

BEING RESILIENT

CUTTING THROUGH COVID-19 CRISIS

AN ANALYSIS
OF STRATEGY &
COMMENTARY FROM
100 GLOBAL
INSURANCE CEOs

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The worldwide outbreak of COVID-19 is creating significant challenges for leaders at Insurance organizations independent of size, segment, and country of operation.

For the Insurance providers, the pandemic brings both financial and operational challenges that are unprecedented. It additionally strengthens the need to accelerate product innovation and digital transformation, which was well underway at numerous organizations, for improving efficiency in operations and improving clients' experiences. Exploring these challenges and repositioning the organization for the post COVID-19 world, calls for a far-reaching reaction and execution, beyond near-term business continuity measures.

Several executives have cited that their business is resilient and agile in responding to the changing circumstances. As executives further explore the crisis, key priorities consist of innovation in products, distribution and customer reach, promote digital channels, reassess cost structure, partnerships to gain capabilities, build remote working models, robust protection against threats (e.g. pandemic, natural catastrophes, geopolitical, and cybercrime), and accelerate automation and digital transformation across the value chain. Organizations that embrace these priorities will be positioned to have greater resilience by empowering them to recover faster and pivot from playing defense to pursuing growth.

This research paper covers insights and analysis based on our investigation of recently published commentaries from CEOs of leading Insurance companies across the world.

About this Report

This research paper looks at the challenges, planning, and strategy execution in the Insurance sector, cited by CEOs from the COVID-19 perspective. The intent is to summarize COVID-19 concerns & challenges and the measures taken by Insurers. The results reflect our view of the CEO commentaries under consideration. The findings and implications of this research paper are subject to change in the light of ongoing developments.



About the Sample

Analysis of commentary from top 100 Insurance CEOs from global corporations represent a broad cross-section of life, property/casualty, reinsurers, and insurance brokers across all sizes of companies and lines of business. The table below displays the distribution by company geography, size (annual revenue), and lines of business.

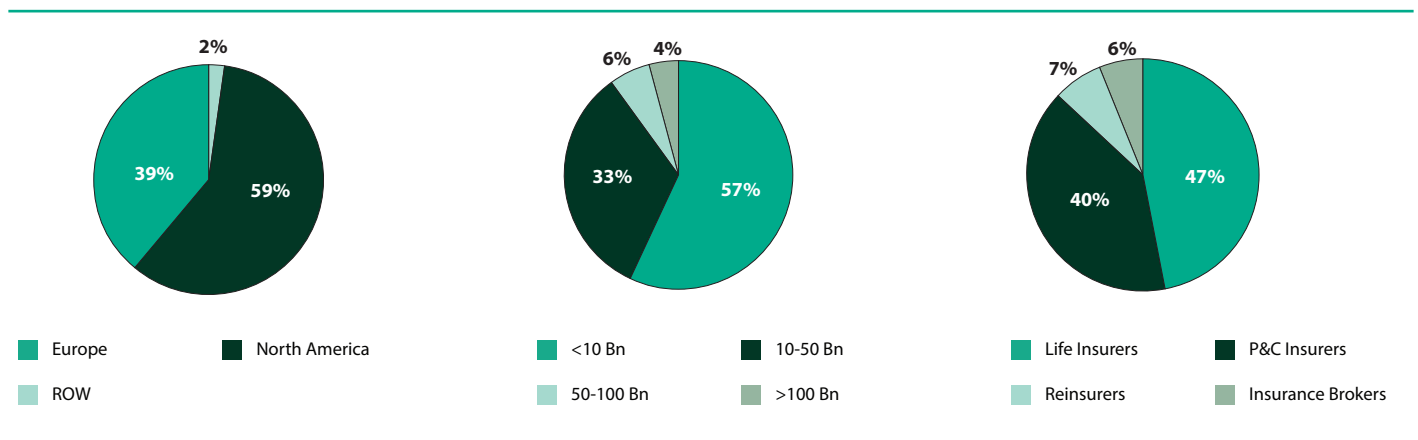


Figure 1: Split by Geography, Size, and Industry sub-segment

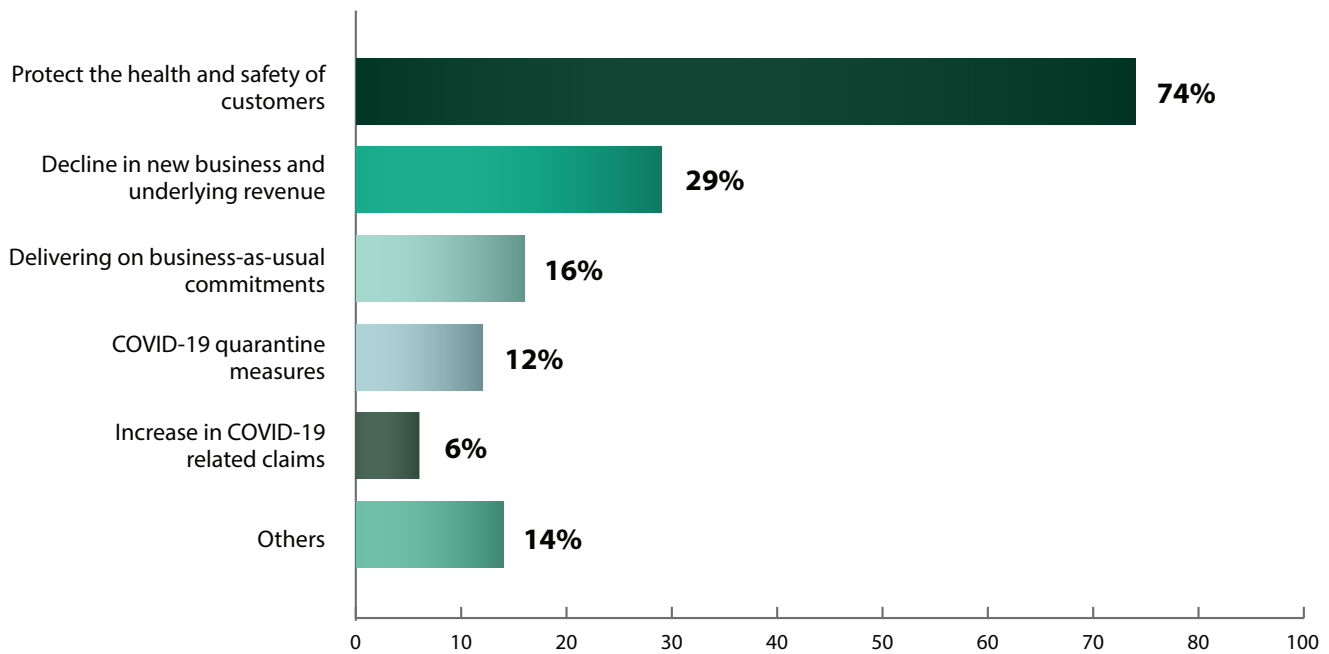
Key Findings

The COVID-19 outbreak is causing widespread concern among Insurers, who are responding to the widening outbreak on various fronts. This research note, drawing on our analysis, explores the following key findings.



Major Concerns & Challenges

Financial exchange instability, the unpredictability of Government securities, zero or near-zero interest rates, and the potential for a persistent economic downswing are key challenges for Insurers today amidst the global pandemic. Given the uncertainty that exists in these unprecedented times, Insurers are confronting a wide range of challenges that are interconnected and present right across the value chain. COVID-19 has an adverse impact on financial condition, operations, among several other key aspects of Insurers' business. Declines in interest rate weigh heavily on the entire Insurance industry, especially on that of Life Insurers, given their rate-sensitive products and investments. P&C Insurers appear to be more vulnerable to volatility in the stock market as they retain more liquid assets in the event of catastrophic losses. Figure 2 displays major challenges cited by 100 CEOs across the globe.



Source: Infosys Insurance Research Analysis, N = 100 CEOs Commentary

Figure 2: CEOs Major Concerns & Challenges



Protect the health and safety of customers, employees, partners, and communities. To safeguard their long-term financial plans and sustain the excellent service. With regards to primary business focus in response to the COVID-19 pandemic, the key priority of **74%** of CEOs is to ensure the wellbeing of its employees, customers, and communities that drive the organization. **79%** Life Insurers & **73%** P&C Insurance CEOs indicated their main focus on the health of people, whether they are employees, agents or business partners and on service continuity.

01

Roger Crandall, Chief Executive Officer of MassMutual said–

“Helping our people help you. Knowing that our employees are the ones who dedicate themselves to serving you, we are offering them the support they need to help you through this crisis. With the majority of our people working remotely to help ensure their safety and well-being, we have provided wellness assistance such as counseling sessions, meditation resources, and virtual fitness activities, as well as paid leave for COVID-19-related needs.”

Decline in new business and underlying revenue.

A global economic slowdown results in reduced GDP and interest rates. Stock market crashes impacted earnings from investment portfolios and constrained the capacity to complete new business applications and underwriting. **29%** of CEOs acknowledge that the new business easing back down on COVID-19 circumstances. Reduced interest rates are creating more stress on new business growth. **35%** Life and **25%** P&C Insurance CEOs said their company would be impacted by lower premium rates as a result of a global economic downturn triggered by COVID-19.

02

Dan Glaser, President and Chief Executive Officer of Marsh & McLennan said–

“For the full-year 2020, we currently expect a modest decline in underlying revenue. We are being vigilant and disciplined regarding discretionary expenses. We have strong control over our cost base, and have levers at our disposal to manage in the near term.”

Delivering on business-as-usual commitments, shift to remote work, dealing with an employee’s requirements to meet business needs. **16%** of CEOs concern was to ease work from home and reinforce a secure office environment practices & policies as per the expectations of its team and stakeholders. **13%** of US-based & **20%** of Europe based Insurance CEOs faced the challenge to immediately shift employees to work remotely that doesn’t affect security and risk.

03

Michel A. Khalaf, Chief Executive Officer of MetLife said–

“For 152 years, you have depended on MetLife and the promises we’ve made to help you recover and rebuild from local, national and global disasters. This time is no different. Around the world, we are taking the necessary steps to make sure our employees are safe and able to deliver the support you need from us. We understand your goal is to manage through this crisis. Our goal is to help you do that.”

COVID-19 quarantine measures have slowed down all economies and nearly all industries. There is poor visibility, business outlook has been severely damaged, and confidence is down. **12%** of CEOs studied said that quarantine measures and the negative effects of the virus are weighing on economic activity. **13%** of US & Europe based Life & P&C Insurance CEOs recognize that the isolated measures are causing far reaching concern and increasing financial pressure for consumers, businesses, and communities.

04

Wilfried Verstraete, Chief Executive Officer of Euler Hermes said–

“Whilst driving this transformation, we must also keep a close watch on the growing complexity of the challenges faced by our clients: slower growth, political and trade tensions, the worrying trend of rising insolvencies, and now, the economic impact of the Covid-19 epidemic. This implies higher export risks for businesses combined with high uncertainty. More than ever, business leaders must apply a very selective and preventive credit management.”

Increase in COVID-19 related claims in a range of LOBs including property, travel, casualty, specialty, workers compensation and life Insurance. **6%** of CEOs said that they might face increased costs associated with claims across multiple lines consisting of health, life or non-life cover.

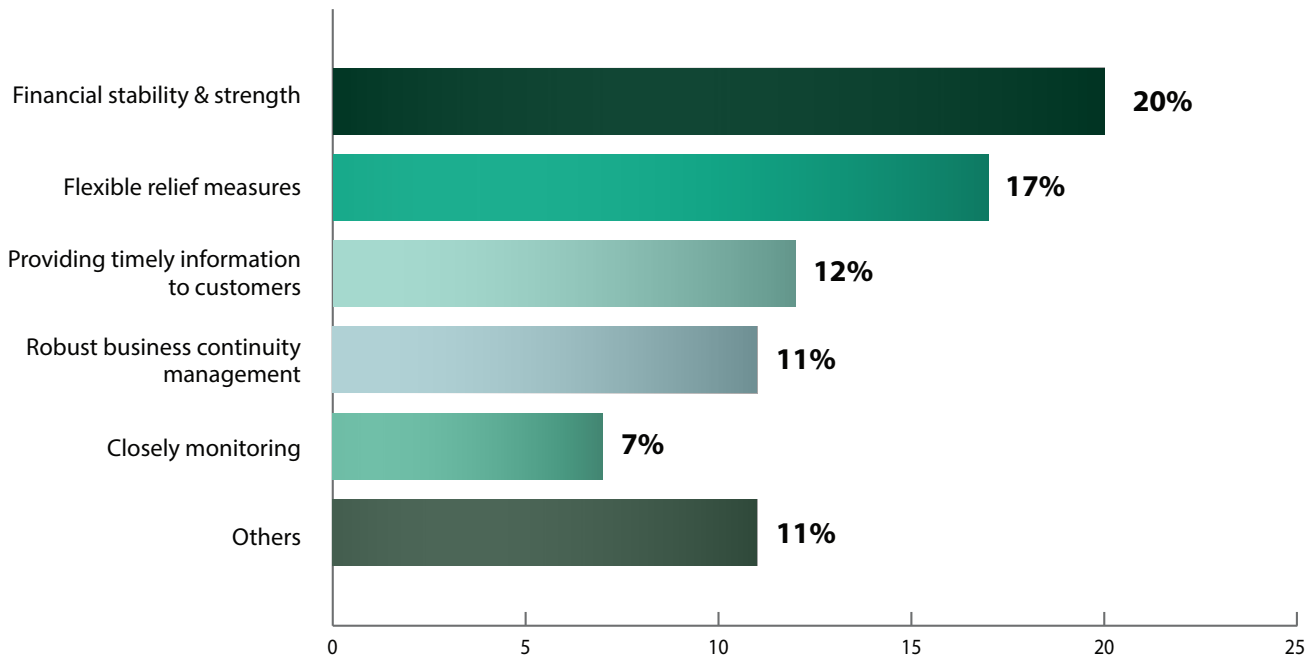
05

Dean Connor, President and Chief Executive Officer of Sun Life said–

“But looking forward, we expect to see some slower sales and modestly higher claims. And the bigger question is the slowdown in economic growth in China and for the global economy and in particular, how long that lasts. Standing back, we feel that Sun Life is well positioned to play both a strong offense and a strong defense.”

Key Measures

CEOs reacted to the emergency outbreak with both short- and long-haul actions to mitigate any future disruptions. These include crisis management and response, workforce, operations, finance and liquidity, tax and trade, and strategy. Insurers have business continuity plans that don't reflect comprehensive worldwide lockdowns and other restrictions. Thus, insurers are adjusting business plans to review and renew plans to avoid negative impact. Insurance companies have announced payment relief programs for policyholders. Figure 3 displays major measures cited by CEOs across the globe.



Source: Infosys Insurance Research Analysis, N = 100 CEOs Commentary

Figure 3: CEOs Key Priorities & Measures



Financial stability & strength with diversified investment portfolio, capital, and liquidity will help. In light of the current economic scenario, with the recent tax law changes in both the US and in jurisdictions around the world, initial planning needs to be reassessed. Insurers are prioritizing initiatives targeting overall cost reduction and operational efficiency. **20%** CEOs said that they are adjusting their budgets and implementation plans, cash flow expectations, and investment portfolios considering recent developments. They are also increasing focus on loss control, litigation and expense control to maximize return on deployed capital. **25%** Life & **13%** P&C Insurance CEOs across the world are focusing on cost planning and operation efficiency initiatives.

01

Tom Wilson, Chief Executive Officer Allstate said–
“Allstate’s strategy to stay strong is to increase market share in personal property-liability insurance and provide customers with a circle of protection through life, worksite, consumer product protection plans and identity protection. This is consistent with Our Shared Purpose, which is to protect people from life’s uncertainties. While a sound strategy, excellent operating capabilities and significant capital are all critical to success, it is Allstate’s culture that ensures we stay successful.”

Flexible relief measures. **17%** CEOs are providing flexible relief measures, including waiving of missed payment fees, discounts, billing relief, temporary suspension of premium payments and premium adjustments, and other actions to allow continuing Insurance coverage as appropriate. **30%** P&C & **10%** Life Insurance CEOs are providing financial relief to its policy holders.

02

Alan D. Schnitzer, Chief Executive Officer of Travelers said – “We are offering billing relief to address the financial distress that many are facing as a result of the pandemic, and we have adjusted the claims inspection process to rely more heavily on our extensive inventory of state-of-the-art digital and virtual tools, with extra precautions in place if an in-person inspection is needed.”

Providing timely information to customers to keep them informed of developments in this challenging situation to build trust. Directing customers to self-service channels and automated processing are some of the methods leveraged. **12%** CEOs believe timely correspondences with customers, employees, communities, and other stakeholders that ensure the best outcome.

03

Alan Colberg, Chief Executive Officer of Assurant said – “Regardless of the market volatility, our business fundamentals remain strong - so that we will be there for our customers, employees, and communities for the long-run, while delivering value for our shareholders. This current uncertainty only underscores how much we rely on each other. How important it is to stay connected. And, while we’re all so far apart right now because of social distancing, isolation or working remotely – more than ever, we need to value what it means to be ‘together.’”

Robust business continuity management procedures will allow continuity to operate and serve customers around the world. Continually assess and adjust those plans as the crisis emerges. **11%** CEOs are adapting their business continuity plans to reflect the updated guidelines and defend against future risks. The generic crisis plans should be adjusted and tailored to cope with the specific challenges of a pandemic. **17%** Life and **5%** P&C insurance CEOs are adjusting business plans to review and renew the same to avoid negative impact as crisis emerges.

04

Dan Houston, President and Chief Executive Officer of Principal Financial Group said – “While it’s too early to know the exact impact, the virus may have on our businesses, I’m confident that our robust business continuity plans will allow us to continue to operate and serve customers around the world. We’re actively testing these plans within the realities of the COVID-19 situation to better understand the implications of the virus, and to adjust our policies and operations accordingly.”

Closely monitoring the evolving outbreak and implementing aspects of plans as warranted, continue to be vigilant, stress testing and assessment, scenario planning, are some of the short-term measures. **7%** CEOs said that they continue to closely monitor the situation to mitigate the negative impacts of the virus on its business.

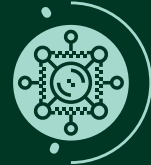
05

Greg Tschider, Chief Executive Officer of Newport said–
“During these turbulent times, Newport is focused on serving clients and retirement plan participants while also doing what we can to protect the health and well-being of our employees and communities. Our executive team is monitoring the situation daily, and we have a comprehensive business continuity plan in place so that we are well prepared to respond to ongoing developments.”

CEO Outlook

Disruption in New Business Activity

Overall new business is expected to fall in multiple lines, reflecting economic slowdown, volatility, contraction in GDP which is likely to lead to price competition.



Tightening Financial Conditions

Decline in underlying revenue, as well as net and operating income for the full year as a result of reinsurance and insurance claims due to the pandemic, however, it will also depend on the scale of the crisis.



Accelerating Digital Capabilities

Increasing focus on digital and innovation. Project reprioritization and accelerating planned digital initiatives such as digital tools, self-serve capabilities, security, risk assessment technologies, data analytics, emerging technology, and automation including the use of robotics and AI, etc.



More Public-private Partnership

More partnerships with governments, regulatory bodies, and aid agencies for risk management and to ensure society can better deal with such large-scale disruptive events in the future.



Business Continuity & Capital Planning

Modify business, operating, and financial models that are geographically agile. Focus on updating and practicing business continuity plans as the business advances to the 'new normal' and reinforce ecosystem-wide collaboration.



Competitive Pressures

New competitors such as digital giants and InsurTechs along with other startups will continue to create competitive pressure.



Concluding Thoughts

The COVID-19 pandemic will continue to test the economy for the foreseeable future. It is hard to predict how the pandemic will play out, yet the one thing that is absolutely certain is that it will lead to a new world with adequate space for opportunity and change.

It is a philanthropic emergency, and insurers must keep on reacting in an empathetic way, towards their employees, partners, and clients. Supporting employees through this emergency will have an immense impact on employee commitment and efficiency.

Proactive communication can go a long way towards reminding clients and partners of the steadiness that Insurers provide throughout the crisis. This will have a long-term business impact regarding reputation and demonstration of a culture of caring for present and potential clients.

As much as it is a global crisis, Covid-19 pandemic also presents enormous opportunities for Insurers to rethink and innovate as they adjust and respond:

COVID-19 offers Insurers a chance to build trust and brand. Responding to critical issues in a timely manner will differentiate Insurers in the minds of prospect and employees.

Insurers should leverage digital platforms. Deploy digital platforms and toolsets that directly link to clients, distribution channels, and other market participants.

Rebuild financial models that are flexible and geographically agile. Consider ways to improve your organization from the low to negative interest rates environment.

Insurers should be open to potential M&A opportunities to acquire capabilities and/or gain scale through acquisitions.

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