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New study asks if COVID-19 has affected the price and type of life insurance offerings

- **COVID-19 has increased the uncertainty around the risk of mortality, particularly during the start of the pandemic and for those in older age groups**
- **Profitability in the market for life insurance hinges on being able to accurately project the risk of death**
- **The study finds limited evidence that life insurance companies have increased premiums or restricted policy offerings due to COVID-19**

There is much debate and interest on the effects of COVID-19 on markets such as hospitality, retail, those in the gig economy, and others. Early in the pandemic many firms in the automotive insurance market gave premium refunds to customers because of changes in driving habits caused by the spread of the virus. Illinois State University Assistant Professor of Economics Tim Harris, along with ISFE Affiliate Aaron Yelowitz, and ISFE Director Charles Courtemanche extend this line of research by investigating the effects of COVID-19 on product offerings and product pricing in the market for life insurance.

Using data from Compulife, a distributor of life insurance quotes, the coauthors estimate an event study to investigate whether insurance companies have altered the pricing of their premiums or the products they offer due to changes in uncertainty surrounding the risk of dying caused by COVID-19. They find little evidence of price changes, or changes in product offerings through October 2020. They do find that premiums increased in response to the pandemic among the lowest cost plan offerings and that policies offered to individuals aged 75

and above (affecting a small number of the total life insurance plans offered and sold) were disproportionately removed from the market.

The authors note that, “our findings of relatively small adjustments in the term life insurance market—perhaps unexpected—should not be interpreted as dismissing the individual risk from COVID-19, especially for more vulnerable members of society.”

They continue, adding that “accompanying the ‘third surge’ in cases is the real promise of widespread distribution of an effective vaccine in the next few months. The potential vaccine, along with our findings, suggest that it is unlikely that life insurance companies will significantly alter policies in the next several months due to COVID-19.”