Insurers step up as financial first responders
Supporting clients and communities

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Many insurers are taking action to help both customers and their communities during the pandemic, yet their contributions may be going unnoticed. What’s likely required is broader communication of their corporate citizenship activities.

An important issue that insurers should not overlook is how they manage their potential reputational risks in the midst of this pandemic.

Indeed, insurers remain the financial first responders for many policyholders affected by the pandemic on a wide range of coverages. For event cancellation, for example, the 2020 Tokyo Olympics alone could mean insurers will pay out as much as US$2 billion, in addition to US$600 million for hospitality losses.¹ Workers’ compensation payouts related to COVID could go as high as US$80 billion, according to National Council on Compensation Insurance models, given the wide scope of potential impacts.² Insurers also anticipate claims related to various other lines of business, including employers’ liability for groups such as health care workers and airline flight attendants, as well as general liability from cruise companies and hotels.

While it’s hard to estimate what the total financial toll on insurers will ultimately be because the impact of the epidemic across the economy remains dynamic, Lloyd’s of London and other industry analysts seem to agree that the COVID-19 outbreak could turn out to be one of the costliest events ever for the insurance industry.³

At the same time, many carriers are going beyond their policy obligations to help support customers and their communities. A growing number are voluntarily providing payment flexibility and even premium refunds, as well as committing resources and money to charitable endeavors related to COVID-19 relief efforts. What follows is a recap of insurer initiatives and contributions. While this is not a comprehensive list, it is a representative sample of how many in the industry are taking proactive steps to support their policyholders and communities.

Probably the most visible actions, given extensive news media coverage, are insurers’ auto premium rebates. Program details vary among participating carriers, but are fundamentally an acknowledgement that customers are driving far less under
government-issued lockdowns. In fact, 53 percent of respondents to a Deloitte consumer survey in mid-April said they planned to spend less on fuel and motor oil in the next four weeks compared to the prior four weeks.4

Depending on the carrier, refunds will generally range between 15 and 25 percent of premiums for a specified period. Auto insurers' announced refunds, discounts, dividends, and credits added up to approximately US$8.1 billion through April 10, according to the Insurance Information Institute, which estimated that the total would reach US$10.5 billion as more auto insurers announced their offers.5 As of mid-April, the 10 largest auto insurers announced refund initiatives to provide financial relief, with some smaller players such as Erie, Hanover, CSAA, MetLife Auto & Home, Plymouth Rock, and NJM also joining the ranks.6

In addition to premium rebates, some insurers are suspending billing for small businesses for a set period, offering late payment forgiveness, and postponing cancellation of coverage due to nonpayment of premiums. Others, such as Allstate and Farmers, are adding insurance coverage for customers who are now using their personal autos for commercial purposes to make restaurant, grocery, pharmacy, and other deliveries.7 A medical malpractice insurer, The Doctors Company, is providing free medical professional liability coverage to retired physicians formerly insured by the company, who are returning to work as volunteers during the crisis.8

Life and annuity companies are responding as well. For example, MassMutual is offering no-cost, three-year term life insurance policies up to US$25,000 to eligible frontline health care workers in licensed hospitals, urgent care centers, and emergency medical service providers across Massachusetts and Connecticut.8 Securian Financial has removed all COVID-19-related 401(k) distribution fees and hardship withdrawal fees. John Hancock also is waiving fees for hardship withdrawals and suspending fees for plan amendments by participants in response to the pandemic.10

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A growing number of insurers are also participating in charitable and community service activities, offering goods, services, and financial contributions.

For instance, MetLife is providing parking lots at its St. Louis office location for the local hospital to use for drive-through testing,11 while Prudential has donated over 150,000 protective face masks and respirators.12 The Cigna Foundation and New York Life Foundation pledged US$25 million each to a new fund they started to support survivors of workers who die fighting COVID-19.13 In addition, Liberty Mutual and Chubb are among various carriers that pledged millions of dollars for pandemic relief to help support people and programs providing emergency frontline services, as well as community relief efforts.14

Some insurers are extending their assistance closer to home as well to ensure the well-being of their own workforce. Travelers launched a “distribution support plan” to accelerate more than US$100 million in commission payments to eligible insurance agents and brokers who are facing liquidity issues due to the crisis.15 Chubb announced it will not lay off any of its employees,
assuring its workforce of job security during the pandemic.\textsuperscript{16} USAA introduced curbside pickup for meals and groceries for its employees at its corporate locations.\textsuperscript{17}

During this challenging period, the insurance sector will likely need to continue demonstrating social responsibility and empathy for clients and society at large. With initial efforts underway, insurers can also remain hyperfocused by anticipating client needs using analytics, providing positive experiences by keeping interactions low effort, and remaining flexible with products and payment plans.

On a broader, more forward-looking basis, property casualty insurers are among a wide-ranging coalition of business groups supporting efforts to create a government-sponsored reinsurance backstop similar to the one formed under the Terrorism Risk Insurance Act.\textsuperscript{18} The goal of the new program is to facilitate the provision of business interruption coverage for future pandemics by capping the potential liability of private carriers.

Both as risk transfer vehicles as well as providers of loss control and safety services, insurers remain the economy’s chief purveyors of risk mitigation, but that message may often not be reaching customers or the general public. Insurers therefore should be initiating more proactive and targeted communication, both through public service advertising and individual policyholder outreach, to help the public understand the support the industry is providing to individuals and businesses during this difficult time. The focus should likely be on how carriers are doing their part and more to be good corporate citizens, while demonstrating the industry’s essential role in providing coverage for insurable exposures in a responsible, affordable way.
Endnotes


6. Ibid.


8. Ibid.


12. Ibid.


16. Carrier Management, “Travelers, Chubb, Allstate and others commit substantial resources toward coronavirus relief.”


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