

The Geneva Association CEOs' Forum: Adapting to post-COVID-19 realities

15 September 2020

The Geneva Association CEOs' Forum, held on 15 September 2020, brought member CEOs together in a virtual setting for the first time in the Association's history. The following is a summary of the Forum's discussions.

Like many industries, insurance underwent a 'trial by fire' with the disruption brought on by COVID-19. Insurers moved quickly to protect their employees, proactively support their customers – further digitising their operations to provide uninterrupted service – and to engage with governments on joint responses and collaborative efforts.

Beyond this accelerated digitisation and new forms of government involvement, what should insurers expect in 2021 and beyond?

With the onslaught of the economic downturn, as well as increasing social tensions, people will look to insurers to help mitigate growing risks to income and wealth. At the same time, the recession is an opportunity for insurers to rethink their business models; to find ways to make protection less expensive and more relevant to customers.

Keynote speech: Geopolitics after COVID-19

Dr Richard Haass, President of the Council on Foreign Relations

Many prevalent geopolitical and international trends were in effect well before the virus. The pandemic has, however, accentuated and accelerated them.

These trends fall into two categories:

The return of geopolitics

With the significant return of great power rivalries, the challenge for countries will be whether they can avoid direct conflict and, if they cannot, whether they can preserve areas of geopolitical or economic cooperation.

The deterioration of the relationship between the U.S. and China as a result of COVID-19 raises many questions, including:



*Top: Keynote speaker, Dr Richard Haass, President, Council on Foreign Relations
Bottom: Jad Ariss, Managing Director, The Geneva Association*

- Are their foreign policies conducive to maintaining an economic relationship amid territory and trade disputes?
- What are the implications for insurers with business operations in both countries?

On the latter, companies and countries will likely be able to maintain a relationship with both; a full 'divorce' between the U.S. and China is doubtful. We may see, though, a redesign of supply chains away from a cost-and-efficiency-based model towards a more self-sufficient and resilience-based approach.

“I think that people and companies will be able to maintain economic relationships with both the U.S. and China ... but there will be certain areas that are carved out. In certain areas, one will have to choose.”

Dr Richard Haass, President, Council on Foreign Relations

“One shift we’re seeing is a move towards risk aversion – not only to COVID-19 but something more endemic.”

Christian Mumenthaler, CEO, Swiss Re

The centrality of global issues

The world is struggling to capably address major global challenges – not only COVID-19, but also climate change, the cyber domain and the world trading system. Unfortunately, there is limited consensus on these issues and where there is, there is little willingness to act upon it.

- The coming decades will bring more **global health challenges**, potentially in the form of more infectious diseases. The current global health machinery is not equipped to face them.
- **Climate change** is not a slow-motion process and something to be dealt with in the future; it is accelerating, and it is happening now. However, a top-down, universal approach to climate is unattainable. Instead, like-minded industrial countries need to come together to set climate-related standards for trade.
- As **the U.S.** grapples with deep political, social and racial divisions and a recovering economy, it is likely to take an inward focus over the coming years. It is unclear what will happen if the U.S. is no longer willing to play its traditional, central role in efforts to address geopolitical and other global challenges.

A world of managed risk

Central for the insurance industry, in its role assessing and pricing risk, is that all arrows point to increasing turbulence and risk, whether it’s COVID-19, a future disease or the

effects of climate change. We can build our resilience to and ability to recover from crises, but we will be living in a world of managed risk.

Roundtable 1: Geopolitical and economic consequences of COVID-19

The pandemic initiated or accelerated six identified global shifts: from long- to short-term thinking (‘short-termism’); risk aversion over risk-taking; localism over globalism; reduction of freedoms; rise in inequality; and accelerated digital transformation.

A comparison of COVID-19 and previous pandemics is also a comparison of societies. The Spanish Flu in 1918, though significantly more deadly, was not as traumatic for people as COVID-19; partly because people were consumed by World War I and partly because we may now value life more than we did. The 100 years following the Black Plague, which disproportionately affected peasants, was filled with social unrest, and we are seeing some of that now; for example, with the protests in the U.S. as well as inter-generational tensions in Europe.

What geopolitical and economic changes are happening across the world, and how are insurance companies in those regions responding?

China: From the perspective of a life insurance business, COVID-19 has been a catalyst for digital change: moving from a purely offline business model based on face-to-face selling

Roundtable 1: Geopolitical and economic consequences of COVID-19

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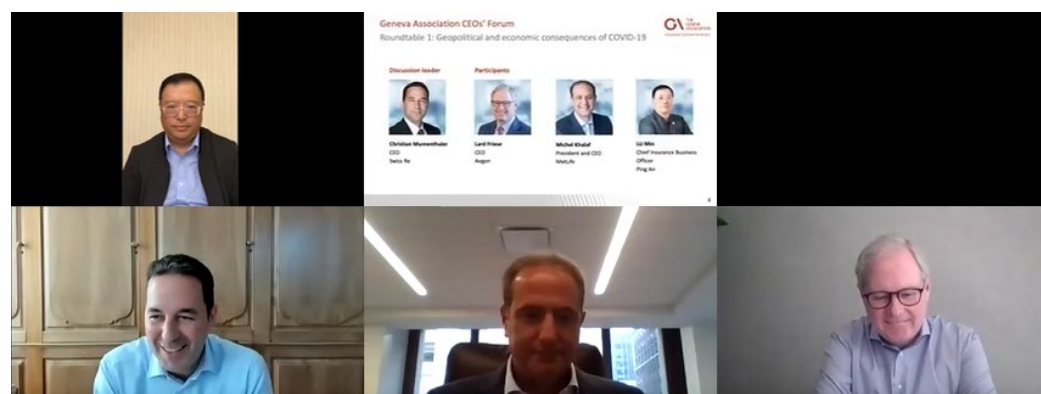
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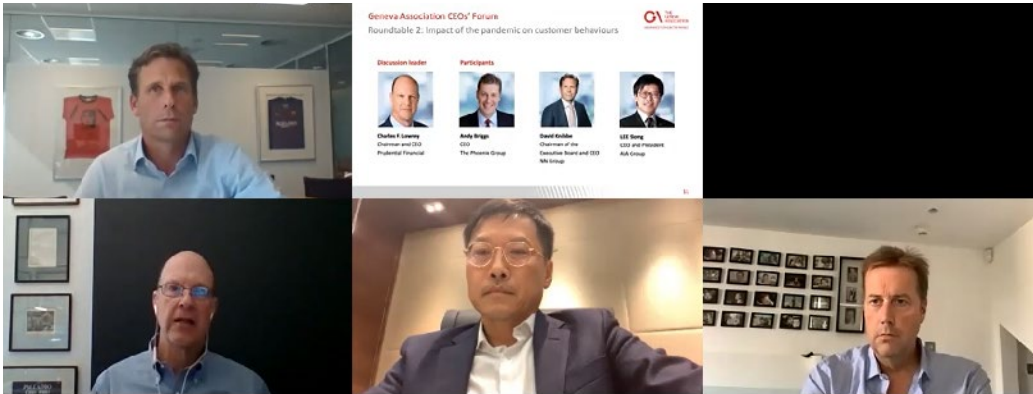
Bottom:

- Christian Mumenthaler (discussion leader), CEO, Swiss Re

- Michel Khalaf, President and CEO, MetLife

- Lard Friese, CEO, Aegon





Roundtable 2: The impact of the pandemic on customer behaviours

Top:

- David Knibbe, Chairman of the Executive Board and CEO, NN Group

Bottom:

- Charles F. Lowrey (discussion leader), Chairman and CEO, Prudential Financial

- LEE Siong, CEO and President, AIA

- Andy Briggs, CEO, Phoenix Group

to an online merge offline (OMO) model, with digital tools being developed for agents.

U.S: The pandemic is a watershed moment for the insurance industry and insurers must consider the structural changes needed to emerge in a strong position. Companies should adopt, or accelerate the adoption of, certain trends that they have perhaps been slow to embrace. Insurers should also continue the de-risking of balance sheets and the transition to more capital-light products. More diversified companies have better absorbed the shocks of the pandemic, underscoring the importance of diversification and scale.

Europe: The insurance industry has played a positive role in helping clients and governments navigate the pandemic – largely by being able to keep operations intact and remaining financially resilient. However, the industry could go further by helping governments determine how to fund risk protocols in ‘times of peace’ and sharing their risk management expertise when it comes to the investment side of their balance sheets.

Roundtable 2: The impact of the pandemic on customer behaviours

Insurers are capable of promoting economic stability and growth at both the ‘macro’ level, as institutional investors, and at the ‘micro’ level, by offering personal financial solutions.

This discussion focused on the ‘micro’ level.

Customers depend on their insurers. The industry should not take on uninsurable risks, and the onus is now on the industry and governments to create effective protection solutions against future pandemics. This is proving challenging.

Participants were asked, “How has COVID-19 caused customers to change their behaviours?” A common theme across responses was that COVID-19 accelerated digital interactions between insurers and their customers, with insurance agents relying more than ever on the digital framework to create and maintain customer relationships.

Face-to-face interactions will slowly resume, and the demand for traditional sales approaches will not completely go away. From a responsibility angle, insurers need to continue serving their ‘digitally disadvantaged’ customers and provide personalised support on products like savings and retirement. However, COVID-19 likely triggered a sustained, long-term increase in digital engagement.

On top, customers increasingly expect their insurers to play a broader societal role, such as helping to further ESG goals. This trend is more prevalent in Europe but increasingly showing up in the U.S. as well.

“We found that in times of crisis, people still want to talk to other people. They want to get a human being on the phone. We also saw that people, once they talked to someone, could then rely on the digital framework.”

Charles F. Lowrey, CEO, Prudential Financial

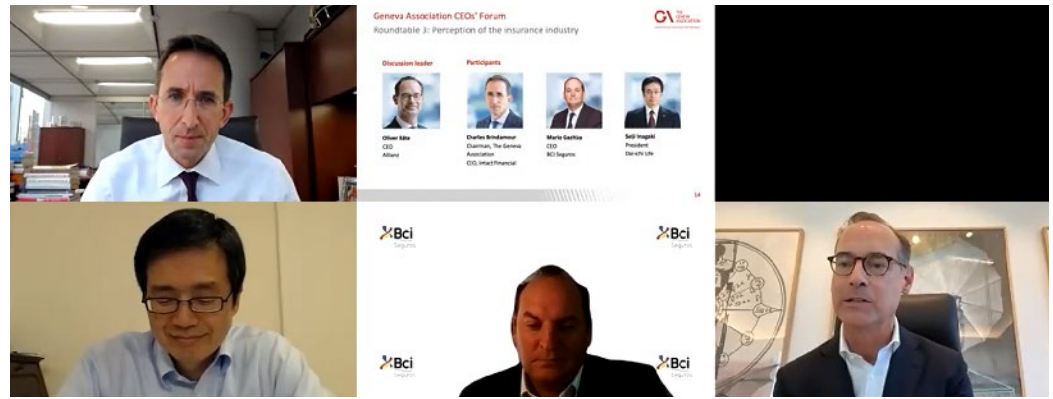
Roundtable 3: How has the pandemic changed the perception of the insurance industry?

Top:

- Charles Brindamour, Chairman, The Geneva Association, and CEO, Intact Financial

Bottom:

- Seiji Inagaki, President, Dai-ichi Life
 - Mario Gazitúa, CEO, BCI Seguros
 - Oliver Bäte (discussion leader), CEO, Allianz



“An interesting contradiction to what you see in the press is that during the pandemic, 95% of insurance customers have given the industry very good kudos and increasing scores.”

Oliver Bäte, CEO, Allianz

“One lesson from COVID-19 for insurers is that clarity of language is really important.”

Charles Brindamour, CEO, Intact Financial

Roundtable 3: Perception of the insurance industry

How has COVID-19 affected the insurance industry’s reputation with customers, regulators, the media and shareholders ... and in different parts of the world?

In **North America**, the insurance industry is experiencing a supply-demand imbalance which translates into hardening rates. It is in ‘correction mode’ while economies recover. That context is important when considering the pressure on insurers to pay out extra-contractual business interruption claims. Nonetheless, a lesson for insurers going forward is to further enhance transparency and ensure clear policy wording.

It has helped insurers to be proactive and step out of their traditional roles – providing relief to customers by relaxing premiums and moving fast to implement their own solutions, rather than having them imposed by regulators.

In **Japan**, too, insurers recognised the need to act swiftly. As an illustration, though the government itself has not yet declared an incident of COVID-19 an ‘accident’, life insurers moved ahead with including COVID-19 in the rider for accidental death benefits. The act was well appreciated by society. In general, insurers have not received much criticism surrounding COVID-19. Companies in Japan enjoy exceptional longevity – 40% of companies in the world over 300 years old are Japanese – and are driven by the common value to protect communities.

COVID-19 has hit parts of **Latin America**, such as Chile, particularly hard. In terms of reputational challenges, insurers there find that social media creates uncertainty and pressure. There are also larger societal issues impacting customer sentiment, with lower- and middle-income segments of society pressuring the government to provide more support and security.



Geneva Association CEO members participating in the CEOs' Forum