



Understanding the sector impact of COVID-19 Insurance

The insurance industry is generally well prepared for major loss events, including pandemics, but the financial impacts will take time to play-out and will be (re)insurer specific. Insurers are responding to the widening COVID-19 outbreak on multiple fronts—as claims payers, employers, and investment managers. Each has its own distinct challenges, not just for the insurance industry, but for the global economy and society at large.

Potential long-term impact on insurance companies

We expect the financial impact of coronavirus upon (re)insurers to be specific to the circumstances of each enterprise—the classes and mix of business they underwrite, their pricing and reserving, policy wordings, and reinsurance coverages.

- Falling equity markets and interest rates could put pressure on (re)insurers' balance sheets, Life product profitability and investment management fees related to savings products.
- There will be some time-lag for insurance claims to be notified to insurers, assessed, and paid. Insurers have commenced the process of evaluating their claims reserves in light of the current circumstances and it is expected that this will be on-going as fact patterns emerge.
- (Re)insurers with well diversified risk portfolios will be the most insulated from losses arising from coronavirus. Conversely, those with a high concentration of classes of business most exposed to coronavirus could be adversely impacted.

Key questions executives and boards should be asking

- What safeguards do we need to put in place and support for the safety of our own people and distribution partners in the agent/broker community?
- How do we enable and sustain effective alternative work arrangements for employees? How do we ensure that we continuously improve virtual work-place productivity?
- How do we best bolster operational load implications with respect to increased levels of customer enquiry and the increased level of support and counsel they may require?
- Does our existing cybersecurity armory afford us sufficient protection under significantly increased load and new modes of working and exchanging information?



Practical next steps

Undertake class of business reviews

- Identify the classes of business which are most exposed to the impact of coronavirus and rigorously model claims exposure and profitably impact. This is likely to include: business and supply chain interruption; surety and credit insurance; contingency (event cancellation) insurance; travel related insurance; workers' compensation and employers' liability; life insurance; private health and retirement/savings.
- Evaluate potential areas of brand risk exposure due to customer expectation vs. policy terms. Develop a proactive strategy to respond.

Prepare and implement stakeholder response plans

- Be ready to respond effectively and efficiently to surges in customer queries and claims—review business continuity and contingency plans (e.g., to deal with a potential shortage of experienced claims staff).
- Be proactive to maintain regulator and stakeholder confidence. Actively engage with regulators and the markets.

For additional steps that companies should consider taking, visit [Combating COVID-19 with resilience](#).

Contact:



Neal Baumann
Global Insurance Leader
+1 212 618 4105
nealbaumann@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the "Deloitte organization") serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 312,000 people make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2020. For information, contact Deloitte Touche Tohmatsu Limited.