A2ii Covid-19 Survey Responses

Preliminary Results
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4 | Impact on Insurance
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A2ii Covid-19 Survey

Covid-19 Survey

Aim: To understand impact of pandemic on emerging market insurance supervisors
→ Survey launched mid-June
→ Consisted of 10 Questions focusing on:
  ❖ impact of pandemic
  ❖ market conduct
  ❖ regulatory barriers
  ❖ capacity building

Survey Results

→ A2ii Contacted 22 Insurance Supervisors
→ 16 Responses (to date)
→ Across 3 regions:
  ❖ Asia
  ❖ Latin America
  ❖ Sub-Saharan Africa
## A2ii Covid-19 Survey | Responses

<table>
<thead>
<tr>
<th>Asia</th>
<th>Latin America</th>
<th>Sub-Saharan Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nepal</td>
<td>Argentina</td>
<td>DR Congo</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Bolivia</td>
<td>Eswatini</td>
</tr>
<tr>
<td>Philippines</td>
<td>Brazil</td>
<td>Lesotho</td>
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<tr>
<td></td>
<td>Colombia</td>
<td>Namibia</td>
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<tr>
<td></td>
<td>Costa Rica</td>
<td>Rwanda</td>
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<tr>
<td></td>
<td>Dominican Republic</td>
<td>Zambia</td>
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<tr>
<td></td>
<td>Guatemala</td>
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<td></td>
<td>Peru</td>
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</tbody>
</table>
# A2ii Covid-19 Survey | Impact on Supervisors

<table>
<thead>
<tr>
<th>Internal Processes</th>
<th>Communications</th>
<th>Regulatory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Continuity Plans Initiated</td>
<td>Increased communication with stakeholders via multiple channels</td>
<td>Operational Relief</td>
</tr>
<tr>
<td>Remote Working / Teleworking</td>
<td>Website – publishing statements &amp; directives</td>
<td>Regulatory Relief Measures</td>
</tr>
<tr>
<td>Suspension of on-site visits</td>
<td>Via Social Media (increasing use of Whatsapp &amp; facebook)</td>
<td>Additional Reporting Requirements</td>
</tr>
<tr>
<td>Electronic window created for submission of documents</td>
<td>Newspapers – via adverts</td>
<td>Virtual Supervision &amp; Enforcement (videoconferencing)</td>
</tr>
<tr>
<td></td>
<td>Issued “Dear CEO” letters to firms detailed requesting information</td>
<td></td>
</tr>
</tbody>
</table>
## A2ii Covid-19 Survey | Impact on Supervisor

### Regulatory Relief Measures

- Extension of **reporting deadlines** (audits, financial statements)
- Relaxed **regulatory requirements** during lockdown (KYC/AML requirements)
- Amended their **risk-based capital framework** – provided relief of the net-worth requirements
- Issued guidelines on the ‘**fair treatment of customers**’
- **Greater flexibility provided** / Issued guidelines on issuance of temporary licenses to new insurance agents
<table>
<thead>
<tr>
<th>Measures to preserve issuance of insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ <strong>Lobbied government</strong> to declare insurance an essential service</td>
</tr>
<tr>
<td>➢ <strong>Crisis management teams</strong> established to ensure insurance services to consumers</td>
</tr>
<tr>
<td>➢ <strong>Policy holder relief</strong> - Premium holidays / premium payment plans for those faced with financial difficulties / extended coverage</td>
</tr>
<tr>
<td>➢ <strong>Prohibited the termination of insurance contracts</strong> and the triggering of policy cancellation on-renewal of policies or denial of claims due to movement restrictions</td>
</tr>
<tr>
<td>➢ <strong>Expanded insurance coverage to cover covid-19</strong></td>
</tr>
<tr>
<td>➢ Issued <strong>financial assistance package to insurers</strong> (in coordination with respective Government)</td>
</tr>
</tbody>
</table>
A2ii Covid-19 Survey | Impact on Supervisor

**Additional Measures**

- **Detailed insurance product analysis** ahead of the lockdown to understand impact
- Assessments regarding **policy wording & coverage**
- Tracking **claims & complaints** – for trends analysis & to monitor the impact of solvency of the sector
- Issued communication to firms to prioritise payment of claims on medication & health insurance
- Circulated a **covid-19 questionnaire** in order to measure & monitor the performance of the industry and its responsiveness to the pandemic.
- Requested **monthly liquidity stress tests** & asset-liability matching assessments
- **Ban on dividend payments** / payments to be approved by regulator
50% of Supervisors mentioned challenges with **remote working**

- Difficulty *accessing servers* & logging into platforms
- **Shortage of resources** – laptops, modems for staff
- Staff have had to **transfer from desktops to laptops**
- Staff using **unsafe public WiFi networks**
- **New channels** had to be enabled for the sending of documents
- **1 Supervisor** reported a **cyber attack** as a result of remote working
- **1 Supervisor** reported an increase in **phishing attacks**.
- Supervisors had to increase the use of the **anti-spam tool & awareness capsules** for employees to identify phishing emails
A2ii Covid-19 Survey | Capacity Building

**Training & Capacity Building Needs**

- RegTech
- Risk Management
- Data Collection Tools (& Evaluating Data)
- IT Knowledge
- Digitalisation
- Stress Testing

**Additional Areas Mentioned**

- Cyber Risk
- Index Insurance – in relation to pandemic risk
- Updating Regulatory Standards
- Behavioural & financial inclusion indicators
A2ii Covid-19 Survey | Impact on Insurance

Operational Implications

➢ Business Continuity Plans
➢ Remote Working / Skeletal Staff
➢ Had to acquire additional ICT Resources
➢ Reduced productivity / Reduction in sales
➢ Delay in claims processing and payment
➢ Disruption to customer care
➢ Increasing shift to online distribution
➢ The shift online has been challenging for remote locations (not able to access those consumers) & for brokers / Intermediaries

Market Implications

➢ Local currency has continued to weaken against main global currencies
A2ii Covid-19 Survey | Impact on Insurance

Assets
➢ Initially vulnerabilities were on the asset side due to market fluctuations
➢ Insurers exposure to investment funds varies by country & ranges between 50-64% of their assets
➢ Exposure includes government backed securities, corporate bonds & equities
➢ No indication yet that insurers are impacted by corporate bond downgrades

Liabilities
➢ Reduced claims initially but this is increasing steadily
➢ At time of responding, uncertainty surrounding pandemic inclusion/exclusions
➢ Concerns regarding secondary impact of covid-19
## A2ii Covid-19 Survey | Product Lines Impacted

<table>
<thead>
<tr>
<th>Product Lines</th>
<th>Pandemic Cover</th>
<th>Details &amp; Further Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life</td>
<td>✓</td>
<td>Generally pandemics are covered but in some jurisdictions <em>cause of death exclusions</em> have been applied.</td>
</tr>
<tr>
<td>Health</td>
<td>✓</td>
<td>Extent of cover varies by country &amp; some are seeing a <em>decrease in claims</em>. Cases of insurers extending coverage.</td>
</tr>
<tr>
<td>Occupational/Unemployment</td>
<td>~~</td>
<td>Varies by country but certain supervisors are reporting a high number of claims (e.g. 82% of claims) but no indication given on whether insurers will cover</td>
</tr>
<tr>
<td>Funeral</td>
<td>✓</td>
<td>Popular product line across jurisdictions</td>
</tr>
<tr>
<td>Property/BI</td>
<td>X</td>
<td>High number of claims but multiple supervisors indicated that BI in particular is not covered</td>
</tr>
<tr>
<td>Motor</td>
<td>X</td>
<td>Significant decrease in the number of claims</td>
</tr>
<tr>
<td>Leasing</td>
<td>X</td>
<td>Not related to claims but an <em>Inability of individuals unable to pay the fees caused by the economic downturn</em></td>
</tr>
<tr>
<td>Travel</td>
<td>~~</td>
<td>Increase in claims but no detail provided</td>
</tr>
<tr>
<td>Event</td>
<td>~~</td>
<td>Increase in claims but no detail provided</td>
</tr>
</tbody>
</table>
A2ii Covid-19 Survey | Regulatory Barriers

- Insurers have had to increase their reporting for supervisors to monitor the evolution of the sector.
- Supervisors indicated no regulatory barriers had been identified so far.
- Increase use of e-signature – either already in place or being introduced as a result of covid-19.

**Use of Electronic Signature**

- 44%: Electronic signature introduced & operational for some time.
- 19%: Introduced electronic Signature as a result of covid 19.
- 19%: Considering introducing Electronic Signature.
- 18%: No indication Given.
A2ii Covid-19 Survey | Innovation

Key Results

- **43% of supervisors** reported an increase in the usage of digital platforms by insurers
- Increased use of online platforms by supervisors, ombudsman, insurers – Zoom
- **Increased use of social networks to communicate with consumers** - Facebook & WhatsApp groups used
- Mobile phones given to agents/brokers so that they can contact consumers
- **2 Supervisors** indicated that insurers in their market have requested claims to be submitted electronically
A2ii Covid-19 Survey | Innovation

Product Innovation

- Majority of supervisors observed innovation in claims handling
- **4 Supervisors** indicated that their insurance sector had started to develop customised products covering covid-19:
  - Hospital & death benefits for individuals & families
  - Covid-19 life insurance
  - Introducing/re-introducing pay as you go schemes
  - Increased usage based motor insurance
- **1 Supervisor introduced critical illness cover** to include pandemic risks
➢ Overall supervisors have not seen an increase in market conduct issues
➢ 1 Supervisor was aware of a fraudulent insurance product in their market
➢ Increase in complaints due to claims & policy exclusions
Thank you.

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