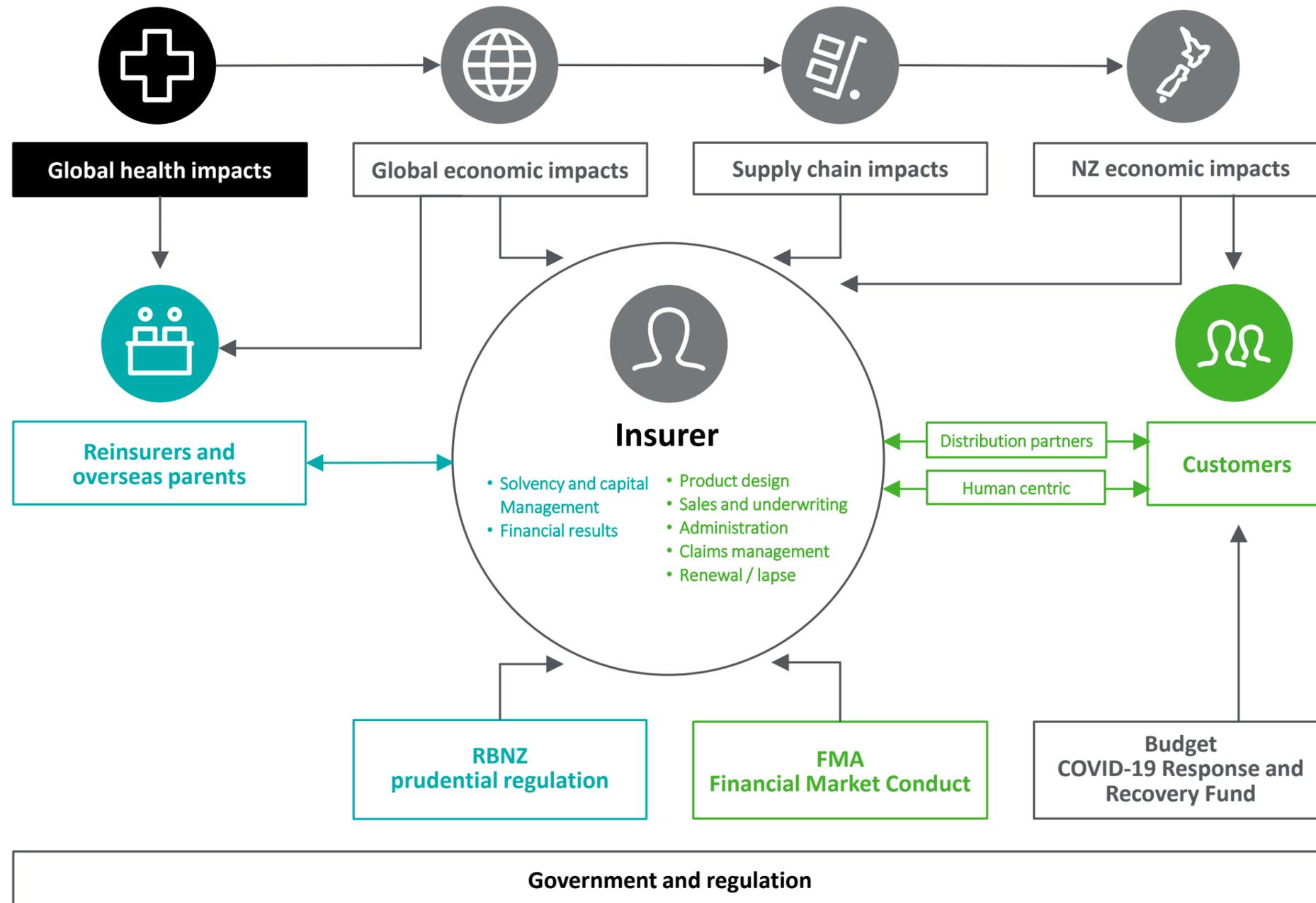


Responding to COVID-19 impacts on insurers

Putting customers first builds financial resilience

The insurance environment is complex and has multiple stakeholders that are impacted during this time. Proper consideration of both stakeholders' and insurers' needs will help them to recover and thrive.



Financial resilience

- Scenario testing
- Capital management
- Dynamic monitoring and agile response

Customer and conduct

- Financial relief
- Supporting physical and mental health
- New ways of engaging, meeting changing expectations
- Rethinking products



Contacts

Our dedicated Deloitte team can help insurers to manage the various stakeholders and navigate the unknown.

We have the necessary experience, tools and methodologies as well as access to international teams to help mobilise and coordinate relevant activities. This will allow insurers to respond rapidly and thrive in the COVID-19 environment.



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Responding to COVID-19 impacts on insurers

Putting customers first builds financial resilience



Financial resilience

The Board, Appointed Actuary, Chief Risk Officer and the RBNZ will want the insurer to demonstrate its financial resilience through...

- ✓ **Modelling a range of likely impacts to give an indication of best and worst case scenarios for liquidity and capital that reflects the level of uncertainty in the following:**
 - Changes in claims reflecting both direct and indirect pressures such as financial stress, customer behavioural changes, and impacts on claim management practices
 - Falls in asset values and changes in liabilities from shifting interest rates
 - The impact of the economic environment on policy lapses and sales, including consideration of distribution channel and advisor behavioural changes
- ✓ **Reviewing its current and forecast capital against its capital management plan including:**
 - Taking any management action required under the Capital Management Plan
 - Revisions to the Capital Management Plan to reflect emerging circumstances not considered in the existing plan
 - Any changes to available support from an overseas parent or reinsurer in light of their global experience
 - Careful assessment of any potential acquisition opportunities
- ✓ **Putting in place additional measures to reflect the dynamic and evolving situation including:**
 - More frequent monitoring of experience against forecasts
 - Increased risk monitoring including reinsurer credit risk
 - Reviewing opex (labour and non-labour) as well as discretionary capex as priorities and practices change
 - Regular management meetings to respond in an agile manner and increased communication with key stakeholders to keep them up to date with developments



Customer and conduct

Over and above meeting any FMA regulatory requirements, putting the customer first is critical in building customer trust and loyalty. Insurers can achieve this through...

- ✓ **Short-term measures to support customers financially:**
 - Providing plain English guidance so that customers are aware of the options available to them and the pros and cons of the different choices to manage their insurance spend
 - Ensuring that conversations with respect to financial advice are well articulated and documented
 - Premium holidays
- ✓ **Supporting customers to manage their health and risks as they transition to new ways of working such as:**
 - Reminding them of the importance of workstation setup, mini-breaks and other occupational health and safety considerations if they will be working from home for prolonged periods
 - Proactively supporting customers' mental health
 - Having pro-active review points post-crisis to ensure that the products sold are still appropriate for their needs
- ✓ **Ensuring timely and positive interactions with customers by allowing them to engage with the insurer in the manner they want:**
 - Human-centric digital technology to streamline claims management, sales and underwriting, and provide another medium for customers to manage their insurance policies
 - Supporting teams that may experience higher demands than usual through additional resourcing, or through streamlining or automation of processes (particularly call centres and claims management)
 - Potential onshoring of operations where an outsourced support function is no longer able to meet customer expectations due to COVID-19 impacts in their country
- ✓ **Developing insurance products or refreshing existing products to respond to the situation and changing customer behaviour:**
 - Considering how the future of work may disrupt customer needs (less commuting, more diverse working environments etc.)
 - Ensuring that conduct risk is considered in any changes or product development