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Institutional Response in Insurance Regulations Amid COVID-19 and Its Impacts in EU and Pakistan

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Abstract

The purpose of current study is to evaluate the institutional response of the insurance regulations under Contract Law and compare the data from Europe and Pakistan. To conduct the study, the data was collected through already published annual reports of the insurance companies, and government's reports regarding how insurance companies had been responding to the consumers during pandemic. The findings revealed that European countries were badly affected by the COVID-19 when compared with Pakistan, therefore the consumers' requests for reimbursements

were high in ratio. This led to the situation where the surplus of the insurance companies ended, and made them unable to serve the consumers as per the Contract Insurance Law. On the contrary, the situation in Pakistan was different, as there are less number of insurers. Thus, the study discusses in details regarding the differences in institutional responses in insurance regulations of the countries, and need for legislative updates.

1 Introduction

1.1 Insurance Regulations and Contract Law

Insurers in Europe bring in annual premium revenue of more than €1.1 trillion, employ close to one million people, and have contributed approximately €8.4 trillion to the economy of Europe through investments (EuropeanCommission, 2022). Even a modest contribution to the expansion of insurance industry could potentially have a substantial and beneficial effect on the economy of the European countries as a whole. However, expansion efforts to increase intra-EU trade in insurance products are being impeded by disparities in the contract laws that apply in each member state. The EU's various national contract rules control both the purchasing and selling of insurance policies.

Insurance law refers to the area of legal practise that deals with matters pertaining to insurance, such as insurance policies and claims. An insurance policy is a contract between two parties in which one party, in exchange for a predetermined payment, agrees to repay the other party for financial loss caused by a predetermined risk to a predetermined subject. The party that has agreed to pay the compensation is typically referred to as the insurer or the underwriter. The other party is referred to as the insured.

Formally and legally, the insurance is defined as an agreement between two parties, in which one party promises to pay the amount that is valuable to the asset of other party in case of destruction, loss, or injury. Now, insurances can be of different types, such as medical insurance, asset-based insurance, finance insurance, and others, whereas the recovery through insurance also depends on its type. For example, if a person had been paying for a medical insurance then he can recover the amount in case of his severe injury and get better medical treatment on time. Another example is when a person get his car insured then he can claim for the loss if the car got accident or is missing as a result of theft. However, insurance amount is not always recoverable; rather there are some conditions under which the insurance company is liable to pay for the damage for the party. Also, a person can get insurance only when he has an asset, equal to the value of the money that is being insured.

Insurance is a mechanism for transferring and allocating risks away from the person who purchases the policy, often known as "the insured," and toward the insurance provider, sometimes known as the "insurer." An insurance policy is a unique agreement between the insurer and the insured. In order for the insurance policy to be enforceable, it must fulfil all of the typical requirements that are placed on a contract. In addition, the insured party must have what is known as a "insurable interest" in the aspect of their life that is being insured, such as their property, life, or health.

According to the Insurance Contract Law by EU, the words and requirements of the law are the only criteria that can be used to define the service of insurance coverage. Insurance coverage, in contrast to the sale of products such as washing machines or clothing, is dependent on a specific legal framework and might be implemented differently depending on the national legal context in which it is being applied. As a consequence of this, an insurer that wants to sell their products in other EU nations may find that they need to build unique products for each of their target national markets in order to comply with the various insurance laws that exist in each of those countries.

1.2 Literature Review

When discussing the terms of an insurance policy, "transparency" may be characterised as the ability to be understood, having no room for ambiguity, and providing absolute assurance. These concepts should not be confused with other words that mean the same thing as transparency; rather, they only explain various facets of that particular notion.

A legal regulation is said to have comprehensibility if it is written in such a way that it is easy to comprehend for the person to whom it is directed. The difficulty that arises with establishing the level of comprehensibility stems from the task of identifying the person being referred to. This will typically entail, with regard to insurance contract law, that the legal regulation in question needs to be understandable to the policyholder, also known as the typical policyholder. Given that the term "policyholder" refers to the person who is responsible to investigate all matters, analyze the situation in detail, and then establish a policy along with all legal officials. Thus, he is also answerable to every question that is regarding the policy or the constitute, and thus he is responsible to explain why the policy is being established. Specifically, in the case of insurance, the policyholder is the person who is trustworthy and is responsible to take care of all benefits of the insurer and take care of all matters as per the constituted information, and thus when at the time of recovery he is the person who known whether insurance is ambiguous or unambiguous.

For example, if the policy is able to entertain more than one problem then it is said ambiguous, but if it only entertains one problem then it is said as unambiguous. In other words, an unambiguous rule is one that cannot be interpreted in more than one way. Unambiguity, as it pertains to the interpretation of a provision, is to be understood in this context as the absence of any reasonable uncertainty on the interpretation of the provision. In this sense, the concept of clarity is distinct from unambiguity, as it is not always possible to determine whether or not a provision is (sufficiently) obvious by understanding the provision itself. [Clarity] may also refer to the absence of ambiguity. On the other hand, the point of reference for clarity is, in principle, to be located in legal provisions that are not related to the rule that is under discussion. A regulation that is unambiguous can nonetheless be regarded vague, and vice versa; this is because of the following.

When it comes to contracts involving the sale and purchase of commodities, the idea of transparency is relevant in one context, but in the insurance industry, it plays a different and more significant role. This distinction is due to the nature of insurance as a product that falls under the purview of the law. Insurance is not about dealing with the trade of material products for money up until the occurrence of an insured event; rather, it is dealing with the exchange of a promise of performance for money at this point. A simple promise to perform that is not backed up by any tangible manifestation makes it difficult to conduct a visual inspection, which is often allowed for in contracts involving the sale of products. The only parts of the insurance product that are included are the insurance policy and the general conditions of insurance. However, due to the fact that insurance contracts are typically set down in writing, it is possible that insurance cannot be considered an entirely "invisible good," as some people never get tired of asserting.

The legal product, on the other hand, is only manifested in the form of language and paper. Worse yet, the manifestation (linguistic) is not restricted to common English but rather is based on legal language and technical terminology instead. This is a significant step backwards. In addition, it's possible that people view insurance as little more than a legally convoluted and difficult commodity. Thus, it would be wrong if a person takes insurance as exchange of goods and services in return of money; rather there is need to understand that it is the contract or the guarantee over extended period of time. For example, if a person get his car insured so that the insurance company is responsible to pay amount to the insurer in case of car accident or theft in specific period of time. However, it does not mean that insurance company is either going to provide security or return the money if nothing happens to the car; rather it is just a contract between two parties that in case the loss will occur then other party will pay the amount equivalent to damage. In case, the car does not get any accident or owner has not faced any theft issue during the time period, mentioned in the insurance contract, then insurance company is not responsible to pay anything; rather the agreement will end automatically at the final date. In this way, the insurer cannot claim that he has paid for the services because it is not an exchange of services for money; rather it is a legal contract to pay the insurer in case of loss.

In addition, insurance is not restricted to a periodic exchange of goods and services; rather, it refers to a guarantee that extends over extended periods of time. In the case of life assurance, this will frequently mean decades. As a result of this, one, for instance, needs to provide for a rule regarding how the policyholder is to handle the risk that is insured.

In life insurance, for instance, to give another illustration of the intricacy and difficulty of the product, one needs to provide for a rule as to whether or not the policyholder is to participate in the surplus of the insurance undertaking, and one also needs to specify how this participation is to take place. This is because the nature of insurance is that it is an intricate and intricate legal product. A layperson will never be able to properly appreciate any insurance product unless they get substantial counsel from an expert (concerning insurance strategy, financial and legal concerns). This circumstance, on the other hand, is not wholly unique in comparison to a wide range of contracts for the purchase and sale of items. A person who is interested in purchasing a car will typically have only a basic understanding of how the vehicle's engine and electronic system work in order to make an informed decision. In addition to this, he won't know how the automaker computes the costs of distribution; to put it another way, the buyer won't know how much his purchase price will go toward covering the automaker's overall distribution costs since he won't know how the automaker calculates those costs. Taking into account the aforementioned, adhering to the principle of transparency may, from a legal point of view, only need making transparent those aspects of the product that are crucial to the consumer's choice to make a purchase. To put the buyer in a position in which he is not forced to buy "a pig in a poke," the primary goal of the principle of transparency in the context of a contract for the exchange of performances, when understood in such a way, is to put the buyer in a position in which he is able to determine whether or not the product meets his reasonable expectations. When it comes to insurance, this innate want is extremely clear because the protection provided by insurance typically satisfies an existential need. This holds especially true for life assurance, which often is purchased in the form of a long-term instrument for the accumulation of money. For contracts of this nature, cost transparency becomes of the utmost importance, in addition to the transparency of the rights and duties of the parties to the contract. It is of the utmost importance to provide the policyholder with information regarding the percentage of his premium that will be used to support the overhead costs of the insurer and, as a result, will not be accessible to accumulate capital. When it comes to private health insurance, cost transparency is equally as vital due to the fact that (at least in Germany) regulation permits the insurer to change the premium if the technical basis of calculation for the premium have changed (sec. 203 VVG)

1.3 Institutional Response to Insurance Regulations during Covid-19

A number of insurance regulators have conducted an investigation on the viability of business interruption coverage as a potential remedy for damages sustained as a direct consequence of COVID-19-related firm closures. For example, when considering the case of the State of Washington when the data was analyzed from Insurance Commissioner then the findings revealed that out of 84 insurance companies, only two followed the transparency measures properly, as they completely offered the coverage for the pandemic under medical insurance policies. However, out of remaining insurance companies, 15 offered limited coverage to the affected individual to help them financial in their recovery from COVDI-19. This makes it clear that most of the insurance companies refused to recover the financial loss to the individual during pandemic, as most of the claimed it not be part of agreement. Even in the United Kingdom, the survey revealed that most of the businesses, especially hospitality industry, faced huge loss as a result of pandemic but when they claimed for the recovery of their financial losses due to business interruption during pandemic, then total 2% of the cases were resolved and reimbursed through the insurance coverage (NAIC, 2020).

However, the governments and the legislative authorities did not leave the issue; rather they highlighted how the insurance companies had been working against transparency rules and they have not been reimbursing the amount for which they made agreement with the people or the companies. During the disaster; either it is natural or related to healthcare, the insurance companies are responsible to help the population through recoveries, if not complete then limited coverage must be offered to help the people in their tough time because this is why they had been paid for insurances. Also, in the United Kingdom House of Commons, the Treasury Select Committee's Chair also wrote the letter to the Association of British Insurers regarding the issue with insurance reimbursements to the people who are affected by the pandemic. Also, he demanded for the entire information as per the legislative policies, as per which the insurance companies are responsible to pay to the businesses for the number of losses that they experience due to business interruptions during disaster. Also, on the 9th of the April 2022, the Senator of the France, representing the district of Ille-et-Vilaine inquired regarding insurance coverage policies and the conditions under which the amount should be paid by the insurance companies to the business, especially in the case of business interruption. The purpose of this inquiry was to evaluate that how the insurance companies are refusing to accept the claim for reimbursements by the consumers, and if it is the case then when the people can actually get amount from the insurance companies in case of business interruptions during pandemic (Robert, 2020).

Thus, insurers would be required to pay claims for losses that they hadn't planned to cover and for which they haven't collected premiums, set aside provisions, or reserves. These suggestions for a law have been proposed by legislators, and if passed, the law would go into effect. These concepts, should they be codified into legislation, have the potential to have a significant impact. The issue, however, is that the amount of money that policyholders are losing due to business interruptions is many times the amount that insurers typically pay out for business interruption claims, and it may be a great deal more than the additional cash that insurers have available. This presents a problem for the insurance industry. If insurers were forced to pay back COVID-19 business interruption expenses out of their own pockets, it would call into question their ability to compensate for damages incurred by future disasters. If legislators were able to alter the course of events, it would almost certainly call into question the validity of the insurance coverage that was previously negotiated and agreed to in a contract. Additionally, it is possible that cross-border trade could be impacted if any of the losses that have been covered retroactively in one jurisdiction are re-insured in another. Therefore, the absence of coverage has resulted in a great deal of contention between insurers and the people who are covered by their policies, and it is anticipated that this conflict will take several months to resolve (if not years).

2 Institutional Response and Impact on Europe under Contract Law

As COVID-19 brought worst impact on the health sector of every country, therefore investigation of the response of health insurance institution during pandemic is of great significance. Thus, few Health Insurance Companies of the Europe were extracted to evaluate how did COVID-19 effect the insurance sector; either positive or negative. Though the literature has revealed that people of the Europe got badly affected by the COVID, as a result of which request for health reimbursements also increased to a considerable rate that the companies had no surplus left, due to which the economic condition of the companies, as well as states was highly affected. Now, as per the contract law, the legal product is only manifested in the form of language and paper. Worse yet, the manifestation (linguistic) is not restricted to common English but rather is based on legal language and technical terminology instead. In other words, the insurance companies rely on the contract done between company and the insurer, according to which the companies were required to reimburse the claimed amount and serve the consumers with best services, as per the contract and insurance regulations, but the outcomes were different. Now, the detailed analysis of European countries is given below;

2.1 Belgium

In the Belgium, the government brought its changes in insurance regulations, and the companies were more restricted to serve online, and consult to the patients via tele services. Thus, the insurance companies found digitalization work extremely challenging, as most of the insurance companies of the region were dealing manually or were relying on the technology with limited extend. Thus, the rapid rollout of telemedicine and treatment affected the reimbursement records of the insurance companies, as a result of which the insurance reimbursement caused delay (AIM, 2020). Especially, the pressure of reimbursements increased with the increasing cases of COVID-19, and their hospital admissions. Thus, the priority of the insurance companies was to meet the short deadlines of COVID treatments and provide them with better physical and mental health insurance funds on time, whereas it led to the situation when other healthcare insurance funding was highly affected and caused delay in institutional responses (Alam, Sep 26, 2021). Specifically, with the number of increasing COVID cases, the companies came in challenging situations where certain services towards the members were suspended, though it went against contract law, and many of the COVID patients were also refused to get reimbursement or services, such as for the home services for any patient, the insurance companies suspended their services. This left deep influence on the healthcare and the pharmaceutical policies, and raised many questions on the performance of insurance companies as per the contract law. The statistical results of the insurance data during pandemic is shown below;

	ROA	Z-Score	Solvency II Ratio	Account Receivables to Total Assets
VARIABLES	(1)	(2)	(3)	(4)
COVID-19 pandemic	−0.0660	6.298	−16.29 *	0.001 *
	(0.152)	(3.884)	(11.64)	(0.002)
Size	1.601 **	44.98 **	−85.08	0.026 *
	(0.633)	(17.95)	(76.22)	(0.013)
FinLeverage	−0.0484 ***	−0.279	4.904	0.0035 ***
	(0.0162)	(0.478)	(4.162)	(0.001)
Profitability	0.0431	−0.228	−1.370	−0.000
	(0.0389)	(0.992)	(2.145)	(0.000)
Liquidity	−0.782	153.0 **	−881.3	−0.416 ***
	(1.924)	(57.70)	(843.4)	(0.144)
EquityRatio	9.725	304.8 *	−2839 ***	−0.518 ***
	(6.271)	(178.6)	(875.9)	(0.150)
CapitalRatio	−0.180	−207.1 ***	3425 ***	0.398 ***
	(1.729)	(68.57)	(608.1)	(0.104)
Constant	−18.89 **	−516.2 **	947.8	−0.313 **
	(7.409)	(211.0)	(879.2)	(0.150)
Observations	67	66	31	31

Figure 1 Impact of COVID-19 on Insurance Companies of Belgium

2.2 France

France was also highly affected by the COVID-19, as a result of which the government announced healthcare emergency situations and derived its complete focus on the management of hospitals, healthcare centers, clinics, nurseries, and home care to the pandemic affected patients (AIM, 2020). As the government's attention was more inclined to the pandemic affected patients, so the insurance companies also speed up their reimbursement offers and provision of healthcare funds to the COVID patients (Din, et al., 2020). Despite of good performance of the insurance companies in France, their surplus ended, after which the companies were unable to continue their services of high grades and finally they end up with suspension of multiple services to the patient's healthcare services, and refused some reimbursements which did not match to the newly established policies.

	ROA	Z-Score	Solvency II Ratio	Account Receivables to Total Assets
VARIABLES	(1)	(2)	(3)	(4)
COVID-19 pandemic	0.107	−7.407	−13.28 **	0.0273
	(0.0726)	(7.918)	(4.672)	(0.0557)
Size	−0.785 **	37.72	140.3 ***	−0.0250
	(0.386)	(45.40)	(39.16)	(0.243)
FinLeverage	0.0551 **	3.042	−18.72	−0.0107
	(0.0216)	(2.514)	(10.97)	(0.123)
Profitability	0.0897 ***	2.383	−9.383 ***	−0.00148
	(0.0341)	(3.787)	(2.707)	(0.0293)
Liquidity	2.300 *	277.9 *	−489.0 **	1.085
	(1.364)	(153.8)	(173.7)	(1.980)
EquityRatio	37.91 ***	1339 *	−347.3	−3.908
	(6.173)	(676.3)	(506.7)	(5.639)
CapitalRatio	0.204	71.90 ***	755.4 ***	1.608
	(0.235)	(26.01)	(195.5)	(2.812)
Constant	5.643	−693.7	−1195 **	0.844
	(5.195)	(609.0)	(421.6)	(2.785)

Figure 2 Impact of COVID-19 on the Insurance Company of France

2.3 Germany

Germany's government immediately responded to the emergency situation during pandemic and thus updated their regulatory framework related to insurance reimbursements. However, this brought great challenges to the Umbrella Organizations, as they were facing multiple challenges in understanding the German regulatory framework to the new situations (AIM, 2020). However, the healthcare insurance institutions performed excellent not only to provide health funds to the Germans, but also, they updated their regulations and framework to enable the care of the COVID patients worldwide. They preferred to deal with the patients via tele services, and many services were updated as per pandemic conditions. For example, according to the Contract Law of Insurance in Germany, the patient could only claim for the health insurance funds for the medical care after visiting the doctor, or the employee could apply for sick leave after seeing a doctor (EIOPA, 2021). Thus, after pandemic such restrictions were ended and only the people were restricted to make a phone call to inform about health condition to get help, however tele health consultation was preferred. Though the insurance companies of Germany performed excellent to provide financial aids and funds to the COVID patients, but it went into the economic crisis because of reduced contributions by the insured employees, and no new insurance applications (EuropeanCommission, 2022). Thus, finally, the Germany statutory health insurance came in to the financial downfall.

	ROA	Z-Score	Solvency II Ratio	Account Receivables to Total Assets
VARIABLES	(1)	(2)	(3)	(4)
COVID-19 pandemic	−0.761 *	−5.384	−32.22 **	0.005
	(0.397)	(18.17)	(15.51)	(0.018)
Size	2.686 ***	8.256	92.52 **	−0.046 **
	(0.460)	(21.18)	(45.90)	(0.020)
FinLeverage	0.232 ***	−1.565	−2.174	−0.000
	(0.0633)	(2.983)	(10.67)	(0.003)
Profitability	−0.396 **	5.179	−11.18	−0.022 **
	(0.186)	(8.528)	(7.661)	(0.009)
Liquidity	33.50 ***	22.95	1919	−0.771 ***
	(5.115)	(234.7)	(1626)	(0.236)
EquityRatio	45.33 ***	−191.4	4055 ***	0.879 ***
	(4.662)	(215.0)	(1033)	(0.207)
CapitalRatio	−3.926 **	−0.533	7.869	0.099
	(1.691)	(77.93)	(547.0)	(0.068)
Constant	−34.43 ***	−30.13	−1277 **	0.492 **
	(4.321)	(198.4)	(621.9)	(0.189)

Figure 3Impact of COVID-19 on the Insurance Company of Germany

2.4 Italy

In response to the COVID-19, the Government of Italy adapted multiple changes in their regulations and provisions, which contributed to severe challenges to the insurance sector. Italy was one of the first countries which were badly affected; socially and economically, by the COVID-19, and thus they were not prepared to respond to the situation efficiently. Thus, the government immediately made some changes in insurance provision regulation, with the purpose to serve the audience with best healthcare insurance services. However, things did not go well, and companies ended their surplus, as a result of which several services were affected, especially based on the nature of the COVID infection to the insurer and other health challenges, as a result of which many claims were refused.

	ROA	Z-Score	Solvency II Ratio	Account Receivables to Total Assets
VARIABLES	(1)	(2)	(3)	(4)
COVID-19 pandemic	−0.012	14.53	13.26 *	0.001
	(0.221)	(10.74)	(7.650)	(0.006)
Size	0.233	4.691	33.88 ***	0.002
	(0.382)	(16.15)	(9.227)	(0.004)
FinLeverage	0.090 ***	−1.130	−3.363 ***	−0.001
	(0.024)	(1.039)	(1.189)	(0.001)
Profitability	0.199 ***	3.437	1.333	−0.002 *
	(0.0710)	(3.110)	(2.373)	(0.009)
Liquidity	21.75 ***	−71.73	−815.6 ***	0.063 **
	(3.292)	(139.3)	(172.6)	(0.026)
EquityRatio	68.62 ***	−32.01	703.0 ***	0.036
	(5.179)	(221.6)	(231.8)	(0.040)
CapitalRatio	−1.627 *	13.08	80.62	−0.004
	(0.866)	(36.79)	(78.04)	(0.026)
Constant	−10.08 **	−37.52	−213.2 *	−0.011
	(4.545)	(191.0)	(113.6)	(0.043)

Figure 4 Impact of COVID-19 on the Insurance Company of Italy

2.5 Portugal

The insurance companies of the Portugal provided better funding to the COVID patients initially, but with the rapid rise in the number of affected people, the delay in services caused great frustration for the consumers (AIM, 2020). The people were refused for the reimbursement for many cases, because the priority was to serve the severe patients with COVID issues. Also, as the insurer could not do their jobs during pandemic, so the insurers' contributions towards insurance funds decreased to considerable rate, as a result of which the insurance companies failed to maintain a balance of insurance payments to insurance reimbursements, as a result of which many day centers, leisure activities, home care centers, and clinics were forced to end their services, as it could help the government and insurance companies to reduce the cases' suspension for healthcare fund reimbursements (Journal, 2020).

	ROA	Z-Score	Solvency II Ratio	Account Receivables to Total Assets
VARIABLES	(1)	(2)	(3)	(4)
COVID-19 pandemic	−2.002 *	8.776	−7.555	0.024
	(1.067)	(9.431)	(15.05)	(0.056)
Size	−2.253 **	3.255	131.1 ***	−0.382 ***
	(0.958)	(8.567)	(36.07)	(0.079)
FinLeverage	0.0982	1.126	−7.105 ***	0.020 ***
	(0.126)	(1.120)	(2.283)	(0.007)
Profitability	2.110 ***	6.020	10.85	0.036
	(0.528)	(4.754)	(7.853)	(0.031)
Liquidity	10.71	−39.15	−501.0	0.238
	(8.208)	(73.04)	(622.6)	(0.347)
EquityRatio	47.90 ***	57.49	1332 ***	−0.683 *
	(5.537)	(50.32)	(173.7)	(0.404)
CapitalRatio	3.730	−20.09	−80.27 **	0.293 **
	(2.807)	(24.94)	(34.30)	(0.123)
Constant	−0.516	−43.96	−1419 ***	2.999 ***
	(7.446)	(67.50)	(396.6)	(0.654)

Figure 5 Impact of COVID-19 on the Insurance Company of Portugal

The above findings make it clear that the current pandemic has led to worst economic crisis worldwide, where every country has faced worst economic decline. It especially affected the businesses as the ban on trade, restrictions on exports, and lockdown situations worldwide left businesses behind with severe loss, especially in Europe (Din, et al., 2020). Now, when the businesses faced losses, and the people were also affected medically due to the COVID-19 symptoms, the insurance companies were requested to pay the full and limited amount as response for recovery from the pandemic. Now, meeting all requests was not possible for the European insurance sector, as they did not have this much surplus amount and thus it affected the sector's stability and reduced its ROA and Solvency II ratio (Ferraresi, et al., 2020). This reduction int eh ROA, not only affected the companies but also left worst impact on the economies, such as in the case of German and Italian insurance businesses, and also in the case of Belgium, France, and Poland's insurance industries (Goodell, 2020).

Moreover, the estimation results suggest that the pandemic raised the value of receivables owing exclusively among Belgian insurance businesses (Puławska, 2021). However, in keeping with EIOPA's reports, insurance companies should focus more on liquidity to limit losses during crises, such as the COVID-19 pandemic (EIOPA, 2021).

3 Institutional Response and Impact on Pakistan

As a result of the COVID-19 (coronavirus) epidemic in Pakistan, several organisations are looking at the prospect of huge financial losses. They are going to give each of their insurance policies considerable consideration in order to figure out which ones are going to respond and help them recoup any losses that have been incurred (Adamjee, 2021). This may include the expense of cancelled trips or corporate events, as well as any additional costs of working in situations in which employees have been instructed not to report to the place of business for extended periods of time. When consumers or supply chains have been interrupted as a result of the spread of the virus, many firms will need to examine if any loss that has resulted from this disruption can be recovered. This is perhaps the most important consideration. Although COVID did not have a particularly negative impact on Pakistan, the country as a whole, the recovery through insurance companies was only about 2% to 3% (Gould, 2020). However, because COVID did not have a particularly negative impact on Pakistan, the business sector did not place a high demand for the recoveries. This is due to the fact that Pakistan is a developing country, which means that the implementations of the lock down were not as stringent as they were in Europe. In addition, the implementations of social distance were not as difficult as expected. On the other hand, online deliveries and the late entrance of COVID-19 in the region equipped it to deal with challenges in a better way and to maintain the stability of its economy. In particular, when the country was severely afflicted, the vaccination was quickly implemented, and as a result, ordinary life was quickly resumed in the country not long after that. Nevertheless, throughout this relatively brief period of stress, the insurance firms fared exceptionally well (Alfalah, 2019).

The policyholder is often not responsible for the occurrence of the events that are covered by event cancellation insurance. Policies are frequently purchased by promoters of sporting events and other forms of entertainment, as well as by multinational organisations and conference organisers. As in the past, the most important factor will be the policy's terms, specifically the event that initiates coverage. The coverage may be activated in the event that a key performer or a close family member passes away, is injured, or becomes ill; bad weather; damage to the venue; or travel disruptions occur that are beyond the control of the event organisers. The necessity to postpone or cancel an event due to worries about the spread of a contagious disease will not be compensated for by the insurer because the policyholder retains control over such decisions.

Many insurance that cover the cancellation of events do not include pandemics or infectious diseases as a cause for coverage (Asia, 2021). Recently, a large insurer operating in the Lloyd's market remarked that fewer than 10 percent of buyers of their event cancellation policies had opted to obtain disease/pandemic extension coverage for their policies.

Even in the case where a policy might potentially respond based on its wording, problems could emerge in the event that an event that was not initially postponed or cancelled after a "Notifiable disease" or pandemic was proclaimed was later postponed or cancelled.

Policyholders need to examine whether or not it would be more prudent to postpone events with notice to their customers rather than completely cancelling activities. In the event that an official body (like the government or a local authority) has decided that the event should not go forward, the policy may respond in the appropriate manner.

The purpose of business interruption insurance, also known as BI cover, is to put the policyholder back in the same financial position they were in before to the occurrence of the event, whether that be in terms of lost profits or additional expenses (Goodell, 2020). Therefore, there may be coverage for lost profits or additional expenses in situations in which there has been a disruption to supply chains or denial of access to business premises by order of the government. Furthermore, depending on the extensions of cover that are available, there may even be coverage for a loss of use of premises as a result of virus contamination. A number of courts in the United States have reached the conclusion that pollution that renders property unfit for the use for which it was designed would qualify as physical loss. This could pay expenditures associated with decontamination, for instance.

In order to determine with absolute certainty whether or not coverage will be provided, it will be necessary to examine the precise wording of the applicable BI policy; nonetheless, it is typical for a BI insurance to typically include a requirement that the covered "property" has suffered damage (Stride, 2020). The harm has to happen during the time that the policy is in effect, and it has to result in a loss of profits or increased expenses within the time period that follows the occurrence of the risk that is being insured against. In most cases, catastrophic occurrences like fires, storms, and floods are to blame for such devastation.

On the other hand, certain policies can provide additional expense coverage in the event that a "Notifiable" or infectious disease extension is acquired. The phrase "denial of access" refers to a

type of coverage that, in most cases, necessitates the compulsory closure of premises as a consequence of a sickness that has been defined by legislation or an order from the government.
Coverage may be provided by Contingent Business Interruption (CBI) insurance[1] in the event that a significant client or vendor is compelled to go out of business. In some circumstances, non-physical damage-based CBI policies could be an option for responding to a drop in supply that results in a loss of output. This would be the case in situations where such a response would be appropriate. Even while policies of this kind aren't very widespread in the market, it's not hard to picture how valuable they might be given the current climate.

Companies that have obtained trade credit insurance, also known as debtor insurance, may be able to recoup revenue lost when clients do not pay their invoices due to cash flow problems or insolvency (Stride, 2020). This type of insurance is frequently referred to as credit insurance. Trade credit insurance can be purchased to cover either an individual client or the entire customer base as a whole. Most of the time, trade credit plans will cover risks in situations when the supply chain has been disrupted for reasons that are beyond the control of the policyholders. Policies may respond in situations where there have been physical catastrophes that may impact customers, although they typically have exclusions for things like nuclear disasters or terrorism. Policies may also respond in situations where there have been physical disasters that may impact customers. It is important to note that the recovery process under most trade credit insurance does not depend on the existence of any physical loss or damage (Robert, 2020).

If you booked your trip before the government issued a warning against travelling to a region or country, you may be able to get your money back for any flights, hotels, or other types of travel tickets that you purchased. However, this will depend on a number of factors, including whether or not you booked your trip before the warning was issued. In many circumstances, insurance will cover the costs of cancelling a trip in the event that a government body issues a warning against going on the trip after it has already been purchased. Even though many plans contain cancellation protection, it is quite unusual that policies will reimburse you for the cost of cancelling a trip once you have become aware of government advice advising you not to travel. As a result of the developing crisis and the World Health Organization's declaration that a pandemic exists, a number of insurers in the United Kingdom have decided to stop offering extra coverage for travel

[1] Visit details at https://www.nortonrosefulbright.com/en-pk/knowledge/publications/c981bfa3/covid-19-and-insurance-cover online

interruption or airspace shutdown options, which were previously available for purchase (Alam, Sep 26, 2021).

When a policyholder cancels their trip because they do not want to travel rather than because they are responding to official advise, the insurance company will not pay out. The United Kingdom's Foreign and Commonwealth Office is in charge of disseminating information to the public regarding nations and regions that are impacted by coronavirus. Within the borders of the United States, this recommendation comes from the Department of State.

Thus overall, the people's trust over the insurance policies increased and therefore percentage of premium per year increased during 2020 and 2021;

STATE OF INSURANCE INDUSTRY

Rupees in Billion*	March 31, 2020	March 31, 2021	% Increase
Net premiums	45.4*	60.6	33.5
Net claims	28.2	38.8	37.6
Net profit	0.581	0.677	16.5
Total assets	1,402.40	1,692.30	20.7

Source: Insurance Association of Pakistan

Figure 6 Number of Premiums per year 2020-2021 in Pakistan (Alam, Sep 26, 2021)[2]

The figure above shows that Net Premium increased from 45.4 to 60.6 billion Rs with 33% increase in an year, whereas net profit raised from 0.581 to 0.677 billion Rs with 16.5% in year 2020-2021. This proves that people's preferences and trust over the Pakistan's Insurance companies raised during pandemic.

[2] Available online data at https://www.dawn.com/news/1648444

Specifically, getting data from the well-known health insurance companies of Pakistan can be helpful to evaluate how their dealing were affected during pandemic when the findings are only related to health reimbursements and institutional responses.

3.1 Adamjee Insurance Company

Adamjee is the well-known Insurance Company of the Pakistan, which recorded gross premium of Rs 1,923.8 million during 2020, which was even more than the previous year, with records of Rs 1,909.8 million in 2019 (Adamjee, 2021). This means that though the reimbursement requests for healthcare services increased from consumers, but it did not affect the surplus and gross premium earning of the company; however, the net claims had decreased from 87% to 85% during 2019-2020.

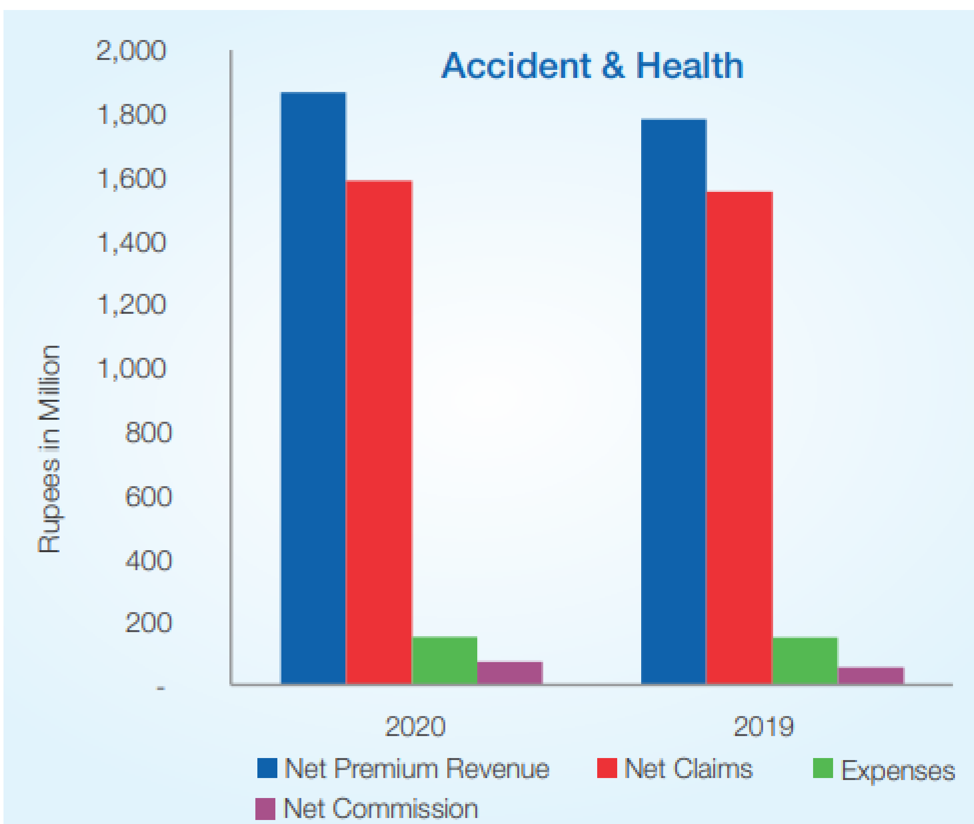

Figure 7 Accident and Health Insurance from Adamjee Insurance Company (Adamjee, 2021)

3.2 Alfalah Insurance Company

Alflah Insurance Company served the consumers with best services and quick reimbursements to help them in dealing with their COVID associated challenges. This had helped the company to improve its reputation the region, and serve the consumers with high quality services. Also, due to their quick and positive response during COVID, the company showed great economic growth with records of Rs. 2,666,478 thousand gross premium and Rs. 1,583,734 thousand gross revenue (Alfalah, 2019). However, the revenue was increased because the company do no offer health services to every walk-in individual; rather the company only deals with the corporate consumers, and thus only corporate employees were covered for health reimbursements.

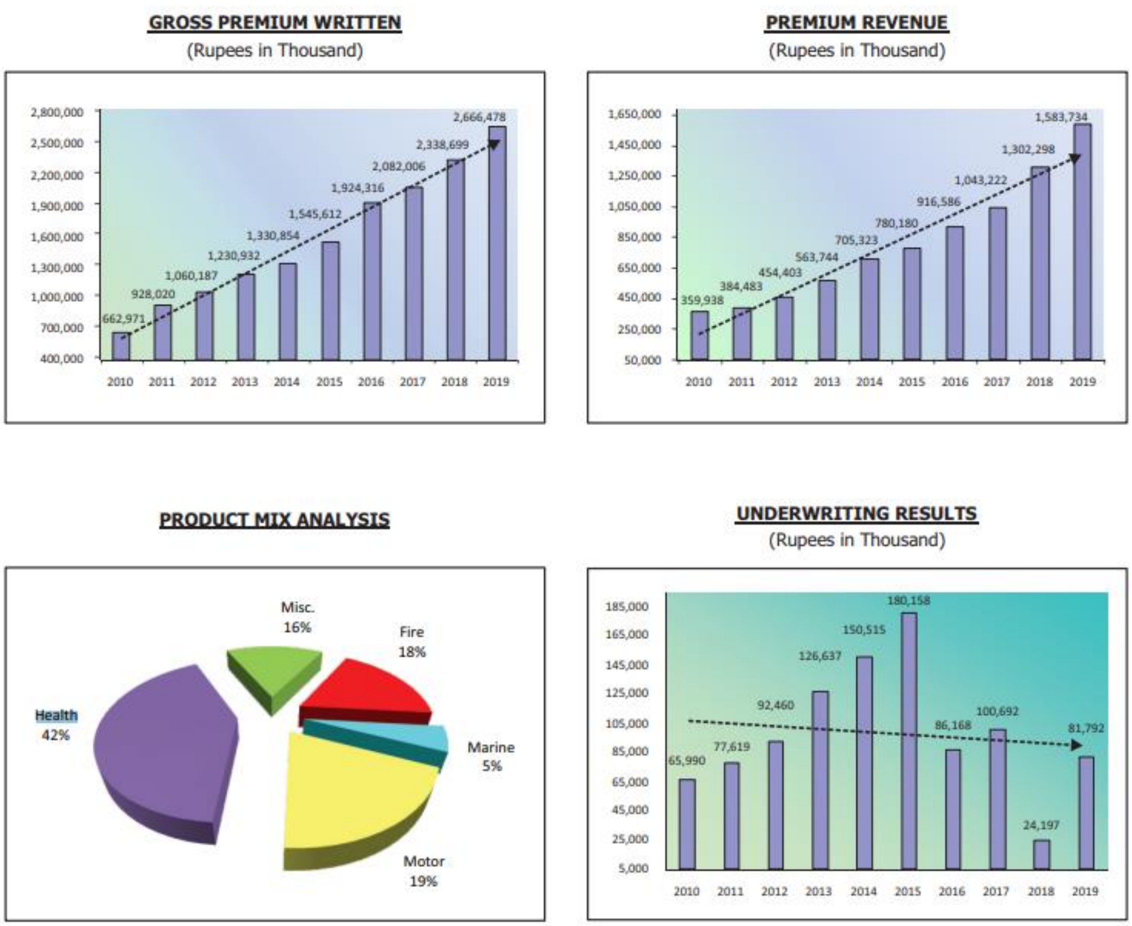

Figure 8 Financial Performance of the Alfalah Insurance Company during Pandemic (Alfalah, 2019)

3.3 Asia Insurance Company

The company offers health insurance services to the corporate employees, as well as home-based individuals who apply for the health insurance privately. During the pandemic, the company served too well with reimbursement and quality services via Asia health insurance conventional and Takaful services. The figure below shows that the health insurance funds have been increasing with time, and reached to Rs. 500,000 in FY 2020 (Asia, 2021). This indicates that the companies are serving the consumers very well during the pandemic.

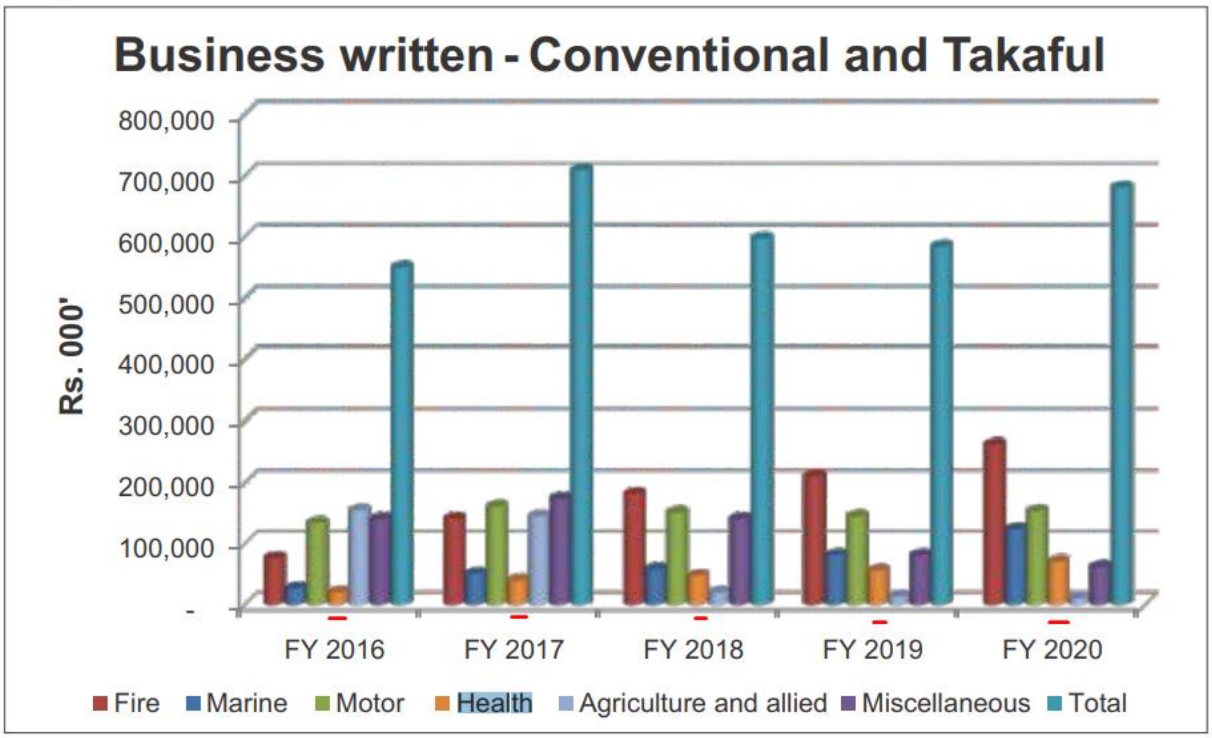

Figure 9 Performance of Asia Insurance Company (Asia, 2021)

Not only this, but also after the COVID, people stared trusting the services of Asia Insurance company and therefore its gross premium record shows significant rise.

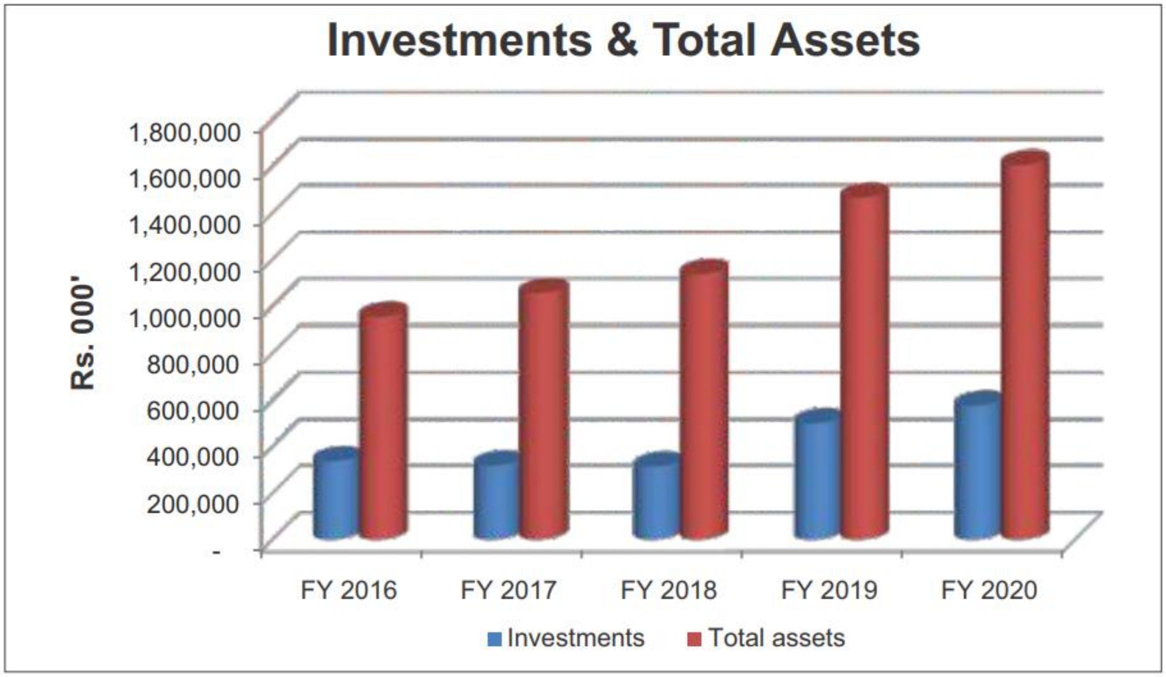

Figure 10 Insurance Growth During Pandemic (Asia, 2021)

4 Conclusive Remarks

On the basis of above analysis of Insurance Regulations, Institutional response of Insurance Regulations in Europe, and its comparison to the response of Insurance Institutions in Pakistan made it clear that Europe was highly affected by the COVID-19, in comparison to which Pakistan was not much affected by the pandemic, due to which the level of imposed lock down and social distancing associated issues were low in Pakistan, and so the requests for the insurance reimbursements by the institutions were also low; rather the number of premium per year increased because people started relying on insurance for their health and other matters.

Another reason for the difference is people's inclination towards insurance. In the Europe, people have already applied for the health insurances at higher rate. Almost every 8 out of 10 people are insured properly there. However, the inclination of people of Pakistan towards insurance is limited, and they do not rely on insurance funds for their healthcare services. However, COVID made it clear to the people of Pakistan that getting health insurance is important to save them from any adverse health associated disasters. Therefore, people started applying for health insurances at higher rate, which increased the gross premium of the insurance companies in Pakistan, whereas in Europe, people found it hard to get jobs and thus could not make their insurance payments, as a result of which insurance companies showed great financial decline in 2020.

Especially, in Pakistan, as the requests of reimbursements were low, so the insurance companies were able to serve the consumers with better services, which increased population's trust over the insurance services. Compared to EU, the insurance companies were overloaded with reimbursements' requests due to which the insurance companies find it really hard to cater every request, as a result of which the surplus amount of the insurance companies were declined, which led to worst economic impact on European countries.

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