

# A2ii-IAIS Consultation Call webinar series on the coronavirus (COVID-19) pandemic and implications for insurance supervisors

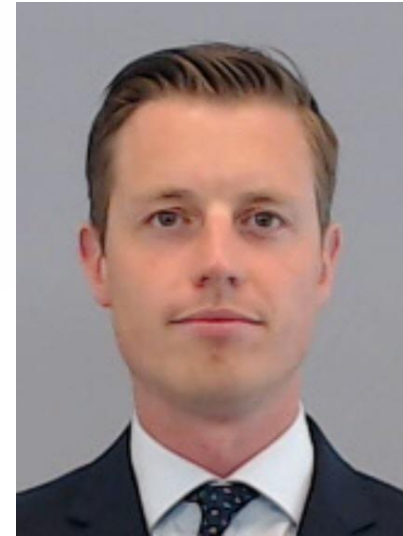
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# Speakers



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# How Supervisors are Enabling the Market to Function Effectively with COVID 19

Both for Consumers and the Insurance Sector

April 30, 2020





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# Context Setting – the world



The International Monetary Fund (IMF) predicts the “Great Lockdown” recession would be the steepest in almost a century and warned the world economy’s contraction and recovery would be worse than anticipated if the coronavirus lingers or returns. In its first World Economic Outlook report since the spread of the virus and subsequent freezing of major economies, the IMF estimated on April 14<sup>th</sup> that global gross domestic product will shrink 3% this year.



## CONTEXT SETTING - Insurance

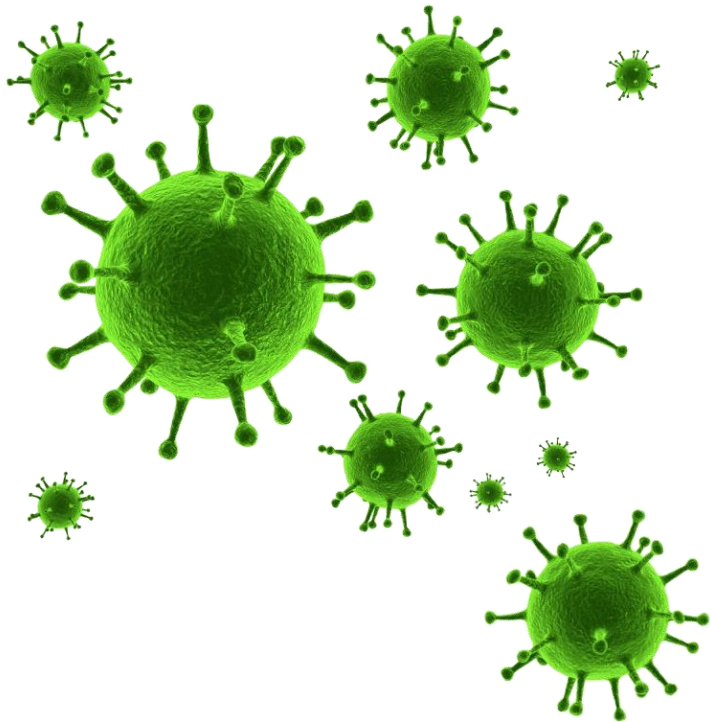
- Generally, the insurance industry is considered **an essential service** and those businesses may remain open during this time, but only to the extent that their work cannot be done by telephone or remotely.
- Insurance regulators are encouraging licensees to continue to follow **prudent business practices**, while also extending **flexibility**.
- **Insurance regulators operations generally continue as usual**, and licensees and consumers can contact regulators for assistance.



# Context Setting - Regulation

## “There’s No Playbook”

- Georgia’s Insurance  
Commissioner On His Agency’s  
Response To COVID-19



"The 2008 financial crisis was certainly bad, but it was generally isolated to a few sectors — banking, housing, etc. This time, we're seeing pretty much every sector across the globe being impacted simultaneously against the backdrop of a very serious pandemic. This is that quintessential 'black swan' event insurers all model for but pray never occurs."

- National Association of Insurance Commissioners (NAIC)  
President and South Carolina Insurance Director Ray Farmer

# Impact on Consumers

- Some citizens are expected to lose their health insurance, based on loss of employment, not eligible though government programs.
- Some insurers have notified their policyholders that their policies will not cover COVID-19 risks.
- Purchasers of travel insurance are finding their policies all but worthless as the global pandemic forces them to change their plans, or worse, leaves them sick at sea.
- Many travel insurance companies won't provide reimbursements for canceled trips due to the coronavirus.
- The use of telehealth services is on the rise after being introduced decades ago.
- Small businesses face ambiguity related to business interruption insurance – if it includes pandemic coverage – about whether their policies would be honoured because some businesses voluntarily shut down early before emergency orders were issued.
- "The 2020 Atlantic basin hurricane season will have above-normal activity." What will happen if there are also natural catastrophes?





# Awareness and self-protection against different types of scams!

Source: U.S. Department of Justice

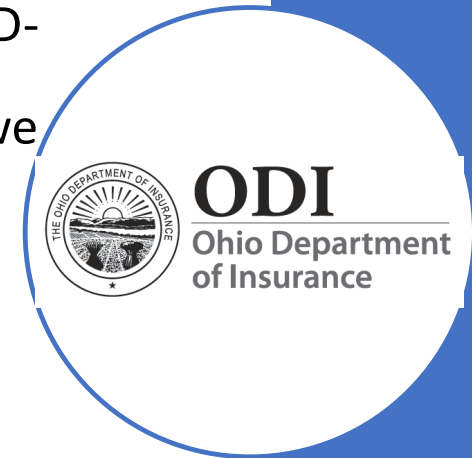
- **Vaccine and treatment scams.** Scammers may advertise fake cures, vaccines and advice unproven treatments for COVID-19.
- **Shopping Scams.** Scammers may create fake stores, e-commerce websites, social media accounts, and email addresses claiming to sell medical supplies currently in high demand. Supplies might include things like hand sanitizer, toilet paper and surgical masks. Scammers will keep your money but never provide you with the merchandise.
- **Medical scams.** Scammers may call and email people pretending to be doctors and hospitals that have treated a friend or relative for COVID-19 and demand payment for treatment.
- **Charity scams.** Scammers sometimes ask for donations for people and groups affected by COVID-19.
- **Phishing and Malware scams.** During the COVID-19 crisis, phishing and malware scams may be used to gain access to your computer or to steal your credentials.
- **App scams.** Scammers may create mobile apps designed to track the spread of COVID-19 and insert malware into that app, which will compromise users' devices and personal information.
- **Investment scams.** Scammers may offer online promotions on things like social media, claiming that products or services of publicly traded companies can prevent, detect, or cure COVID-19, causing the stock of these companies to dramatically increase in value as a result.

# Regulatory Response

Director Jillian Froment say, we are in this together. "For consumers, insurance companies and other entities, and agents that the Ohio Department of Insurance serves, protects, and regulates, we are conducting business as usual, but working remotely. We've closed our building as part of the push to help flatten the COVID-19 curve. If you need to reach any of our business units please initiate that process through these channels. To help Ohioans work through this transition, we are working to provide flexibility in a number of areas."

❖ Issued guidance to the industry requesting they ensure:

- consumer accessibility to health care services to test and treat the virus;
- provide health insurance coverage flexibility through employers for employees;
- suspend audits so pharmacies can focus on providing medicine;
- treat out-of-network costs the same as in-network for COVID-19 testing and treatment;
- not take insurance coverage action on a consumer unable to timely renew their driver license due to Bureau of Motor Vehicle closures;
- provide payment accommodations to insureds that are experiencing financial difficulties; and
- created an insurance and coronavirus toolkit for consumers and the industry.





# Regulatory Responses

- The Financial Stability Board (FSB) issued a statement encouraging authorities and financial institutions to make use of the flexibility within existing international standards to provide continued access to funding for market participants, and for businesses and households facing temporary difficulties from COVID-19.
- Since the COVID-19 outbreak, insurance regulators have been issuing guidance to help insurers and policyholders navigate a new environment. Examples include:
  - COVID-19 testing and treatment can be provided without cost-sharing for patients
  - expanding or extending grace periods for payment of premiums for life, health, and property and casualty policies, looser rules covering prescription refills, and coverage for telemedicine
  - deferring premium payments to later periods for citizens and small businesses unable to pay due to COVID-19, to ensure that they do not lose coverage during this health crisis and have time to transition to alternative coverage if needed
  - requiring insurers to cover all policyholders affected by COVID-19, as standard medical insurance typically excludes epidemics and pandemics
  - granting flexibility to carriers so they can help policyholders during this difficult time



# Regulatory Responses

- dedicating employees to be available remotely to assist with questions or concerns
- allowing new agents, brokers and applicants to obtain a provisional licenses
- expecting insurers to be flexible and treat customers fairly, particularly those in a vulnerable situation at the point of renewal
- expecting insurers to carefully consider the needs of their customers and show flexibility in their treatment, like stretching the terms and conditions of policies to help with the adaption to the socio-economic impact of the pandemic
- knowing that customers' behaviours are changing because of the pandemic, like the need to work from home or commute by car. The ability to claim should not be impacted by circumstances over which they have little control
- clearly communicating any policy exclusions that may impact the coverage and use of individual policies, whether new sales or changes to existing policies – must meet demands and needs:
  - unless the policy at issue clearly and unambiguously excludes these risks, and the insurer is merely reminding the policyholder of the exclusion
  - no insurer should use COVID-19 as a reason to attempt to narrow or cancel the coverage of a policy already in effect



# Regulatory Responses

- working with insurers to provide financial assistance to policyholders. Many regulators are working with governments to rapidly allow rebates and discounts due to "stay at home" orders. Under most regimes or laws, rebates are prohibited, and many discounts must be pre-approved
- urging insurers to halt dividends, buybacks, and bonuses in the wake of the coronavirus outbreak
- in some countries , insurers have been told to stop launching and selling insurance products related to COVID-19. To refrain from the use of images of COVID-19 in any insurance offering
- microinsurance regulators believe that the COVID-19 pandemic could actually help citizens become more aware of the importance of insurance cover, people may be inclined and be aware that insurance is actually there and helpful
- competition bureaus are recognizing that circumstances surrounding the COVID-19 pandemic may call for the rapid establishment of business collaborations of limited duration and scope to ensure the supply of benefits, products and services



# Industry response – the good



Individual insurers had been rolling out relief measures for clients who were experiencing financial hardships because of COVID-19. Now national insurance bodies, which represent many insurers, are announcing that company members are joining forces in offering reductions

- **Property And Casualty** insurers

- eliminating non-sufficient funds fees that may occur on payments during the pandemic, implement 90-day payment deferrals and offer flexible payment options
- General indemnity to policyholders for events arising from COVID-19 events
- auto premium reductions, which could result in savings as driving habits have changed significantly

- **Microinsurance** providers

- social distancing and self-isolation will make distributing and accessing inclusive insurance products through mobile network operators (MNOs') and online – as well as supporting clients with information – will become even more important
- launching new products to provide cover against COVID-19. For example, one provides cover to individuals between 18 and 75 for a sum insured of \$330 for a premium of \$2, if tested positive for COVID-19 at any government-authorised testing centre, will receive the entire sum insured amount in a lump sum irrespective of hospitalisation expenses, subject to an initial waiting period of 14 days
  - The cover excludes people with travel history to any location overseas after 31 December 2019 or if the insured has been quarantined for suspected COVID-19, or diagnosed with COVID-19, before the risk inception date, or within the initial 14-day waiting period.

# Industry response – the good



- **Life and health insurers** will experience an increase in medical and life claims with the spread of the COVID-19 and the potential for these will be driven by at-risk patients such as the elderly and those with pre-existing conditions.
- Life insurance associations' and their member companies are taking proactive steps in providing additional relief measures for policyholders who are impacted by the economic slowdown due to the COVID-19 pandemic:
  - insurance coverage expanded for mental health teletherapy
  - launching insurance cover against risks linked to technology-enabled healthcare and lifestyle management services, covering medical malpractice and professional indemnity, tech and media liability, public and products liability as the need for an expanded medical response grows
  - cutting group benefit insurance premiums for small- and medium-sized businesses as the number of employee dental and health care claims declines during the COVID-19 pandemic
  - cash relief for customers who are diagnosed with COVID-19
  - cash benefits or allowance for hospitalization per day up to 30 days of hospitalization
  - special lump-sum death benefits (upon the death of the insured)
  - financial assistance/support programme for customers affected by COVID-19

# Industry response – the good (InsurTechs)



**One insurer** that sells a range of cover to drivers and riders in the gig economy is offering 14 days free insurance to any of its customers who have to self-isolate. Those affected can claim up to two weeks free insurance when they renew their policy.

In Singapore, ride-hailing app **Grab** and its **insurance partner** offered delivery drivers and riders free lump sum pay-outs if diagnosed with Covid-19. Drivers who had signed up to **GrabCare**, a service offering health care professionals discounted trips to and from work get higher claim amounts.

A **U.K. health cover provider** is offering small to medium enterprises (SMEs) free access to some healthcare plans until 1st August. SMEs that take up the offer will not have to pay until August, and can cancel their subscription at the end of July without having to pay anything.

A **drone insurer** is allowing some customers to pause their policies as events they would usually film are being cancelled. It is also offering £10,000 of free cover to organisations that want to use drones to help fight the ongoing epidemic.

A **digital provider** and its partner **UnderPinned** have a joint temporary offering which includes free access to **UnderPinned's** administrative platform, commercial legal protection, 24/7 helplines for legal, financial and tax issues, and mental health support until September.

**Another insurer** is offering 75% off temporary motor policies to these key workers who are struggling to get to work but do not want to add to their risk by travelling on trains and buses.

# Industry Response – the not so good



- Some insurers flagged Covid-19 as a “known event” in January, meaning travel insurance policies bought after that won’t pay out due to virus-related interruptions.
- Some insurers are no longer offering travel insurance to new customers, they said on their websites on Friday.
  - “The ongoing global situation with coronavirus means there’s much greater likelihood of disruption to people’s travel plans, so we’ve decided to focus our attention on our existing customers.”
- Many insurers had recently launched a number of insurance packages covering the virus with attractive costs and benefits. Some business also teamed up with banks to launch anti-COVID products.
  - However, there has been discontent among consumers who were deemed not eligible to purchase such products.



# How are Insurance Intermediaries Adapting to COVID-19?

1. Ensure they have all of the functions needed to continue business outside of the office
2. Extending communications beyond over-the-counter, email and phone.
3. Business doesn't stop, and innovation can't stop.



# Prioritization of Supervisory Action



- Help government with managing the economy and containment
- Manage crisis driven work (BCP)
- Draw on resources for stepped up crisis work, supporting enhanced monitoring – don't implement enhanced monitoring for everything
- To forbear or not to forebear:
  - Deadlines for policy and regulatory data reporting up for review and extension
  - Physical (wet) signatures
  - Can you compromise on consumer protection?
- Conduct virtual inspections:
  - Create a virtual room
  - Interview key persons – videoconferencing
  - Access policy management systems
  - Read documents (how to access electronic information or hard copies)
- Which aspects of the market become most strained and adjust
- Keep focus narrow, to minimize what needs to be done:
  - Scams
  - Insurer behaviour
  - Market needs



# Prioritization of Supervisory Action

As regulators and supervisors, it is important to think about the changes the industry is making now as advancements that could go beyond the crisis, and to also prepare for oversight in the next normal.

# KEY REFERENCES



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# THANK YOU

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# IAIS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

## IAIS forward looking assessment of the impact of Covid-19 on the insurance sector

April 30th A2ii-IAIS COVID-19 Webinar





# Introduction

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- Covid-19 and steps taken to limit contagion has a significant impact on global economy and the financial system
- Also the insurance sector is exposed
  - On the asset side
    - market volatility
  - On the liability side
    - changes to interest rates
    - potential increase in claims
- Insurance sector: essential role to play
  - Importance of financial soundness and operational resilience in support of the protection of policyholders and the maintenance of financial stability

# IAIS response to Covid-19

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- IAIS work over past decade
  - Enhance international standards for supervision
  - More advanced risk management, greater resilience in the insurance sector
- Member supervisors: range of regulatory and supervisory measures
  - Provide operational relief to insurers: appropriate flexibility to help insurers maintain their safety and soundness and deliver the essential services they provide to policyholders and the economy
  - Support fair treatment of customers, including clear disclosure and efficient claims processing
- IAIS adjustments to its work programme
  - Operational relief
  - Coordinated supervisory response in support of policyholder protection and financial stability
  - Use forward-looking risk assessment framework to undertake a targeted assessment of the impact of COVID-19 on the global insurance sector: **the Global Monitoring Exercise**

# IAIS forward looking assessment of the impact of Covid-19 on the insurance sector

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- IAIS Global Monitoring Exercise (GME)
  - Two-fold purpose:
    - Analysis of potential build-up of systemic risk in the insurance sector
    - Analysis of key risks and developments affecting the global insurance sector
- GME priority this year: focus on monitoring impact of Covid-19, as a key development affecting the global insurance sector
- Modalities of the GME
  - Two components
    - Individual insurer monitoring (IIM) – data from insurance groups
    - Sector-wide monitoring (SWM) – data from insurance supervisors
  - Analysis of external data
  - Output: reporting to stakeholders
    - Public
    - Financial Stability Board
    - Participating insurers
    - Group-Wide Supervisors

# IAIS forward looking assessment of the impact of Covid-19 on the insurance sector

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- Assessment of data from external data providers: monitor developments on financial markets
  - Insurers' financial market performance (equity prices, spreads, credit ratings) and how these differ across regions and compare to other industries such as the banking sector)
  - Broader macroeconomic environment (BIS, IMF)
  - Monitoring of largest exposures on the asset side of insurers
    - Sovereign bond markets
    - Corporate bond markets
    - Equity markets
    - Real estate markets

# IAIS forward looking assessment of the impact of Covid-19 on the insurance sector

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- Covid-19 targeted data collection from insurers and supervisors
  - Impact on Assets
  - Impact on Liabilities and funding
  - Impact on Derivatives, repos and securities lending
  - Impact on Liquidity
  - Impact on Investments and profitability
  - Impact on Solvency and underwriting
- Qualitative questions to insurers
  - Measures taken / will be taken
- Assessment of the outlook by both insurers and supervisors



# Wrap-up

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- The IAIS will continue to assess and address the implications of COVID-19 on the global insurance sector and is actively coordinating with the FSB and other standard setting bodies on cross-cutting financial system issues.
- Further steps will be taken, as necessary, to coordinate the actions taken by IAIS members to
  - mitigate the impact of COVID-19 on insurers,
  - safeguard policyholders and
  - contribute to the maintenance of financial stability.

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