

Implications of COVID-19 on Global Insurance Markets

IFIGS Webinar – “Business Unusual: Normal, Disrupted”

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External view: COVID-19 impacts from industry research

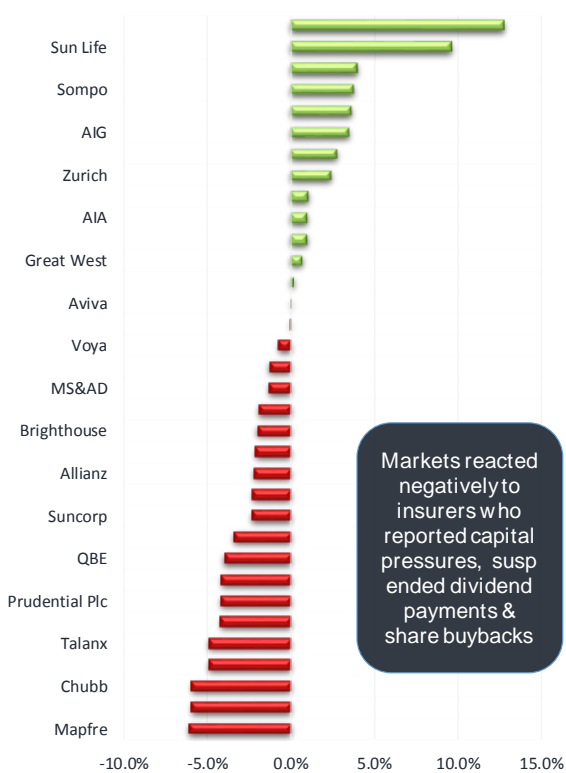
	Insurance industry			Reinsurance industry		
	Lower range	Mid-range	Upper range	Lower range	Mid-range	Upper range
Nominal losses in 2020, USD bn						
Business Interruption	9.9	19.8	30.7	2.2	4.5	6.9
Trade Credit	4.5	6.3	8.7	2.3	3.4	4.3
Event Cancellation	4.6	5.3	6.0	3.7	4.2	4.8
Workers Compensation	2.7	10.4	20.3	0.3	1.0	2.0
Travel	1.8	2.7	3.6	0.5	0.8	1.1
Professional Lines	2.3	5.0	7.2	0.5	1.3	1.4
Other	0.6	2.0	4.8	0.6	0.5	1.0
Total	26.4	51.5	81.1	10.0	15.7	21.6

Source: Autonomous, UBS, Barclays, Willis Tower Watson, Bank of America.

Average mid range insurance losses in the range of USD 26-81bn

1Q results & COVID-19 impact: Global overview

One day share price performance post result update¹



Key Observations from Q1 results

Earnings	Sales	Capital	Dividends/ Sh. Buybacks
<ul style="list-style-type: none"> COVID-19 had a manageable impact on Q1 operating earnings. Most of the impact from event cancellation, A&H, BI, workers comp, travel, credit & surety Net earnings impacted by significant valuation losses on investments 	<ul style="list-style-type: none"> P&C Sales not impacted - boosted by healthy renewals and rate increase Life sales generally lower during the quarter esp. in Asia Weak economic activity to hamper sales in near term 	<ul style="list-style-type: none"> Capital impacted but remains adequate to healthy (except a few) Some insurers (eg. QBE, Hiscox) are raising capital (equity/ debt) to weather uncertainties from COVID-19 and outcomes from its investment portfolio. 	<ul style="list-style-type: none"> Most US insurers have suspended share buybacks but still continue to pay dividends. While a majority of EU insurers have suspended dividend payments (eg. AXA, Aegon, Ageas)

Outlook

Unforeseen COVID-19 impact	Focus on cost, mix, divestitures and M&A	Investment yields under pressure	Prolonged recession will pressure earnings
<ul style="list-style-type: none"> Uncertainty on emerging claims and coverage issues Legal interventions could compound insurance losses esp. in BI claims and added cost of litigation 	<ul style="list-style-type: none"> Insurers likely to focus on cost optimization, online distribution, shifting product mix Earnings & Capital pressures could lead to selective divestitures and consolidation 	<ul style="list-style-type: none"> Global reduction in interest rates following central banks' effort to support the economy increasing further the pressure on investment yields, particularly for life insurers 	<ul style="list-style-type: none"> Prolonged recession will continue to pressure earnings with potential adverse impacts through credit losses and lower for longer interest rates and economically sensitive lines of business

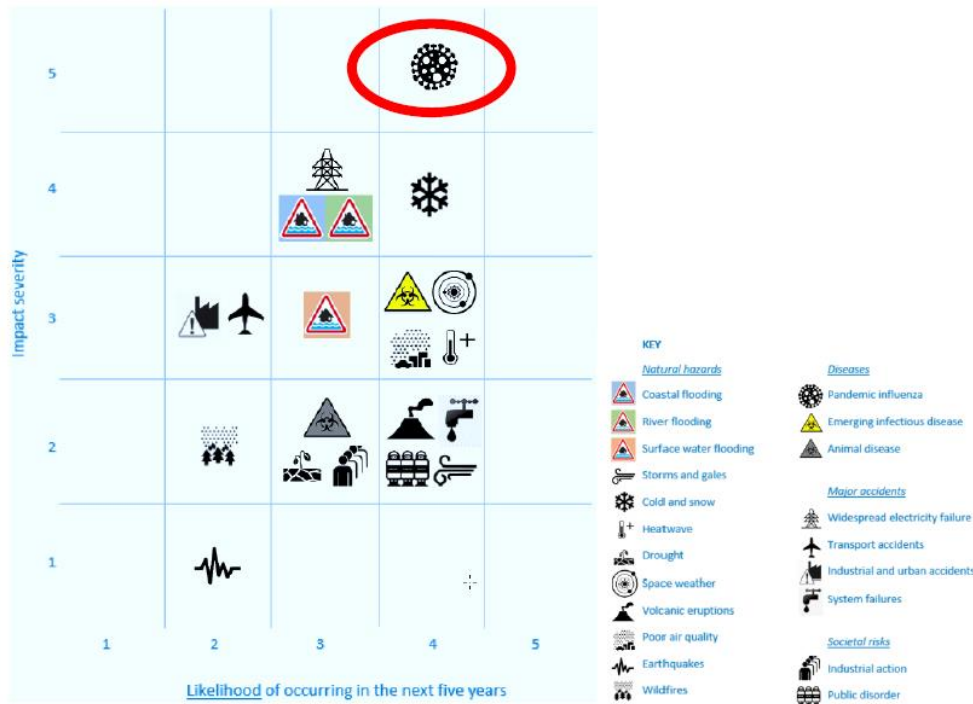
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1. One day share performance post market update relative to Index

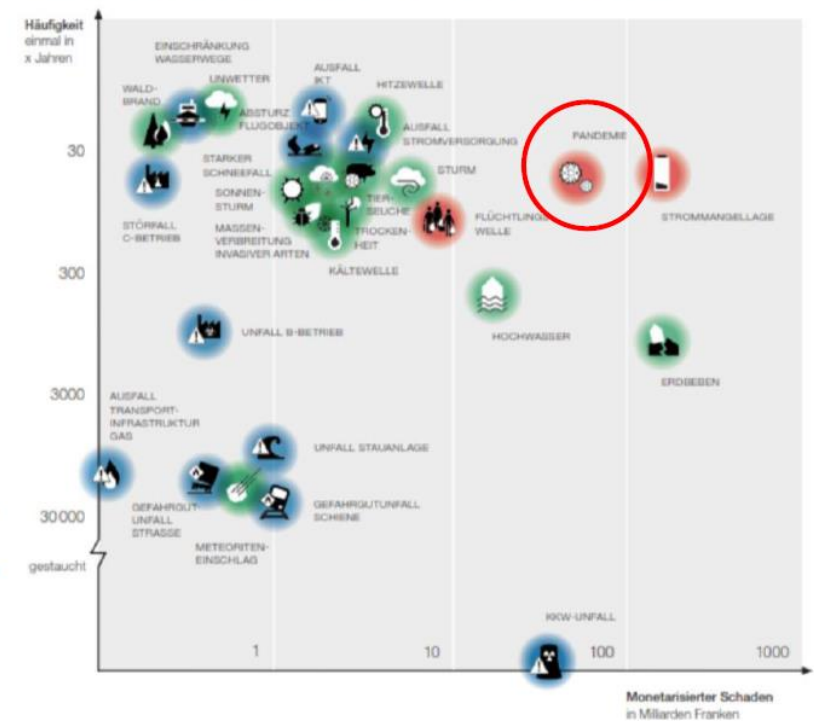
Global Discussions on PPPs for Pandemic-Triggered Risk Sharing

Challenges associated with financing a pandemic
 Unprecedented scale associated with comparatively high frequency

Example National Risk Registry UK

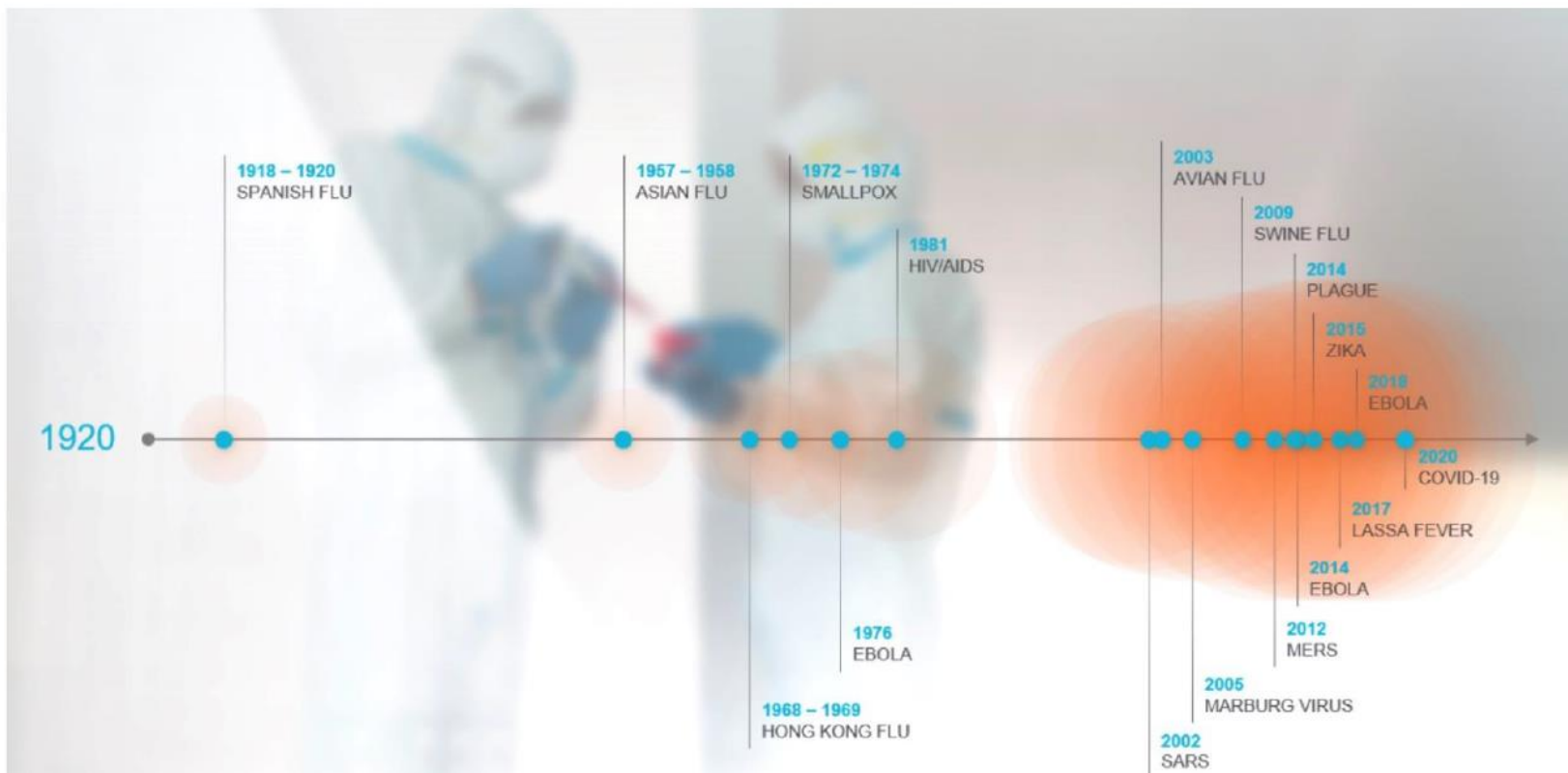


Example National Risk Registry Switzerland



Global Discussions on PPPs for Pandemic-Triggered Risk Sharing

Challenge: What is the return period of a pandemic? Frequency of epidemic/pandemic outbreaks is increasing



source: Munich Re
Image: Tom Merton / Getty Images

Example: Pandemic Emergency Financing Facility (PEF)

