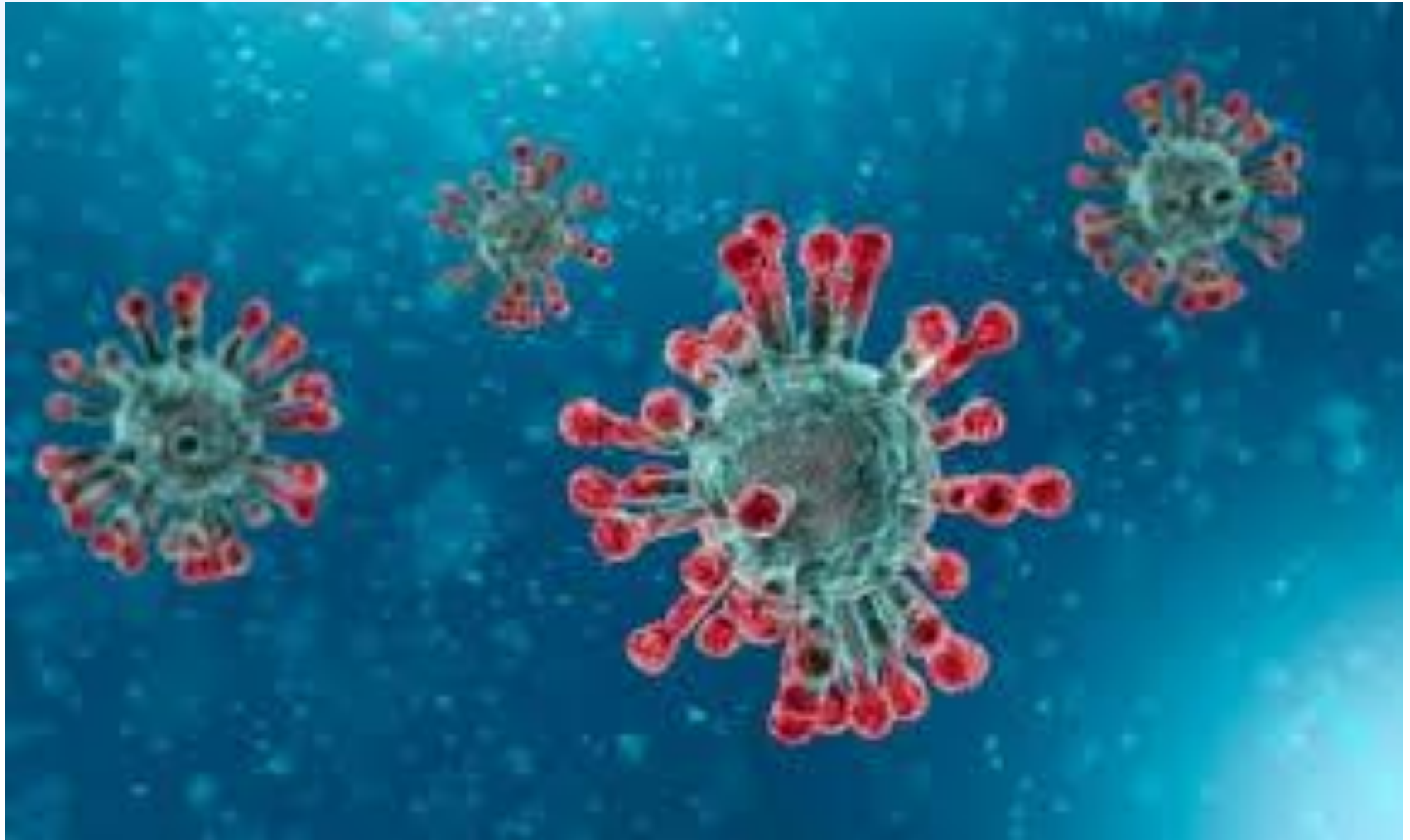




ACTUARIAL ASSOCIATION OF EUROPE

Insurance Committee meeting April 2020
COVID-19 considerations



Material operational impacts on all insurers

Non-life insurance impacts

- Lines of business affected
 - Event cancellation
 - Travel
 - Credit
 - Business interruption
- Exclusions likely to apply for certain lines
- Economic slowdown will reduce claims on many lines
- Many economic losses from Coronavirus will not be covered but insurers likely to come under pressure from governments to pay losses which are technically not covered

Life insurance impacts

- Investment markets – equity and property markets, bond spreads
- Business retention – financial hardship and aversion to risk assets
- New business – economic impacts reducing savings and pension lines in particular
- Mortality – variable by age. High mortality year for annuity writers. Hardest for large whole of life books with low reinsurance
- Illness – no material direct Covid-19 impact but potential later impact – trauma, stress
- Expense – loss of efficiencies with lower new business and retention
- Liquidity – surrenders, death claims, new business strain

EIOPA focus on consumers, access to and continuity of insurance

Insurers and intermediaries are asked to:

- Provide clear and timely information to consumers on contractual rights;
- Treat customers fairly and be explicit in all communications;
- Inform consumers about contingency measures taken;
- Continue applying product oversight and governance requirements and, where necessary, carry out a product review; and
- Consider the interests of consumers and exercise flexibility in how they are treated, where reasonable and practicable

Potential focus areas across the business

Customer and business growth

Short term focus

- ▶ Doing the right thing for existing customers
- ▶ Remain close to governmental and societal developments, and role (re-) insurance can play in fiscal stimulus

Medium term focus

- ▶ Opportunities from capital / capacity withdrawing from the market
- ▶ Accelerate shift to customer centricity, and product range being sold

Finance and treasury

Short term focus

- ▶ Solvency and liquidity monitoring
- ▶ Stakeholder communication: investors, regulators, rating agencies, board

Medium term focus

- ▶ Asset portfolio management, particularly around ratings migration, credit loss mitigation and hedging programmes
- ▶ Review capital allocation and risk appetite

People and operations

Short term focus

- ▶ Business and operational resilience
- ▶ Workforce physical and mental health

Medium term focus

- ▶ Review and monitor exposure to, and vulnerability of, third party suppliers (eg to logistical or financial stress)
- ▶ Reinforce positive learnings from new operating models in respect of culture, efficiency and agility

Strategy and performance management

Short term focus

- ▶ Manage business cashflows - premiums in, claims paid out, opex
- ▶ Review ongoing change programmes, and reprioritise as needed

Medium term focus

- ▶ Review business performance against existing financial targets, KPIs and incentives, and consider performance actions, and whether metrics are still relevant and appropriate
- ▶ Review business portfolio, both for long term strategic fit, and short term ability to raise capital and/or liquidity if needed

Regulatory responses

EIOPA supportive of market and undertakings in time of stress

- postponement of non-urgent work
- postponement of deadline for the 2020 Solvency II Review by two months to 1 June 2020
- extension of deadlines for year end 2019 reporting, e.g. deferral allowed for submission of non-public QRTs, SFCR and RSR for up to 8 weeks
- consideration of specific requests around specific regulatory requirements
- ready to implement tools which could mitigate risks and impacts to the sector if necessary

Similar concessions by ECB in relation to banking sector