

A2ii-IAIS Consultation Call webinar series on the coronavirus (COVID-19) pandemic and implications for insurance supervisors

2 April, 2020

Speakers



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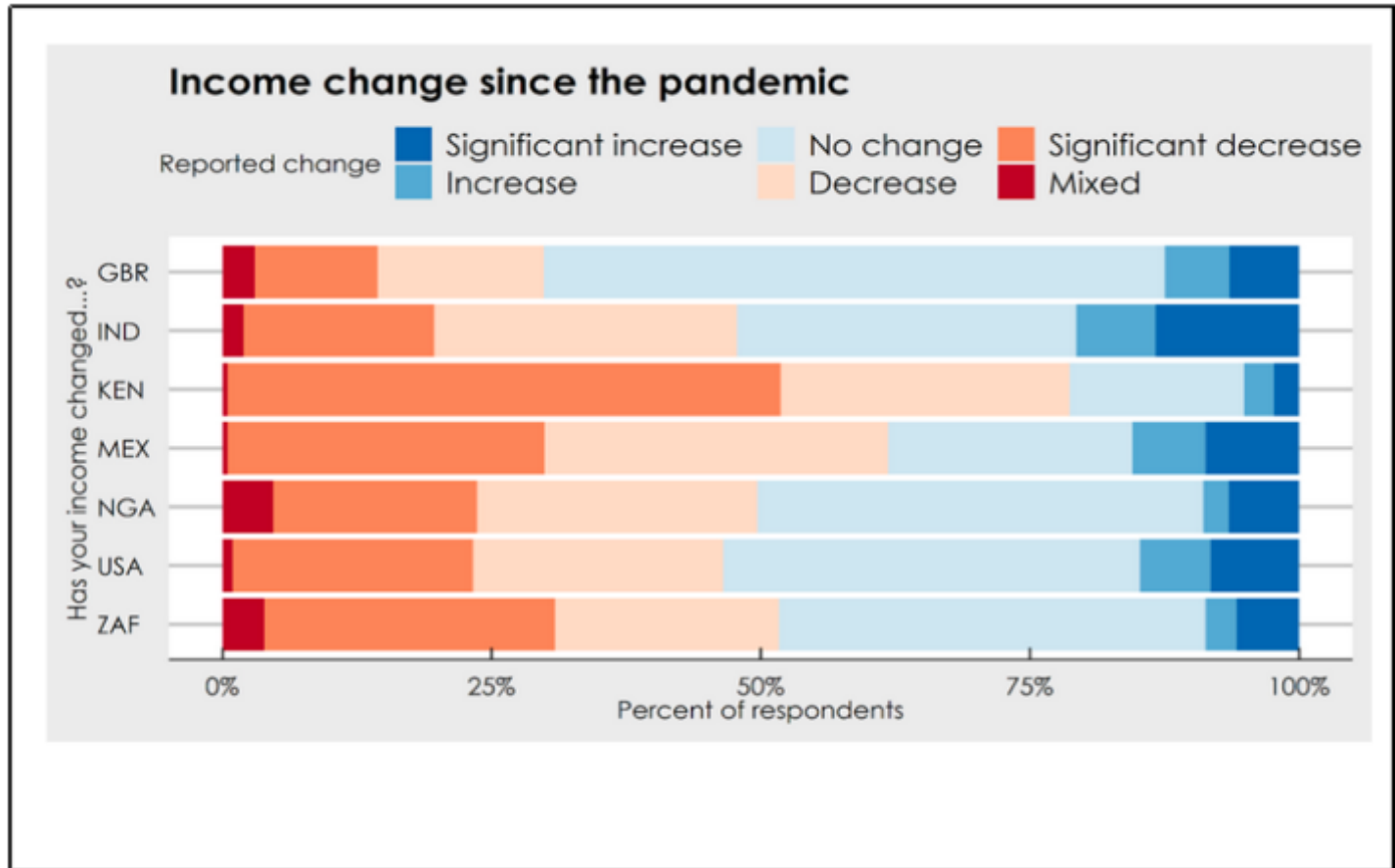
Janina Voss
Access to Insurance
Initiative (A2ii)

COVID-19

Implications for inclusive insurance consumers

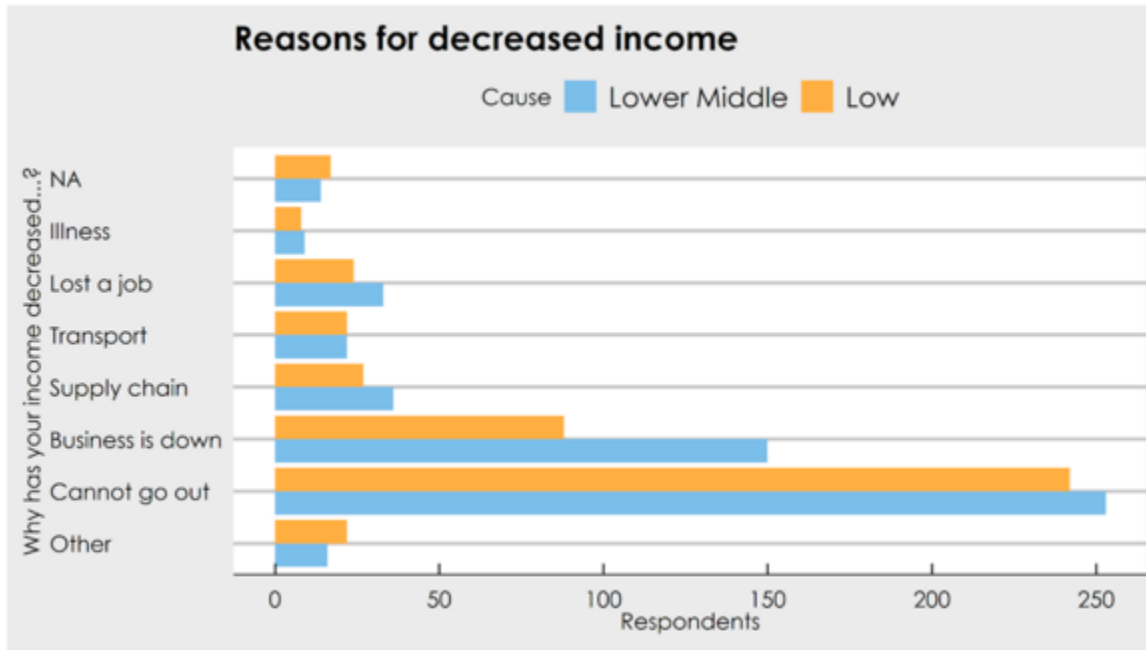
Andrea Camargo | Technical Expert A2ii

Impact of COVID-19 on consumers (1)



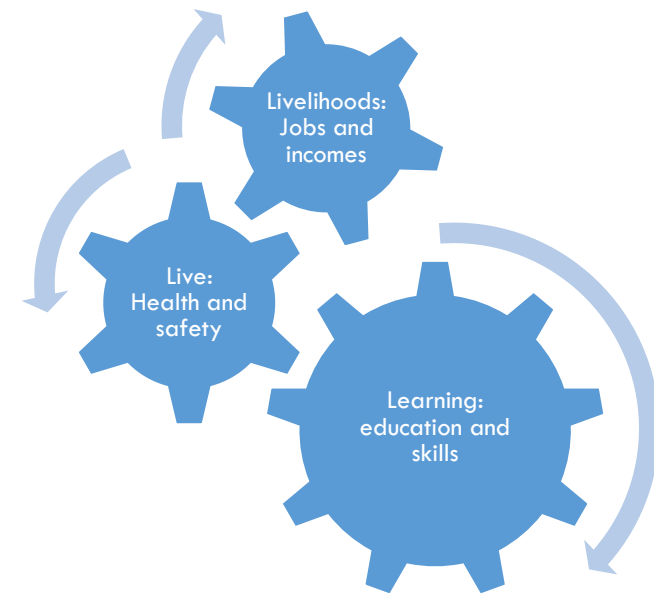
BFA Global, Impact of COVID-19 on Financial Lives in Seven Countries (Wave 1 - Mar 25-26)

Impact of COVID-19 on consumers (2)



BFA Global, *Impact of COVID-19 on Financial Lives in Seven Countries (Wave 1 - Mar 25-26)*

Impact at the short, mid and long term

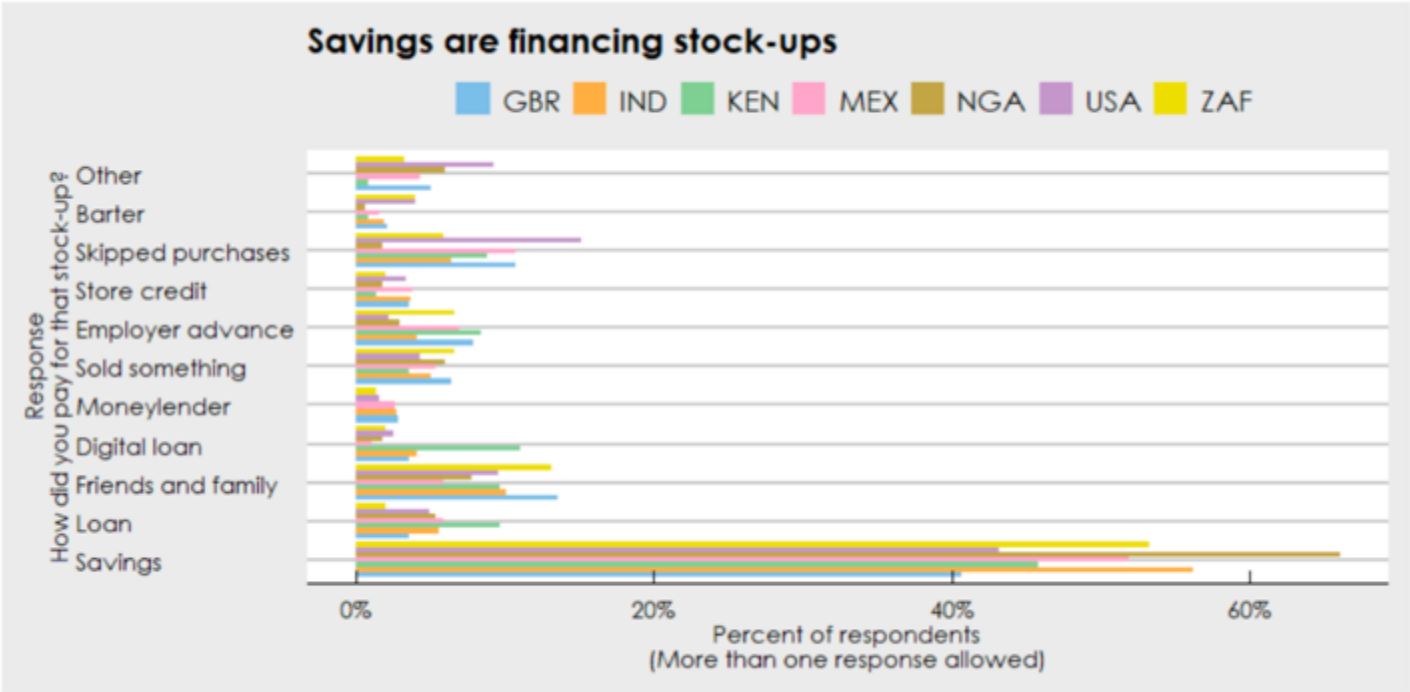
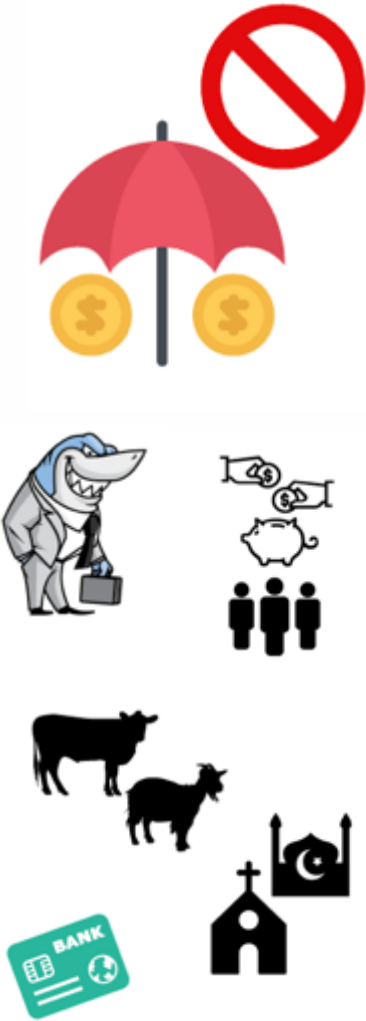


BFP and Harvard Kennedy School, *Business and Covid-19 : Supporting the most vulnerable, 2020*

The emerging consumer of inclusive insurance



How do they manage?



BFA Global, Impact of COVID-19 on Financial Lives in Seven Countries (Wave 1 - Mar 25-26)

COVID-19 is exacerbating the vicious cycle of poverty



- Not tested and treated because **poor access to affordable health care services, low or no health insurance coverage and poor health infrastructure.**
- **Limited Water Supply, Sanitation, and Hygiene (WASH)** facilities to prevent risk.
- **Not working has devastating socio-economic impact for those in informal and insecure jobs or independent workers.** Working from home for some is simply not possible – i.e. not an option for 81% of India's workforce. If not working or working from home is not an option, they are forced to work and this increases the risk of exposure to COVID-19.
- **School closures lead to business interruption** for parents and future education and livelihoods are threatened. **Remote education is not an option.**
- **Food security emergency** as food prices rise.
- **Safety nets and budget flexibility are not available** to support them to confront the economic shocks.

Insurance for the most vulnerable at the times of COVID-19

- For those who are insured, this moment is key to **build trust and awareness about the need to adopt comprehensive risk management approaches where insurance is a piece of the puzzle.** Therefore it is important for supervisors to address issues such as:
 - Business discontinuity of insurers and financial instability of the insurance sector
 - Lack of understanding regarding insurance and policy cover
 - Vulnerability of consumers to fraud and insurance scams
 - Constant rejections of claims by insurers relying on exemptions
 - Struggle by consumers to keep up with monthly premiums
 - Responsible use of digitalisation
 - Limited offer of products providing valuable coverages for direct and indirect losses caused by COVID-19
- For those who are still not insured, **this is an opportunity to show them that insurance is worth trying!**

Some implications for supervisors (1)

1. The response to Covid-19 by governments, supervisors and the insurance sector has been **rapid, varied and contrasting!** There is not a one size fits all solution, but there are some commonalities:

- Close coordination with the insurance industry, supervisors and other stakeholders
- Responses have focused on operational resilience - this has important ramifications for consumers
- A flexible, innovative approach has been adopted both by the insurance industry and the supervisors
- Integrated risk management approaches have been emphasized

PAGOS DE PRIMAS DE SEGURO durante el estado de emergencia



¿Si no pago mi prima me quedo sin cobertura?
 No, desde la fecha de incumplimiento de pago se tiene 30 días antes que se cancele la cobertura.

¿Puedo reprogramar mi prima de seguro?
 Debes coordinar con tu empresa de seguros, a los teléfonos de atención al cliente.

¿Qué sucede en caso de un siniestro si no he pagado la cuota de mi prima?
 Si has dejado de pagar la cuota de tu prima del último mes, entonces tienes 30 días desde la fecha de pago antes que se suspenda la cobertura. Si hay un siniestro, tendrás cobertura y sobre la liquidación del siniestro se deducirá la prima que estaba pendiente de pago.

¿Cómo lavarse las manos?



SUGESE

Siete aseguradoras privadas activan atención de covid-19

Empresas levantar temporalmente la exclusión en caso de pandemia



China dispuesta a permitir una subida del déficit por pandemia



#BeASavior GREEN DELTA INSURANCE

TIPS TO STAY ACTIVE AT HOME DURING #COVID 19 OUTBREAK

	Walk up and down the stairs
	Do some stretching exercises and yoga
	Pray regular prayers
	Seek more ideas & resources online

The implications for supervisors (2)

2. This is an important moment to **build trust in insurance and raise awareness about risk management** by ensuring **positive consumer experience** and visibility of the **insurance sector** during this crisis.

- Some examples:
 - Malaysia: Deferment of payment of life insurance premiums and family takaful contributions, extension of flexibilities to reinstate or preserve life insurance and family takaful protection, flexibility to meet general insurance premium (i.e. restructure of policy certificates to reduce premium) and expedite claims processing.
 - Peru: The supervisor coordinated with insurance companies ways facilitate payment of insurance premiums, clarity of coverages and strong remote support to consumers
 - Costa Rica: Jointly with insurers aligned communication protocols of coverages to consumers, strengthening remote communication with consumers
 - UK: Issued expectations to insurers for business continuity and consumer care and communication, also issued support to consumers to promote awareness about products and warning insurance scams
 - Kenya: In collaboration with insurers, it was agreed that insurers will cover coronavirus costs of health insurance policyholders

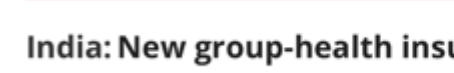
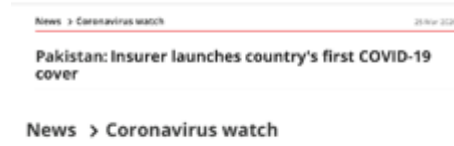
The implications for supervisors (3)

3. **However it is essential to keep in mind that the stability of the insurance sector is at the core and it is key to avoid creating wrong expectations of what is insurance and what is it for:**
- Mapping frequently the exposure of the insurance market
 - Ensuring that measures adopted to respond to the crisis do not hinder the stability of the insurance sector

The implications for supervisors (4)

4. **Digitalisation is an important enabler** in the context of social distancing. It enables distribution and business continuity for supervisors and insurers. This comes with increased risks such as cyber risks, data protection risks, etc.
5. In times of emergency, **innovations blossom and the urgent circumstances could push introduction without further testing.** This requires a rapid assessment to ensure that innovations are responsible and effectively provide value.

Ghana made history and became the first country in Africa to introduce Universal QR Code payments as part of response to Covid-19 pandemic to minimize the use of cash.



foodpanda Partners with Insurtech Startup PolicyStreet to Provide Protection for Riders

March 31, 2020

Amid the outbreak of COVID-19 in Malaysia, foodpanda has partnered with insurtech PolicyStreet to provide additional coverage for to provide riders with additional financial support totalling to approximately RM200,000.

METLIFE FOUNDATION COMMITS \$25 MILLION TO GLOBAL COVID-19 RESPONSE

The implications for supervisors (5)

6. Currently the focus of the interventions is on crisis management and response but the attention in the mid and long term should be on **recovery and building resilience!**

Risk management and access to insurance are now predominant topics. **This is a moment that should lead to structural changes to better manage covariant risks through innovative, integrated and layered approaches.**



Risk managers will support creation of state-backed pandemic pools to plug coverage gap

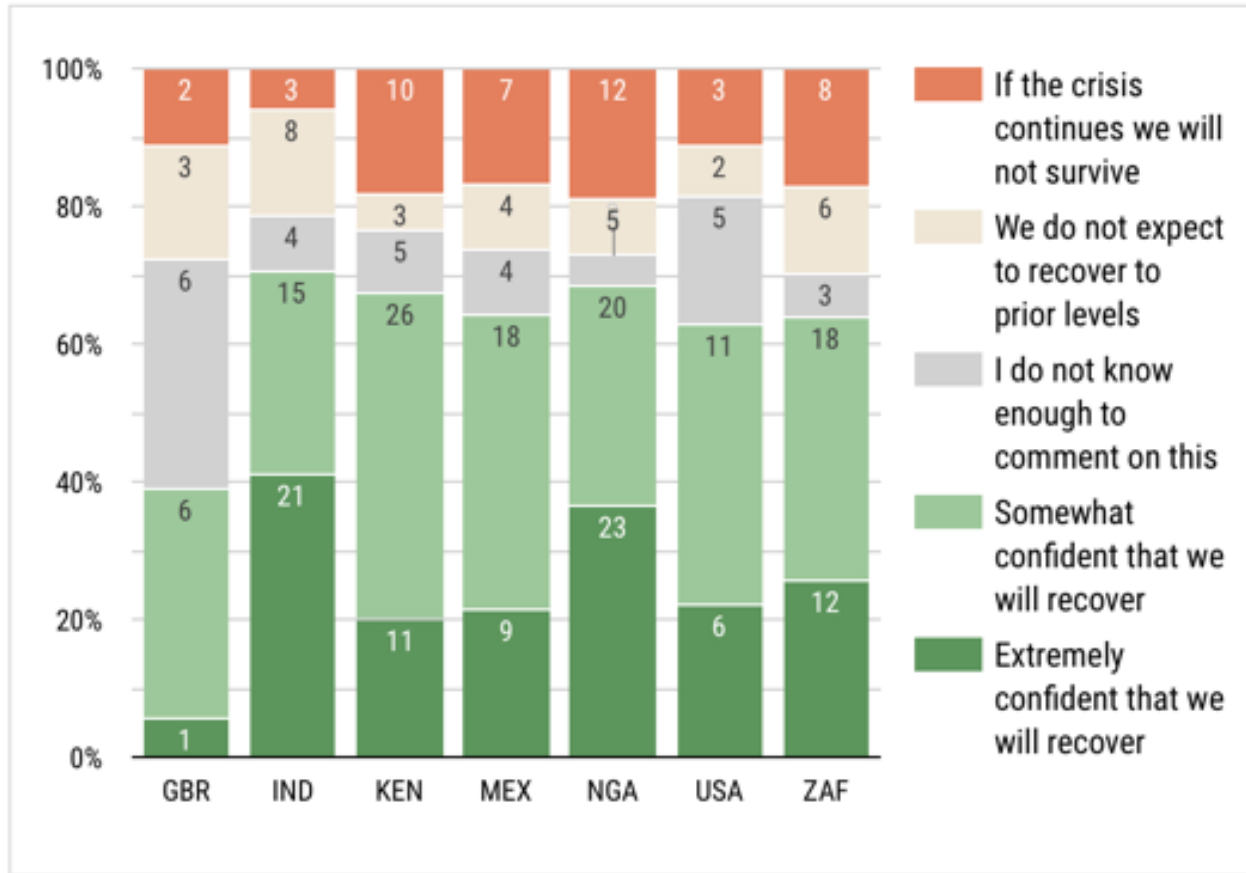
By Adrian Ladbury on April 1, 2020

Issues to assess



is a lot of work to do to help them to be resilient!

How confident are you that your business or firm will recover from the adverse effects of the Coronavirus epidemic?



Observed practices & supervisory actions

Examples of supervisory actions that we are seeing so far?

UK FCA :

- ✓ [Issued support for insurance sector](#) – highlighting expectation from firms to continue product lines & communicate to consumers
- ✓ [Issued support for consumers](#) – product lines affected & warning of insurance scams
- ✓ Temporary suspension of on-site supervisory visits & the introduction of new regulatory rules or systems
- ✓ [Joint letter](#) issued from Government and Regulatory Authorities

European Union:

- ✓ [EIOPA published a statement](#) emphasizing that insurance companies should be ready to implement business continuity
- ✓ Called for national competent authorities to be flexible regarding the timing of supervisory reporting and public disclosure for the end of 2019.

Observed practices & supervisory actions

Direct Intervention & Collaboration from Supervisors

Kenyan IRA:

- ✓ Issued a statement assuring policy holders who test positive for COVID-19, that they will still access to medical cover.

Indian IRDAI:

- ✓ Have asked insures to maintain continuity of business operations through alternative modes including telephonic and digital contacts
- ✓ Requested insurers display on their websites, information on the functioning of their offices and alternative arrangements made for premium payments, renewal, settlement of claims and lodging of other service requests.
- ✓ Life insurance policies: Grace period for payment of renewal premiums introduced.
- ✓ Health insurance policies: Insurers may condone delay in renewal up to 30 days without deeming such condonation as a break in policy.
- ✓ Requested insurers contact the policyholders well in advance so as not to have a discontinuance in coverage.
- ✓ Regulatory returns - firms have been given additional time to report

Observed practices & supervisory actions

Direct Intervention & Collaboration from Supervisors

Morroco ACAPS in collaboration with FMSAR:

- ✓ Have issued a renewals measure: On Auto insurance, the Insured will be able to renew their contracts until the end of April. This measure applies to contracts renewable by tacit agreement and to fixed-term contracts. If state of health emergency persists beyond the end of April, the FMSAR in consultation with ACAPS will reassess the situation.
- ✓ On health insurance, the FMSAR confirmed that insurance contracts cover medical and pharmaceutical acts related to COVID-19.
- ✓ On workers' compensation, contracts will be extended to cover teleworks as soon as it is authorized
by the employer, excluding household accidents.
- ✓ ACAPS has also dedicated 15 Million Dirhams to a special fund dedicated to face the spread of the coronavirus pandemic

More examples on observed practices and supervisory actions available on [A2ii's COVID-19 Insurance Supervisory Response Tracker](#)

Insurance Industry response to COVID 19

- Closely collaborating with regulatory authorities & Governments
- Highlighting the importance of integrated risk management approaches
- Demonstrating dynamism and innovation:
 - ❖ **Setting up information platforms** - SCOR has set up an insurance information platform in China to help it in its battle against COVID-19. Intended to help those on the frontlines battling the coronavirus pandemic, stay informed of their rights and access insurance protection cover
 - ❖ **Alternative innovative measures and products:**
 - ICICI Lombard in India has launched what it says is the cheapest COVID-19 cover in the market. The 'COVID-19 Protection Cover' provides cover to individuals between 18 and 75 for a sum insured of \$330 for a premium of \$2
 - A health benefits platform (www.plumhq.com) in India has introduced a group-health insurance cover against the COVID-19 pandemic for corporate employees and their families
 - Private life insurer EFU Life in Pakistan has launched the first COVID-19 cover in the market



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

EMDE Webinar

COVID-19: What you should know about it from a supervisory perspective

2 April 2020

EMDE Webinar



MEMBERS ONLY

Please observe the confidentiality notice detailed on slide 2.

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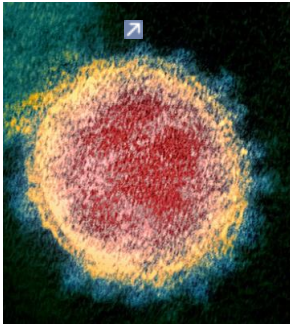
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Important background information

- The information in this presentation is derived from public sources as well as key messages drawn from an IAIS Members survey, which is deemed to facilitate the exchange of information and the sharing of experience.
- The information remains the intellectual property of the IAIS with all rights reserved.
- This presentation is for supervisors only.
- Supervisory Authorities in the financial sector are analyzing the impact of COVID-19 globally in an on-going manner and are closely monitoring its evolution and development.
- This presentation covers:
 - General overview of COVID-19: Some important facts
 - Impact of COVID-19 on the insurance sector: A short-term snapshot and preliminary perspective
 - Supervisory Authorities took initial actions
 - Protect yourself and others !

Background and introduction

- Late December 2019: Development of viral pneumonia in a group of residents
- Potential source: Wuhan Seafood Market, Hubei Province, China
- Known pathogens ruled out: Early January 2020 -> **novel** corona virus; the disease is now called COVID-2019 (**C**oronavirus **I**nfectious **D**isease)

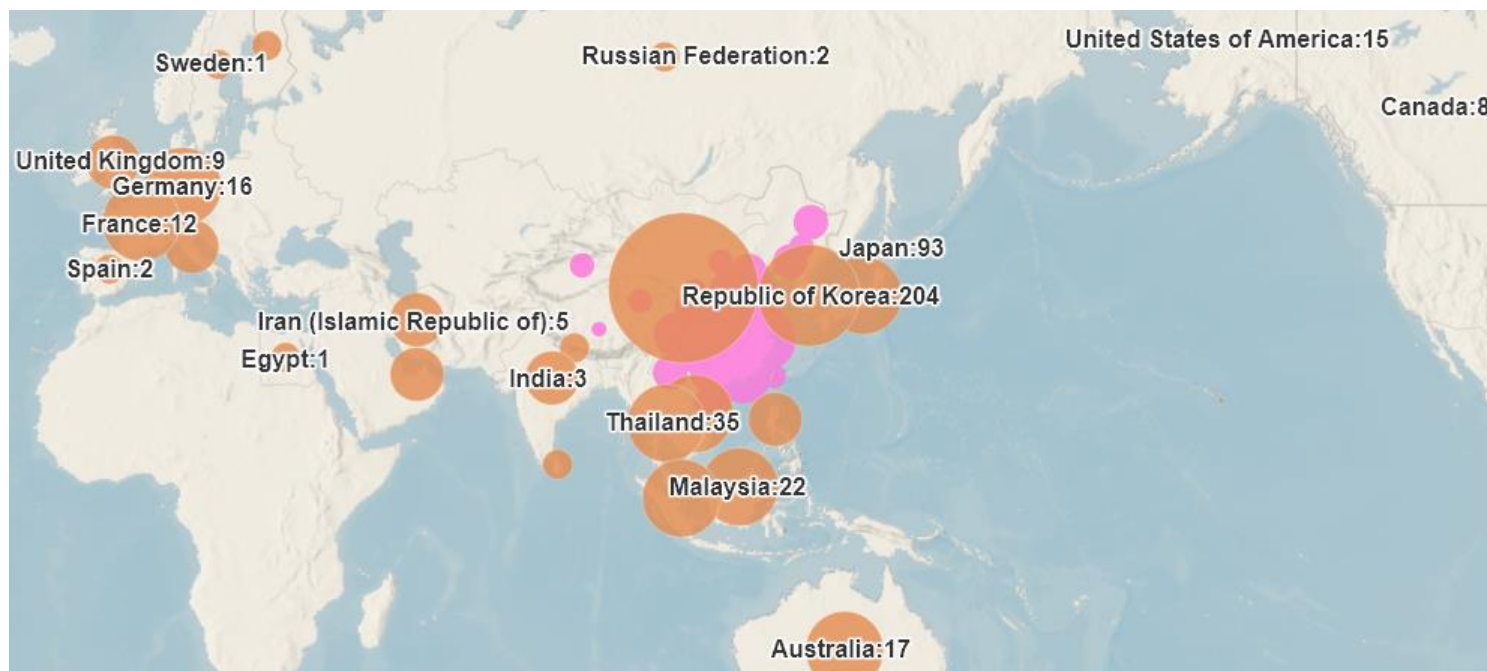


Source (13/2/2020): NIAID Rocky Mountain Laboratories (RML), U.S. NIH - <https://www.niaid.nih.gov/news-events/novel-coronavirus-sarscov2-images>

WHO, 12 Feb, Geneva:

“This outbreak is a test of solidarity -- political, financial and scientific. We need to come together to fight a common enemy that does not respect borders, ...” said WHO Director-General Dr Tedros Adhanom Ghebreyesus.

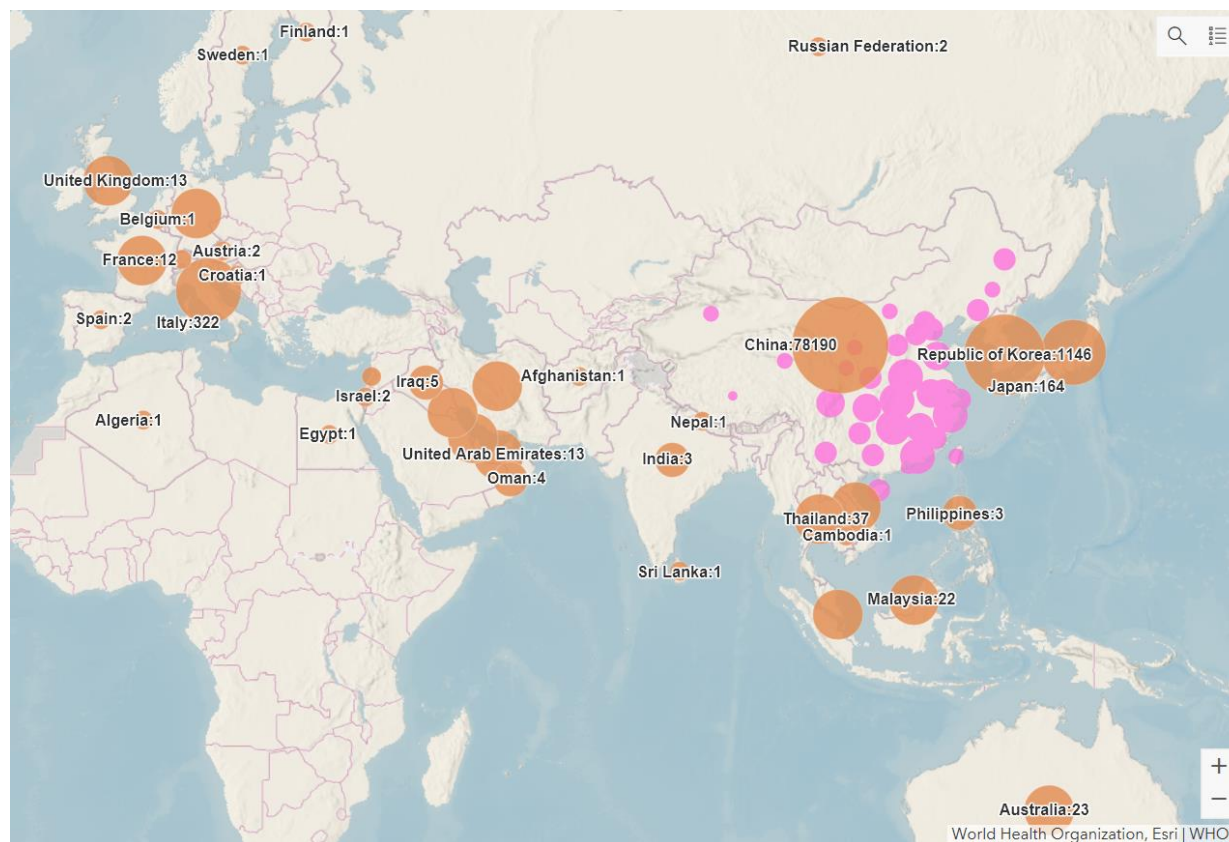
Overview of the situation as of **21** Feb 2020, 16:00 h (CET)



76,767 total cases
2,247 deaths
27 countries with cases

Source WHO:
<http://who.maps.arcgis.com/apps/opsdashboard/index.html#/c88e37cfc43b4ed3ba977d77e4a0667>

Overview of the situation as of **26 Feb 2020, 10:00 h (CET)**



80,980 total cases

2,762 deaths

38 countries with cases

Source WHO:
<http://who.maps.arcgis.com/apps/opsdashboard/index.html#/c88e37cfc43b4ed3baf977d77e4a0667>

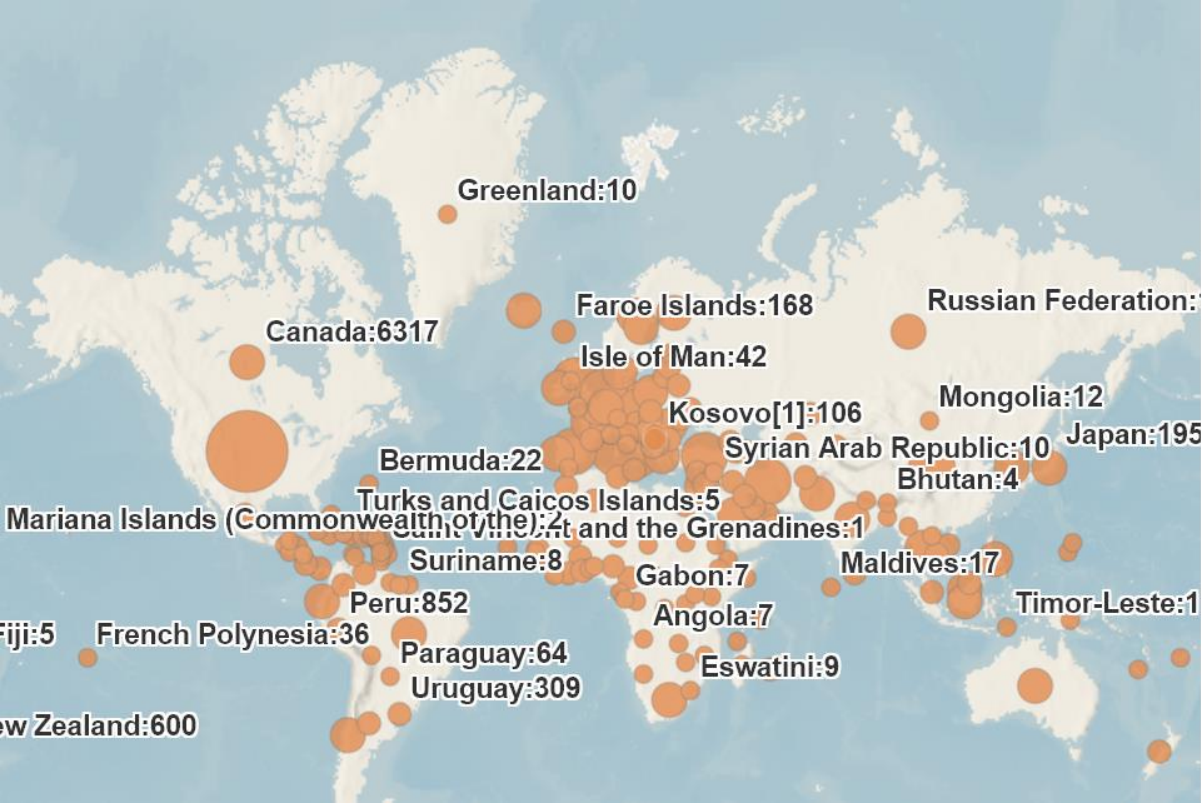
Dramatic impact of COVID-19 on the world's real economy



MSCI World Index – 3 months chart

Source: <https://www.boerse.de/indizes/MSCI-World/XC0009692739>

Overview of the situation as of 01/04/20 – A global pandemic



754,948 total cases

36,571 deaths

202 countries with cases

Source WHO:
<http://who.maps.arcgis.com/apps/opsdashboard/index.html#/c88e37cfc43b4ed3baf977d77e4a0667>

Operational, financial, reputational and strategic risk

Starting point: Potential impact on Authorities' operations

EXAMPLES

- **Operational, reputational and financial risk**
 - Cancellation of meetings & events; “virtual” forms of stakeholder outreach
 - HR: Protection of staff (health & safety @ work), incl. travel restrictions; remote working
 - Impact on Authorities' budget
 - Resilience of ICT infrastructure
 - Cyber risk, fraud
- **Reputational and strategic risk**
 - Impact on strategic plans and work programs

DISCUSSION

- **Exchange of views: Which measures were taken by Authorities so far ?**
 - Monitoring of the situation; triggering business continuity plans (BCP)
 - Deferring of non-essential travel
 - Relocating / cancelling meetings
 - Protective hygiene measures (eg hand detergent at entrance) and physical distancing
 - ...

Realistic disaster scenarios: Cross-line and cross-balance sheet impact

Next steps: Implications for the insurance sector

EXAMPLES

- **Impact on several lines of business**
 - Travel insurance; event cancellation
 - Business interruption (BI)
 - Life (mortality) and Health insurance
 - Etc.
- **Cross-balance sheet scenarios**
 - Economic impact (global interconnectedness)
- **Own-risk and solvency assessments (ORSA)**
 - Stress / scenario testing; liquidity
- **Insurers own operational resilience (reduced staff)**
 - Business continuity planning (BCP)
 - Increased cyber risk & fraud

DISCUSSION

- **Which supervisory actions have already been taken or are planned by IAIS Members ?**
 - Focused surveys to explore exposures & impact
 - Focused surveys to explore which preventive and risk management actions are being taken by (re)insurers
 - Spelling out supervisory expectations and surveying supervisory responses / measures
 - Communication / Alerts
 - Crisis management ?

Snapshot: Operational and business continuity

- Readiness & resilience: Focus on business continuity plans (BCP), adapting them to a pandemic scenario which differs from natural catastrophe by its long-term nature; insurers risk management and internal controls (ERM ICP 8 and 18)
- Health & safety @ work (eg hygienic and physical distancing measures) and remote work facilities installed (eg “split team operations”); travel restrictions, use of video- / teleconferences
- Re-allocation of resources to customer care services, eg claims handling but also to call centers and on-line services
- Potential risks identified (general):
 - Increased cyber risk and fraud ! Enhanced cyber security measures are necessary !
 - Reduced productivity due to limited internet bandwidth, particularly in case of remote work
 - Delay in claims processing and payment
 - Disruption to customer care due to increased volume of enquiries and potential discontinuity in services from 3rd party providers (IT infrastructure !)
 - Delay in meeting regulatory reporting requirements
 - Reduction of new business volume, particularly life insurance which in most cases require face-to-face contact
 - Interruption of services due to inadequate remote working facilities (emerging / small countries)

Snapshot: Insurance liabilities and cover / Life

Impact (1)

- Potential negative impact due to the increase of claims in lines of business most impacted by COVID-19 (where losses related to a pandemic are not excluded)
- Increased legal (litigation) and reputational risk arising from insurance coverage disputes on the scope of coverage and exclusions (ie whether insurance policies cover COVID-19 related circumstances)
- Potential impact on life insurers:
 - Increase in claims related to death benefits (excess mortality due to COVID-19), incl. funeral expenses
 - Attention: high market volatility and low interest rates (“low-for-even-longer”)
 - Potential problems in financing financial guarantees for life insurance products with guarantees due to the current market situation
 - Potential increase in lapses on policies where investment risk is borne by policyholder (eg Unit-linked)
 - Life insurers that write Variable Annuities may have to pay attention to potential needs to increase reserves

Snapshot: Insurance liabilities and cover / Non-Life

Impact (2)

- Potential impact on non-life insurance:
 - Lines of business potentially most impacted (depending on the scope of coverage and exclusions): Health (medical) insurance, travel insurance, event cancellation insurance, trade credit (and transport) insurance, business interruption insurance
 - The impact is expected to be lower in countries where the health insurance system is supported by the government, and costs such as hospitalization or testing expenses are covered
 - The impact on worker's compensation may differ, ie increase (eg healthcare workers are exposed) or decrease (remote working) of claims depending on the scope of coverage
 - Mortgage insurers may face constraints with worsening market conditions
 - Possibly reduced claims for motor insurance due to lower activity ("lock-down" situation; social / physical distancing)
- Potential upside in the medium term: the development of new insurance solutions to better cater for pandemic coverages

Snapshot: Asset side / investment portfolios

Impact (3)

- Increased volatility of market and falling prices of assets (in particular, equity), and / or declining returns on investments and increasing defaults potentially caused by the economic downturn
- (Further) decreasing interest rates due to the reduction in economic activity as a consequence of the COVID-19 lock-down
 - On the one hand: Value of insurers' bond investments could increase and partially offset losses in their equity positions
 - On the other hand: Concerns that the low interest rate environment (for “even longer”) could negatively impact return on insurers' investments
 - Attention: Corporate debt increasing and corporate defaults may be on the rise
- Increased volatility of currency exchange market, in particular in emerging economies
- Need for US Dollar cash (provided by US Fed)
- Close monitoring needed: Impact on insurers offering products with guarantee(s)

General: Striving for operational relief

Examples of measures aiming at operational relief

- Suspension of new / revised policy consultations (public consultations)
- Temporarily refraining from on-site visits
- Extension of supervisory reporting deadlines (supervisory forbearance)
- Supervisory expectations regarding maintenance of customer services and insurers' internal controls and risk management
- Promotion of increase in online services, including remote authentication, to facilitate claims management and payment (particularly those related to COVID-19)
- Relaxation of requirements for non-face-to-face (online) business
- Switch to electronic-only insurer-supervisor communication

Enable firms to manage & assess COVID-19 impact and take care of their customers ... whilst keeping close supervisory monitoring & engagement, in particular of vulnerable or highly exposed firms.

Supervisory focus: Potential actions from supervisors

Insurance liabilities / coverages & asset / investment portfolios

- Survey, dialogue, focused (regular and) *ad-hoc* data collection from insurers related to COVID-19 impact (different frequency could be envisaged, in some cases more frequent for larger or potentially more affected insurers)
 - Also: Investment strategy and portfolio re-allocations
 - Also: Analysis of exclusion clauses concerning pandemic coverage
- Reviewing own risk and solvency assessment (ORSA), incl. (results of) insurers' stress, sensitivity and scenario testing, incl. liquidity strains, and, as relevant, internal capital modelling
 - Plausible pandemic scenarios (eg baseline, best- / worst-case)
- Updating solvency capital calculations
- Enrichment of credit and market risk mitigation tools for insurers
- Monitoring of actions taken by insurers, such as capital injections, financial reinsurance, prudent dividend payments / distribution, share buyback programmes, remuneration
- Intensive monitoring / more frequent discussions: Requesting further information from insurers that have indicated a large potential exposure, ie risk of materially increased claims, or uncertainty over exposure, insurers with lower solvency ratio, or larger insurers

Supervisory focus: Potential areas of focus from supervisors

Liquidity monitoring, also with a view to the longer term

- Reduced cash inflows (delayed premium payments / decline in new business) and higher cash outflows (claims / surrenders)
- Impediments to disposing of invested assets (lower prices / volatile market) to meet cash flow needs
- Available capital, ability to release capital or to make dividend payments
- Mortgage insurers may face constraints with worsening market conditions
- Delayed or impaired reinsurance recoveries
- High volume of withdrawals of Unit-linked savings and pension products that are backed by property and illiquid asset funds


Snapshot: Conduct of business – What supervisors can do

Conduct of business: Ensuring the fair treatment of customers

- Analysing the impact on customers, including the review of exclusion clauses and the clarity of policy wording for impacted business lines
- Communication of insurers with their customers
 - Informing about possible consequences of COVID-19 / a pandemic regarding their insurance contracts (leaflet from supervisors as an idea ...)
 - Working with insurers to ensure that consumers receive clear and accurate information
 - Guidance for handling COVID-19-related claims
- Examples of specific actions that could be taken
 - Temporarily allowing non-face-to-face distribution of certain life coverage but under additional conditions
 - Introducing regulation enabling insurers to launch medical insurance products to the market more quickly
 - Contingency measures to enhance customer service, such as deferral payment of insurance; renewal premium; renewing insurance policies before termination; a single contact person to deal with the service for COVID-19; prioritisation of COVID-19 related payments; preferential insurance rates for health sector staff
 - Temporary suspension of payment of insurance premiums (“premium holidays”)
 - Prohibition/warning on certain cost-sharing arrangements (eg for COVID-19 testing)
 - Mandatory supervisory reporting of BCP deficiency causing detriment to customers

Protect yourself and others to stay healthy

NEW

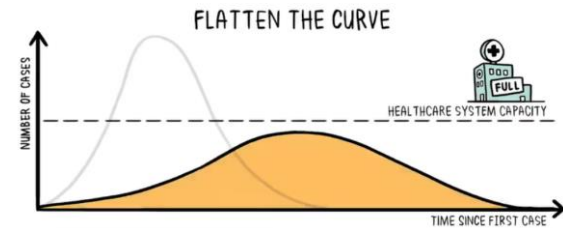
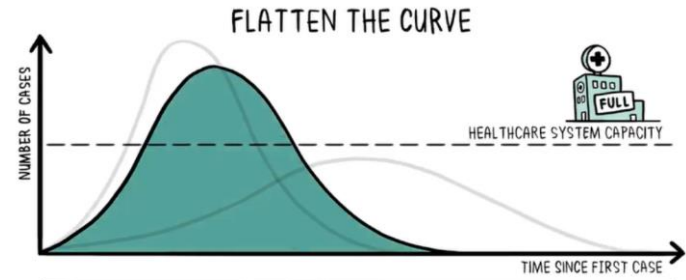


Keep your distance.

For example:

- Protect the elderly by keeping a safe distance.
- Keep your distance from others in a queue.
- Keep your distance at meetings.

Source: www.foph-coronavirus.ch



Sources:
https://en.wikipedia.org/wiki/Social_distancing#Effectiveness
<https://www.flattenthecurve.com/resources/>

Epidemic Calculator
<https://gabgoh.github.io/COVID/index.html>

#stayathome
#Flattenthecurve

Thank you

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