Claims & benefits paid per day(€ bn)	2,8
Claims & benefits paid per capita(€)	1674

Source: processed by the authors based on data extracted from European Insurance in Figures 2020 data

The total value of claims and benefits paid to policyholders across Europe amounted to €1,010 billion in 2020, corresponding to approximately €1,674 per capita or €2.8 billion per day. Payments related to life insurance declined by 9.1% during the year. This decrease was primarily attributable to weaker performance of unit-linked products compared with previous years, which encouraged some policyholders to retain their contracts for longer periods in anticipation of improved medium-term returns. In addition, excess mortality during the pandemic disproportionately affected older age cohorts, resulting in lower annuity payouts in several markets.

In the health insurance segment, claims increased by 1.1% in 2020, a modest rise compared with the average annual growth rate of 3.9% recorded over the period 2016–2019. This subdued increase reflects the postponement of numerous non-COVID-related medical procedures, alongside a simultaneous surge in COVID-19-related health claims in several European markets.

In 2020, total insurance premiums in Europe amounted to €1,264 billion, representing a decline of 4% compared to 2019. This contraction was largely driven by a pronounced decrease in life insurance premiums, which fell by 9.6% year on year. The economic disruption and heightened uncertainty regarding future income streams induced by the COVID-19 pandemic led many policyholders to suspend or reduce contributions to pension and long-term savings products.

Moreover, the decline in life insurance premiums was exacerbated by operational constraints during lockdown periods, which limited insurers' ability to engage actively with policyholders and distribute life insurance products through traditional channels.

Table 3. Key Insurance Market Indicators - Life insurance vs Health insurance

Indicator	Life insurance		Health insurance	
	2019	2020	2019	2020
Benefits paid (€ bn)	653	593	129	130
Premiums (€ bn)	742	668	167	173
Density (€)	1228	1106	278	286
Penetration (%)	4,17	3,93	0,94	1,01

Source: processed by the authors based on data extracted from European Insurance in Figures 2020 data

The two waves of the COVID-19 pandemic in 2020 prompted widespread lockdown measures and a marked contraction in economic activity across most countries, thereby increasing uncertainty regarding future income prospects. These conditions adversely affected the European life insurance sector, as policyholders - particularly in the most severely impacted countries - reassessed their financial commitments, leading to reductions in life insurance contributions and, in some cases, partial or full policy surrenders.

New business underwriting was also negatively affected, as lockdown-related restrictions constrained distribution activities and diminished demand amid heightened income uncertainty. Furthermore, the persistently low interest rate environment throughout the year continued to exert additional pressure on life insurers, challenging the profitability and sustainability of traditional life insurance products.

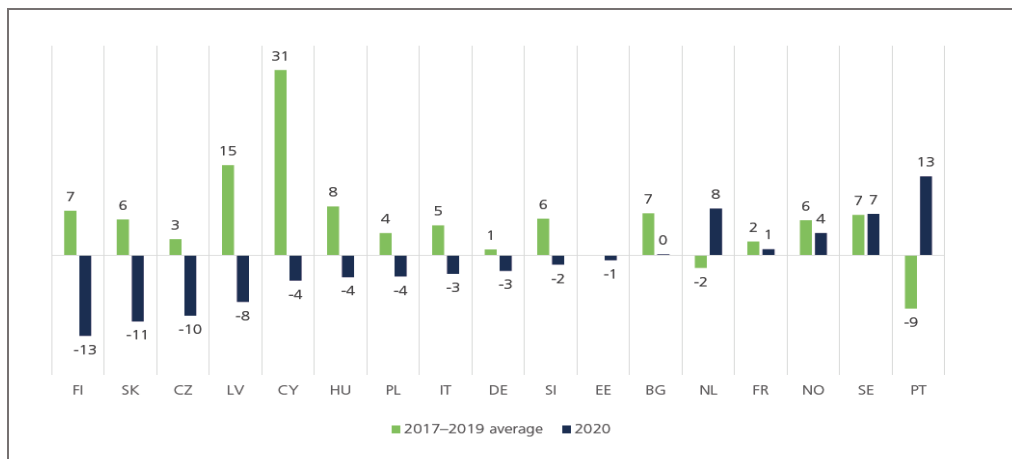
Following a three-year period during which benefits paid by European life insurers increased at an average annual rate of 7.3%, a marked reversal occurred in 2020, with life insurance benefit payments declining by 9.1%. One contributing factor to this reduction was the weaker performance of unit-linked products in 2020 compared with previous years, which encouraged a proportion of policyholders to retain their contracts for longer in anticipation of improved medium-term investment returns. The subdued returns on these products were largely driven by the volatility and initial downturn in equity markets triggered by the pandemic and associated lockdown measures, despite a partial recovery toward the end of the year.

Another key determinant influencing the level of life insurance benefits paid is mortality. In this respect, 2020 represented an exceptional year, with the European Centre for Disease Prevention and Control estimating approximately 410,000 COVID-19-related deaths within the European Union. Nevertheless, the impact of COVID-19 and the associated excess mortality was not uniform across countries, reflecting significant cross-country heterogeneity in demographic structures, health system capacities, and the severity of the pandemic.

During the three-year period preceding 2020, health insurance claims increased at an average annual rate of 3.9%. This upward trend is partly attributable to Europe's ageing population, given that healthcare expenditure is typically higher

among older age groups, as well as to the growing number of individuals covered under group insurance policies.

Notably, developments in health insurance claims during 2020 differed markedly across countries. These variations reflect differences in government measures adopted to contain the spread of the virus, as well as the heterogeneous role and market penetration of private health insurance within national healthcare systems. Netherlands, Germany, France, Switzerland, and Spain constitute the five largest private health insurance markets in Europe, together accounting for more than 80% of total written premiums. In the Netherlands, where mandatory health insurance is fully provided by private insurers, health insurance claims increased by 3.1%. This represents a significant deceleration compared to the substantially higher growth rate of 10.7% recorded in the preceding period.



Source: *European insurance: Preliminary figures 2020*

Figure 1. Claims and benefits paid in 2020 compared with the average 2017–2019 change (%)

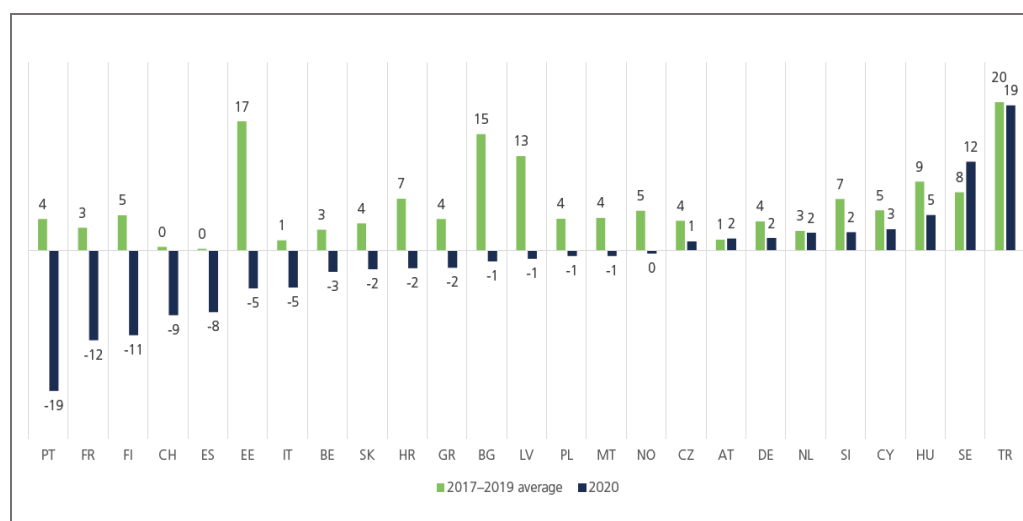
The most pronounced declines in life insurance benefits paid in 2020 were recorded in Finland (-13%), Slovakia (-11%), the Czech Republic (-10%). More moderate reductions in benefits paid were reported in Germany (-3%), the Netherlands (-2%) and Italy (-3%).

In 2020, life insurance premiums declined by 9.6%, marking a sharp reversal from the average annual growth rate of 4.2% recorded over the period 2016–2019. This pronounced contraction was driven by several factors, foremost among them the economic disruption and heightened income uncertainty associated with COVID-19-related lockdown measures. These conditions prompted many individuals to defer or reduce contributions to pension and long-term savings products.

In the pre-pandemic period, health insurance premiums exhibited sustained growth, driven by rising healthcare costs and increasing demand for private health coverage, with an average annual growth rate of 5.8% over the 2016–2019 interval. In 2020, premium volumes continued to expand, albeit at a more moderate rate of 3.4%. This development reflects both the persistence of underlying structural trends and the

influence of the COVID-19 pandemic, which heightened risk awareness and reinforced the perceived value of supplementary health insurance protection among policyholders.

The substantial declines in insurance premiums were recorded in Portugal, France, and Finland with decreases of 19%, 12%, and 11%, respectively. In Portugal, in addition to the adverse effects of the COVID-19 pandemic, the persistently low interest rate environment continued to create unfavorable conditions for life insurance business for the second consecutive year.



Source: *European insurance: Preliminary figures 2020*

Figure 2. Total premiums in 2020 compared with the average 2017–2019 change (%)

In 2020, life insurance density in Europe amounted to an average of €1,106 per capita, representing a decline of 9.9% compared to 2019. At the same time, life insurance penetration, measured as the ratio of life insurance premiums to gross domestic product, decreased by 0.24 percentage points, reaching 3.93%. Average per capita expenditure on private health insurance in Europe, as measured by insurance density, reached €286, representing an increase of €8 compared to 2019. Over the same period, health insurance penetration - defined as the share of health insurance premiums in gross domestic product - increased by 0.07 percentage points to an average level of 1.01%. The substantial cross-country variation observed in these indicators largely reflects differences in national healthcare systems and the heterogeneous role played by private health insurers across European markets.

4. CONSUMER PROTECTION AND MARKET STABILITY MEASURES

The COVID-19 pandemic posed unprecedented challenges to the European insurance sector, requiring swift and coordinated responses to safeguard both consumer interests and overall market stability. In 2020, European insurers and supervisory authorities implemented a wide range of measures aimed at maintaining trust in

insurance markets while ensuring the continuity of coverage during a period of acute economic and social stress.

From a consumer protection perspective, insurers adopted flexible approaches to premium payments and contract management in response to the widespread income uncertainty caused by lockdowns and economic disruption. Measures included the deferral of premium payments, temporary premium holidays, and increased tolerance for late payments, particularly in life and health insurance lines. These actions were design to prevent policy lapses and ensure continued coverage for households and businesses at a time when insurance protection was most needed. In addition, insurers enhanced communication with policyholders, providing clear information on coverage conditions, claims procedures, and the treatment of COVID-19-related events, thereby reducing uncertainty and mitigating the risk of disputes.

Claims handling practices were also adapted to reflect pandemic-related constraints. Despite operational challenges arising from remote working arrangements and increased claims volatility in certain lines of business, insurers largely maintained claims settlement processes. In 2020, European insurers paid out approximately €1,010 billion in claims and benefits, equivalent to €2.8 billion per day, underscoring the sector's continued ability to deliver financial protection even under extreme stress. At the same time, regulators closely monitored claims practices to ensure fair treatment of policyholders, particularly in sensitive areas such as health, life, and business interruption insurance.

In terms of market stability, supervisory authorities at both the European and national levels introduced targeted measures to preserve the solvency and resilience of insurance undertakings. The European Insurance and Occupational Pensions Authority (EIOPA) issued recommendations aimed at safeguarding capital positions, including the temporary suspension of dividend distributions and share buybacks. These measures were intended to strengthen insurers' balance sheets and enhance their capacity to absorb pandemic-related shocks, thereby reducing the risk of procyclical behavior and disorderly market adjustments. Furthermore, the Solvency II framework proved instrumental in supporting market stability during the crisis. The risk-based capital requirements and built-in volatility mitigation mechanisms helped insurers withstand sharp financial market movements and persistently low interest rates. Although premium volumes, particularly in life insurance, declined significantly in 2020, solvency ratios across most European markets remained well above regulatory thresholds, reflecting the sector's structural resilience.

Overall, the combination of consumer-oriented measures and prudential interventions contributed to preserving confidence in the European insurance market during the pandemic. While the impact of COVID-19 varied considerably across countries and lines of business, the coordinated response by insurers and regulators limited systemic risks and ensured that insurance continued to fulfill its core economic and social functions. These developments highlight the importance of robust regulatory frameworks and adaptive consumer protection mechanisms in enhancing the resilience of insurance markets to future systemic shocks. Despite the widespread lockdowns and restrictions on movement implemented at the national level, European insurers succeeded in maintaining business continuity and ensuring the uninterrupted flow of

information to policyholders across the continent, largely through the accelerated adoption of digital tools and remote operating models.

In response to the severe financial difficulties faced by many customers during the pandemic, insurers introduced flexible, customer-oriented measures, often tailored on a case-by-case basis. These measures included the deferral of premium payments for various types of insurance policies and for differing time horizons, depending on national circumstances and individual policyholder needs. Where feasible and appropriate, insurers also allowed policyholders to switch between tariffs, as well as to cancel or temporarily suspend insurance contracts.

Beyond these measures, insurers undertook a broad range of additional initiatives, both individually and collectively, to support customers, society, and the wider economy. These initiatives included the extension of insurance coverage and related services beyond existing contractual obligations - for example, the provision of complimentary life insurance coverage and additional benefits by approximately 100 Spanish insurers to healthcare professionals treating COVID-19 patients. Insurers also played a direct role in supporting economic recovery, as illustrated by the more than €2.6 billion committed by the French insurance industry to business support measures and a global investment programme. Furthermore, insurers contributed to societal resilience through donations to charitable organizations, public health authorities, and health research initiatives.

5. CONCLUSIONS

The analysis conducted in this study demonstrates that the COVID-19 pandemic exerted a substantial yet differentiated impact on the European insurance market, revealing both structural vulnerabilities and areas of resilience. The most significant adverse effects were observed in the life insurance segment, where premiums, benefits paid, insurance density, and penetration declined markedly in 2020. These developments were largely driven by heightened income uncertainty, disruptions to distribution channels during lockdowns, financial market volatility, and the prolonged low interest rate environment, which collectively reduced demand for long-term savings and pension products.

By contrast, the health insurance segment exhibited greater stability and moderate growth during the pandemic. Although claims dynamics were affected by the postponement of non-essential medical procedures and the surge in COVID-19-related treatments, health insurance premiums, density, and penetration increased, reflecting heightened awareness of health risks and the perceived value of supplementary private coverage. The considerable cross-country heterogeneity observed in health insurance outcomes underscores the importance of national institutional frameworks and the varying roles played by private insurers within European healthcare systems.

From a systemic perspective, the European insurance sector demonstrated a high degree of resilience during the crisis. Despite elevated uncertainty and economic contraction, insurers maintained business continuity, honored claims obligations exceeding €1 trillion in 2020, and preserved solvency levels well above regulatory thresholds. The Solvency II framework, together with supervisory interventions by

EIOPA and national authorities, proved instrumental in safeguarding financial stability and preventing procyclical behavior. At the same time, consumer protection measures, such as premium deferrals, contract flexibility, and enhanced communication, helped sustain trust in insurance markets and mitigate social and economic hardship.

Overall, the findings confirm the central role of insurance as both a risk-transfer mechanism and a stabilizing force within the European financial system during periods of extreme stress. The pandemic has also highlighted the need for continued regulatory adaptation, greater emphasis on digitalization, and the development of public-private solutions to address systemic risks such as pandemics. Strengthening these dimensions will be essential for enhancing the long-term resilience and social relevance of the European insurance market in the face of future global shocks.

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