

Insurance as a force for good

In uncertain times

It may be too optimistic to see the next few months as the rebound from COVID-19. As I write, we are beyond the initial peak in infection rate in many countries. Nevertheless, Latin America faces an up-surge and we watch to see if lockdowns can be lifted without unduly risking a second wave.



We need to find a way to drive our businesses forward - to energise our people, to engage with our customers, and to deliver critical services.

Perhaps it is more balanced to say that if we are now on a rebound, then it is the first-half counterattack in a football match or the first leg completed of a transatlantic yacht race.

Insurers are a key part of society's response to the crisis. We need to find a way to drive our businesses forward - to energise our people, to engage with our customers, and to deliver critical services.

Actions and anxieties

It is now two months since we issued our first version of this analysis and it feels like the right time to playback a few specific items that have chimed with senior insurance practitioners and investors.

Firstly – product: Insurers (life and non-life) are split into those who see their product offering as relatively unchanged and those who see significant shifts ahead.

Interpretation of cover and political intervention have re-emphasised the risks around coverage gaps and the need to improve communication from industry to customers.

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- Do we better serve our customers by offering limited cover at a lower price, or by providing comprehensive protection and charging accordingly?
- Even with the right products, how happy are we with how customers gain access, and how underwriting decisions are made?

Given the advice gap in both protection and wealth arenas, we need to find more ways to help customers make these evaluations.

Secondly – change: there is widespread acknowledgement that insurers’ ways of working have moved dramatically in the right direction in a short time and that this momentum should be maintained.

- Offices who had invested in the digitalisation of processes have been able to move faster to a lockdown rhythm.
- The same is true for firms who already encourage and embrace flexible working and self-direction amongst staff.
- Driving further change requires investment – for which we still see significant appetite. But with staff and management dispersed, making new change happen is harder than keeping old processes going.

In an uncertain world, strong focus and leadership are needed to drive large scale change in the midst of short-term volatility. Change has to deliver – particularly in relation to achieving service whilst reducing the overall cost burden.

Finally – capital: balance sheets have held up well – a testament to the solvency regime and the maturity of risk management. However, it is not difficult to envisage other major shocks in the near future:

- We expect to see more disposals of non-core assets, elimination of volatility in the form of pensions, long-term provisioning and raising of fresh capital.
- Risk management, strong governance and focused decision-making will be increasingly important.

Given this, communication with the Board has been more frequent in the last three months as ever before and must continue in the same way.

There are of course many other angles to consider beyond these - we cover the full breadth of activities that C-suites should be undertaking here:

<https://ftiamea.to/winningrebound>
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