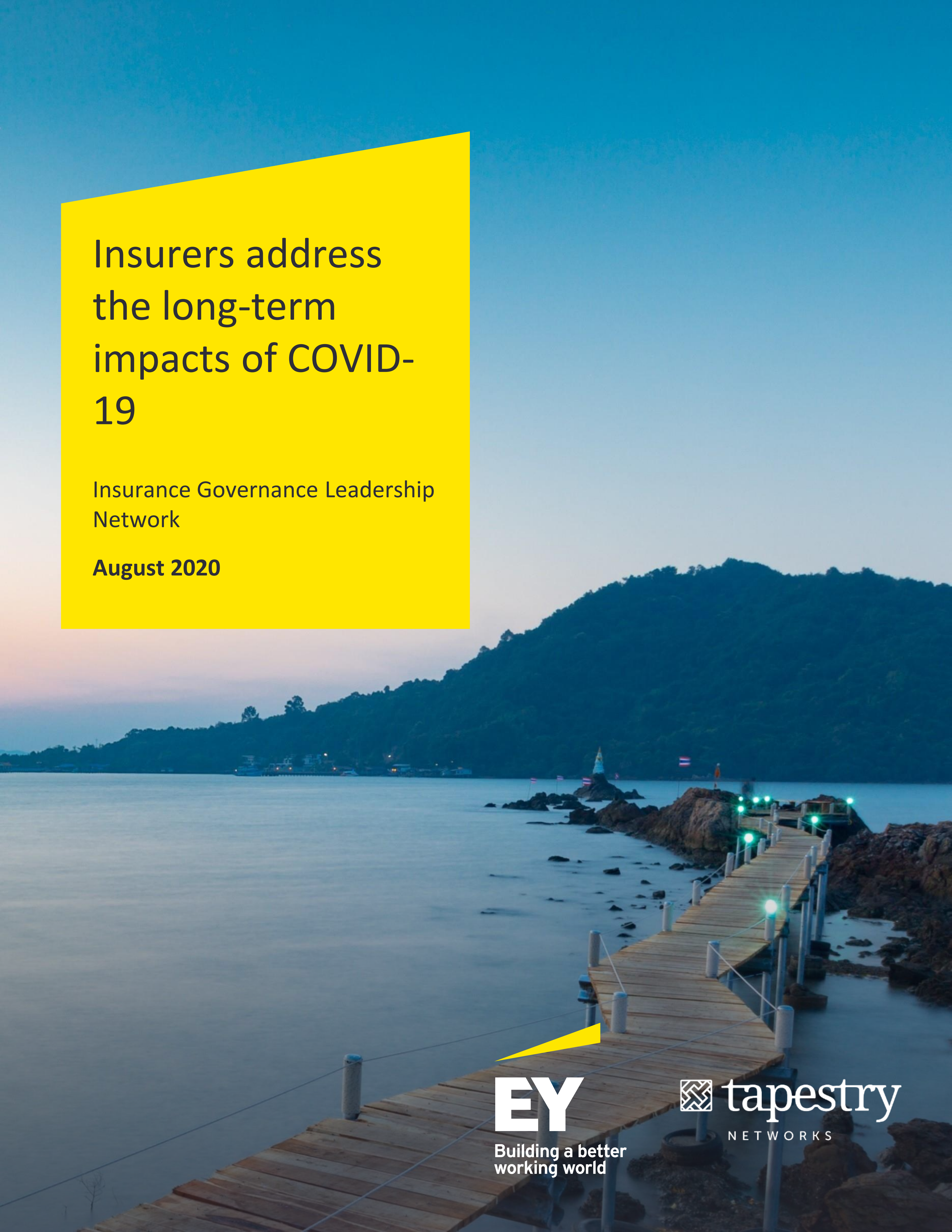
Insurers address the long-term impacts of COVID-19

Insurance Governance Leadership Network

August 2020



EY
Building a better working world

tapestry
NETWORKS

Insurers address the long-term impact of COVID-19

The COVID-19 pandemic created substantial operational and financial challenges for insurers. Reacting quickly, they stabilized operations and overcame initial liquidity challenges, then turned their attention to the longer-term implications of the pandemic. Insurance Governance Leadership Network (IGLN) participants also noted that several new opportunities stemming from the pandemic will shape the future of the industry.

From March 27 to May 15, 2020, IGLN participants met in a series of conference calls to discuss how the sector was responding to the COVID-19 pandemic. During virtual meetings on June 2 and June 9, 2020, participants met to discuss how the industry is grappling with the longer-term implications of the pandemic. The following themes emerged from these discussions:

- **Insurers see opportunity to accelerate digital trends**
- **Financial uncertainty will continue to create industry challenges**
- **Insurers see a path to overcoming reputational challenges**

Insurers see opportunity to accelerate digital trends

Insurance leaders were pleasantly surprised at their ability to transition to remote work and stabilize operations in the early weeks of the pandemic. An executive noted, *"As a company, we coalesced quickly and moved all of our call centers from standalone buildings to the cloud in one weekend. We accomplished this in two days when we had thought it would take us four years to do this."* Another said, *"We've seen an increase in virtual interactions both within our own organization and in the way in which we interact with our distribution partners."* The pandemic was a catalyst, accelerating trends already in progress and enabling insurers to capitalize on earlier efforts to digitalize their operations. One participant said, *"We already recognized the inexorable trend from brick and mortar to online. The pandemic has only just accelerated it."* The transition has gone smoothly enough that insurers are focusing on how to preserve the new momentum.

"How do we accelerate and sustain the opportunity without reverting back to our old ways of operating?"

– Participant

Digital distribution

With business travel and in-person meetings impossible, insurers transitioned to digital distribution and sales. A director said, *"With respect to distribution, we are now writing 60–70% of our business plan for the year—all virtually. That's 30–40% less than we need, but 60–70% more than we had planned. It is remarkable how adaptable customers and advisers have been."*

While the accelerated shift to digital distribution could lead to significant changes in sales channels and operating models, it has required overcoming significant hurdles. One director said, *"Insurance is fundamentally a person-to-person distribution market."* Another questioned the impact that digitization will have on new business, especially in the life insurance sector: *"It is always easier to grow the business if you are able to meet a potential customer and get a sense of familiarity. It is difficult to do that virtually because you cannot get a good sense of who a person is."*

Nevertheless, IGLN participants suggested that the shift to digital distribution will continue. *"Distribution systems will be challenged. They were being challenged beforehand. This has just sped up the process,"* said one participant. Another emphasized the need to sustain digitalization momentum after the pandemic subsides: *"My question is, given the overriding imperative to reduce distribution costs, why would we ever go back, and what can we do to stop the elastic from snapping back to where we were before this? How do we accelerate and sustain the opportunity without reverting back to our old ways of operating?"*

Back-office digitization

The pandemic also forced insurers to accelerate the digitization of their back-office functions, in part because of the surge in remote work. One director said, *"With fewer people working in the office, more processes had to be taken online."* An executive said, *"I expect we will continue to see an increase in paperless processes going forward."* The pandemic may also accelerate cost reduction through new uses of data. One executive said, *"We see our advantage as our analytical capabilities, not our ability to fill in forms. If we can digitize reporting and shift our employee base to more analytical work and away from reporting, our efficiency will climb."* Another added, *"I think with this digital transformation, you will see how data is integrated into the fabric of daily life and the acceleration of bigger, broader data integration into all aspects of the insurance model."* However, another participant warned the sector will face challenges pursuing back-office transformation: *"The industry faces a lot of legacy burdens that need to be addressed. C-suite leaders and* *boards need to keep asking the hard questions. And it goes beyond the legacy challenges with technology. A lot of it is cultural."*

Continued remote work raises the stakes for leaders

"If you had come to me with a business continuity plan that called for 100% of associates to be working remotely, I would have said it can't be done. But we did it and we did it within four or five days."

– Participant

Implementing remote work has been the most immediate operational challenge. One participant said, *"If you had come to me with a business continuity plan that called for 100% of associates to be working remotely, I would have said it can't be done. But we did it and we did it within four or five days."*

Leadership and boards had to change their own ways of operating, including meeting more often, especially in the early days of the crisis, and relying on frequent conference calls or virtual meetings to keep abreast of any developments. One director said, *"Our board now has a series of bi-weekly conference calls. During off-weeks, our CEO writes a brief update to the board about the status of the company."* Another added, *"We have been having weekly calls with the CEO and senior management team to make decisions on anything ranging from liquidity to succession planning to compensation."*

Stress, morale, and mental health issues are emerging

Despite a quick transition to remote working, many participants reported that the initial enthusiasm had begun to fade by June. They worried about sustaining engagement and morale among employees, including senior leaders. One director said, *"For some of our employees, this has been an isolating experience."* Another said, *"We are finding that the sprint was doable, but the marathon is not—it's very, very hard."* Others questioned how prolonged remote work would impact employee well-being, with one noting: "*If you pair working from home with other stressful situations, such as a family member's illness, it can be detrimental to that employee's mental health."* A participant added, *"In the beginning, we were running on adrenaline. That comes at a cost, and now we are seeing an increase in fatigue … I am concerned about the long-term damage to corporate culture if we do not find a way to alleviate this pressure."*

Return to the office is difficult to navigate

Even as participants noted that many employees were eager to return to corporate work sites and regain a sense of normalcy, many questioned whether reopening offices made sense, given the following concerns:

- **Lack of uniform guidance on reopening.** A US director said, *"Different states have imposed different restrictions on staying home and returning* *to work. Companies with operations in the states with the strictest restrictions will not take action anywhere, until those states say they can."* Another US executive added, *"As we plan for gradual re-entry, we need better guidance from the CDC [Centers for Disease Control and Prevention] about safety standards for different kinds of work environments. Common standards and consistent applications of those standards will help employees feel confident to return to work."*

"We are finding that the sprint was doable, but the marathon is not—it's very, very hard."

– Director

- **Potential for legal liability.** Others noted the possibility of litigation if workers return to corporate settings. One director said, *"In an office environment, it may be possible to social distance, but what about a call center? I've heard of one fatality related to the virus that has come from a call center. Companies are opening themselves up to potential legal liability."*
- **Need for strong safety protocols.** Should offices reopen, many expect strict safety measures, including mandated social distancing and constant use of masks. These may make returning to offices unattractive. One executive said, *"Coming to work now with social distancing requirements in place, such as one person in an elevator at a time, or wearing masks at all times, sounds like remote work without the comforts of remote work."*

The pandemic will permanently usher in more remote working

Participants agreed that a largely remote workforce will become permanent in the insurance industry, in part because the pandemic has demonstrated the benefits of remote work. According to one director: *"We are finding that productivity is actually higher now with our teams working from home."* An executive agreed: *"I think one lasting effect of this will be the realization that remote work can be productive."* As a result, insurers are considering more permanent remote work arrangements for employees. One director said, *"My company has office space that can hold 5,000 employees, and they could not even fill it prior to the pandemic. If we have more work performed virtually, whether it be internal or external, there is no need for that amount of office space."* Another added, *"I would not be surprised if more offices are consolidated going forward."*

Rising cyber security concerns

With much IT infrastructure moved to the cloud and many employees using personal equipment for their work, companies face heightened risk of cyberattacks. *"Bad actors are being opportunistic and taking advantage,"* noted Matt Hynes, EY's global cyber transformation leader, who discussed ways for insurers to protect their data:

- **Rigorous attention to hygiene.** Mr. Hynes said that doing a few things well can dramatically reduce an organization's vulnerability, including executing regular data backups, implementing multifactor authentication, and maintaining a robust inventory of third- and fourth-party relationships. An effective patching program is particularly crucial: *"Every unpatched system is an open door waiting for someone to walk through."*
- **Implementation of endpoint protection.** Securing user devices, including those used by board members, is especially critical. Mr. Hynes said that bad actors are motivated to access confidential board communications and advised implementing additional safeguards beyond passwords: *"Shared passwords can easily be compromised. A second level of authentication, such as a one-time PIN provided via text message, is a good control."*
- **Ensuring compliance from key vendors.** As insurers turn to providers such as insurtechs or cloud platforms, they need to manage security beyond their own walls. One director noted, *"Operational resiliency is only as a good as its weakest link, so an organization's vendor risk management and assessment of critical service providers' ability to recover from a crisis within a crisis is critical."* Mr. Hynes pointed out that, while there is no substitute for rigorous onsite testing and inspection of third parties, this can be challenging, and public security ratings and assessments by industry consortia can help to provide assurance around third-party security.

While the industry has not seen *"an uptick"* in cyber insurance claims, Mr. Hynes warned that these may increase in the coming months: *"Insurance products on cyber are often lagging indicators. Attacks can take months, if not years, to be detected, and cyber insurance claims will only be filed after the company finds out they've been breached."*

The pandemic may create new opportunities for the sector

"Any time a risk profile or potential loss experience is only partially covered, there is an opportunity for the industry to get creative with new designs or protection schemes."

– Participant

A participant said that, with any new risk, the industry needs to respond with new coverage models and business lines: *"Any time a risk profile or potential loss experience is only partially covered, there is an opportunity for the industry to get creative with new designs or protection schemes."* This could mean a shift from simply indemnifying losses to loss mitigation and prevention. One director said, *"I could see the industry pivoting from paying out claims on the back end to helping customers avoid those losses in the first place."* Another potential product line for insurers is deeper cyber protection, as more companies begin to take their operations online: *"There is a new opportunity with businesses who did not have as much exposure as they do now."*

In addition, new collaborations may be possible in the wake of the pandemic. One director predicted, *"I think after the pandemic ends, there will be more private and public partnerships, at the least at the country level but maybe also at the global level. There will be an evolving relationship between private and public sectors."* The primary example is a "backstop" for business interruption claims related to a future pandemic, akin to flood or terrorism insurance, where the risks are simply too great for any single private insurer, or even for the industry as a whole. An EY expert said, *"There's been a lot of discussion about deeper institutional relationships between government and insurers to provide risk coverage for pandemic events."* A director said, *"You need something that can cover everyone when 100% of the policies are hit. Insurers are not viable to cover all of that."* Another director said, *"I could see something similar to the model of the Terrorism Risk Insurance Act coming out of this, where the insurers cover the first layer of protection, but the government covers the remainder."* Indeed, in May 2020, the Pandemic Risk Insurance Act of 2020 was introduced in the US House of Representatives; if passed, it would establish a Pandemic Risk Reinsurance Program to cover pandemic-related business interruption losses that insurance companies cannot afford.[1]

However, even if an additional layer of federal protection is added to pandemic-based insurance lines, one executive warned that the sector will still face public policy issues: *"The insurance sector does not respond well in situations where there are moral hazards, such as building in flood zones. Insurers are always fighting an uphill battle here. It is not clear to me that the industry will be able to have a safety net for those hazards, even if there is a federal backstop."*

Assessing global responses to the pandemic

The pandemic's worldwide nature creates significant challenges for the industry, according to Simon Woods, EY's EMEIA insurance strategy leader: *"The global aggregation of the pandemic causes the problem, rather than the severity in a single country."* IGLN participants agreed that the crisis calls for a globally coordinated response, but identified several challenges in making this a reality:

- **Industry structure.** *"Insurance is based on capital that is globally mobile, and on global risk pooling,"* said Mr. Woods, *"but it plays out in national markets. The politics, policies, and brands tend to be national."* Global insurers have responded inconsistently across national boundaries. One regulator said, *"An insurance group will take different actions in different countries because the political pressure is different. From the perspective of a single European market, we would like to have a more consistent approach from insurance groups."*
- **National interests.** According to Mr. Woods, *"Most responses we have seen are at the national level and reflect national interests."* As a result, according to one director, a coordinated response to the pandemic is a *"bridge too far. To have a standard of practice between the EU, Asia, and the US right now is unimaginable. There is not a room big enough to hold all of these voices."*

Financial uncertainty will continue to create industry challenges

Given the initial market volatility and sudden downturn in economic activity as COVID-19 became a pandemic, insurers were faced with preserving liquidity in the short and medium term while assessing the potential for cash flow constraints and asset revaluations. As the pandemic wore on, insurers began to turn their attention to longer-term financial consequences of the pandemic. Not least among these is associated insured losses, which one director suggested will be *"upwards of $100 billion."*

Managing near-term financial challenges

"We need to protect consumers, and the solvency position of the insurer as well. It is not easy to strike the right balance."

– Regulator

During the first few weeks of the pandemic, many insurers took steps to bolster their liquidity, including drawing down revolving credit lines, which briefly led to what one participant called *"temporarily inflated debt-to-capital"* ratios. Turmoil in the equity and bond markets also negatively affected insurers' solvency ratios and caught the attention of regulators. Currently, according to Mr. Woods: *"Most regulators are not forcing urgent action or solvency because they don't want to trigger more forced selling."* European supervisors also extended reporting deadlines in order to relieve the administrative burden on insurers.

Balancing consumer expectations and financial stability

One challenge facing insurers was the need to meet consumers' extraordinary needs during the pandemic, while maintaining their own financial positions. Regulators have urged insurers to strike this balance. One regulator said, *"We want the industry and insurers to analyze their products for any differences in risk profile compared to when they issued the policies to determine where there is a detriment to policyholders and think about what kind of remedial action they could take."* But, he added, *"We want insurers to make this analysis with a view to the long-term necessity to preserve solvency and their capital and liquidity positions in a difficult situation. We need to protect consumers, and the solvency position of the insurer as well. It is not easy to strike the right balance."*

Managing short-term decreases in premium revenue

In early spring, insurers were struggling with reductions in premium income, as sales of new policies and premium payments declined. In addition, one participant noted, *"many global insurers are allowing customers to defer paying their premiums for 60 to 90 days without penalty. This will be a major issue for insurance companies going forward."* Another participant worried that a recent trend of insurers refunding premiums because of the pandemic has changed the actuarial assumptions on which policies were originally priced: *"A lot of money is going back into the pockets of policyholders simply because the frequency and severity of incidents are going down."* Another added that *"the metrics on which commercial premiums are based—such as payrolls or sales—are going to turn out to be a lot lower than the estimates when the premiums were paid, so there will be rebates after year-end premium audits."*

Insurers expect continued declines in new sales revenue for the next year or two. An executive said, *"By and large, new business has fallen off the table* *and will be incredibly lower this year."* One director said, "*Sales volume will continue to be lower. It really depends on whether customers will pay their premiums and continue to be customers."* However, participants noted high renewal rates, since renewals are relatively easy to finalize: *"The actual completion of a renewal or binding a risk is easy if there are no new risks. Someone from home can easily process that."*

Addressing external concerns about dividends and buybacks

"By and large, new business has fallen off the table and will be incredibly lower this year."

– Executive

In the face of financial uncertainty and market volatility, a number of insurers modified or suspended dividend payments and share repurchase programs, partly as a result of pressure from European regulators. Many participants questioned the wisdom of sharply changing their dividend policies, and some suggested that the decision to do so would be driven by reputational concerns as much as effective capital management. One director noted that many shareholders would suffer financially if companies withheld dividends this year: *"A lot of older shareholders rely on those dividends as their yearly income. If a company's revenue is not vastly impaired by this crisis, then it is unfair to suggest that those relying on dividends should not be paid."*

Another director added that, because dividend payments are determined on a *"forward-looking basis,"* insurers with effective capital management strategies would have planned for significant adverse events, like the pandemic: *"When my company reset its investment policy, we considered the occurrence of a pandemic. Companies who thought of this should be in the position to pay dividends."*

Others pointed out that suspending dividends from a subsidiary company may do more harm than good: *"Many insurance companies rely on capital from dividends being paid to the parent or holding companies by subsidiary companies. If regulators adopt a ring-fencing strategy and the ability to get subsidiary dividends up to the parent becomes difficult, that creates liquidity issues for the parent company."*

Participants said that public pressure to suspend share repurchases may be even stronger than pressure on dividend payments: *"It's a matter of optics, and in some cases, public policy."* One participant questioned whether the public would understand the nuances of buybacks and focus only on their negative aspects: *"When the press reports on a share buyback, do readers understand all the factors companies consider before they authorize one?"*

Navigating longer-term economic headwinds

The outlook for global economic growth looks even more grim than it did in early spring, according to the International Monetary Fund, which estimated in June that global GDP will contract by 4.9% in 2020.[2] While global growth in 2021 is projected at 5.4%, this would leave global GDP 6.5% lower than pre-pandemic estimates.[3] IGLN participants foresee a long, slow recovery from the crisis as the economy confronts low consumer confidence and a slow rebound in demand. One director said, *"This does not look to be an immediate bounce-back because COVID has generated quite a lot of drag on many economies."* Another director added, *"Continued disruption will be deep and dark. It will take a long time for the industry, as well as others, to recover from the pandemic."*

"Continued disruption will be deep and dark. It will take a long time for the industry, as well as others, to recover from the pandemic."

– Director

In the early days of the pandemic, central banks across the world injected liquidity into markets, cutting interest rates to their lowest levels since the 2008 financial crisis. Widening credit spreads limited the immediate effects of the lowered rates, but any temporary relief to the sector is not expected to last for very long. According to Doug Meyer, head of North American life insurance at Fitch Ratings, normalizing credit spreads and lower interest rates will lead to "continued pressure on reinvestment rates and in overall portfolio yields."[4]

Most IGLN participants agreed that low interest rates will persist for the foreseeable future and acknowledge that this may cause a shift in investment strategies for insurers. One executive said, *"I can see more emphasis on equity investments in companies that pay a reasonable dividend, with the potential to increase in the years to come."* The impact of prolonged low interest rates will have a particularly pronounced effect on life insurers. One executive said, *"Interest rates being as low as they are makes it difficult for long-term life and annuity products to make sense."* One director said, *"Over the long-term, life insurers are going to have the most difficulty in recovery. Not only will there be a spike in claims, but the reinvestment rate for them is going to continue to be problematic."*

While most participants thought that low interest rates would persist, one suggested that corporate borrowing to weather the crisis could lead to higher interest rates and market disruption. One executive said, *"Indebtedness has almost doubled since 2010. Our total amount of dollar-denominated debt is approaching $50 trillion. Interest rates could start kicking up, not driven by inflation, just a supply and demand dynamic. We are at risk for disruption in those markets."*

By early summer, equity markets had largely recovered from their initial COVID-19-driven slump.[5] With dismal unemployment numbers and a record number of new coronavirus cases in the United States, this market upswing represents a "'huge disconnect' from reality on the ground," according to Robert Jenkins, head of global research at Lipper.[6] One IGLN participant said, *"It is difficult to justify a connection between economic data showing 13% unemployment and a stock market that was at one point 5% under its all-time high. This disconnect may come home to roost over the longer term."* Another participant added, *"We could see some particularly difficult situations emerging over the next two to three years, but because the markets are so high right now, it is difficult to account for those future potential problems."*

In this context, one director recommended that insurers reconsider their capital management strategies: *"People say their capital structure is optimized, but for what? As soon as you hit rough water, you may need to think about a more robust financial structure that can meet new challenges."*

Developing new stress-test models

The pandemic presented a unique challenge for insurers, forcing them to grapple with exposures correlated across multiple business lines. While insurers' typical scenario planning and stress testing incorporated pandemics, they did not anticipate the accumulations stemming from COVID-19. One executive said, *"We did not foresee that the entire entertainment sector would shut down all at once, which is not the type of thing we typically include in our range of scenarios."* As a result, insurers may look to reverse stress tests when planning for future crises. One executive said, *"We'll ask, What would it take us to get to, say, a $10 billion loss, and how can we work backwards from that loss to plan for that?"*

Insurers see a path to overcoming reputational challenges

Even before the pandemic, insurers were facing a reputation problem. Healthcare issues played a part in this, especially in the United States. One executive said, *"We do not have a healthcare system that works for all, and the insurance sector has been a convenient scapegoat for those problems."* Mounting consumer, political, and legislative pressure to cover pandemic-related business interruption claims has only exacerbated the reputational challenges facing the industry. (See box below).

One director said, *"I think the industry as a whole will have to measure how they are taking positive steps to assist their customers."* The sector is working on repairing its standing through acts of goodwill toward customers. Examples include refunding premiums where claims have been low and accelerating claims resolution. A director pointed out, *"Many insurers are providing discounts to customers on their auto insurance premiums because no one is driving right now."* Another noted, *"With fewer new claims, insurers can look to their backlog of claims and try to move those along the pipeline much faster. Claims are being settled within a few days rather than 120 days. That will accelerate some liquidity to insureds."*

"The sector exists to help people. Our mission remains the same even now and we need to reinforce our messaging around what we are all about."

– Participant

One executive warned, however, that the industry needs to be *"thoughtful"* in how it approaches its goodwill gestures, especially in addressing premium holidays: *"Many might think it is a permanent premium holiday and might not pay their premium when the time comes. It is important for the industry to address that up front and not on the back end."*

IGLN participants also felt that the sector could improve its reputation by reconsidering and communicating the purpose of insurance and of the individual firms in the industry. One director said, *"It will require some deep thinking to clarify the purpose the industry really provides in the grander scheme of society. Being able to articulate that with authenticity will redefine leadership and the role of a leader."* Another participant said, *"The sector exists to help people. Our mission remains the same even now and we need to reinforce our messaging around what we are all about."*

Many suggested that creative responses to the pandemic may demonstrate the industry's ability to innovate and solve society's larger problems, such as closing the protection gap in health insurance. One director spoke of *"meaningful opportunities for the government to work with the insurance sector on some of the structural challenges that have been magnified by the pandemic, such as sufficient health coverage for underinsured people."* Another added, "*Our conversations are moving away from the overall impact of the pandemic and toward how we can account for the differential impact diseases have on minority communities."*

Insurers address business interruption claims

Insurers are grappling with numerous business interruption claims arising from the pandemic. Most IGLN participants noted that these types of claims are generally excluded from coverage and warned that enforcing payments could severely harm the industry. One director said, *"The number of business interruption claims is staggering, and it has the potential to put the industry underwater. Insurers cannot afford to be the nice guy for all of these excluded claims."* Insurers are generally holding the line against such claims and not making "ex gratia" payments. One executive said, *"If we feel that we have an exclusion, we will not pay and will go into mediation if need be. This is our position; we stick to the wording in the contract."*

But insurers feared that the issue will continue to fester. One executive said, *"I expect a long tail of conduct-related issues over the next few years because contracts may not have performed as expected according to consumer groups,"* leading to claims of misselling. Another participant acknowledged that unclear contract language may be a catalyst for claims: *"The exclusion clauses can be very loose as to what is covered and what is not. Good lawyers will attack that."* However, even if insurers tighten up their contract language to exclude certain claims, a participant said, that *"does not mean that business interruption will not be litigated."*

Politicians are pushing insurers to pay business interruption claims despite existing pandemic exclusions. At least seven US states and several politicians have called for insurers to retroactively cover pandemic-related business losses.[7] In April, Democratic members of the US House of Representatives introduced legislation designed to prohibit insurers from excluding coverage of business interruption losses stemming from pandemics, and nullifying existing exclusion clauses from contracts currently in force.[8]

Regulators have also begun pushing for clarity on this topic. In June, the UK Financial Conduct Authority launched a test case on business interruption claims to resolve uncertainties around these claims: "The action has been prompted by widespread concern regarding the 'lack of clarity and certainty' for policyholders making these claims,

Insurers address business interruption claims

particularly small and medium-sized enterprises (SMEs), and the grounds on which some insurers are seeking to deny cover."[9] In New York and Washington, state financial and insurance commissioners asked property and casualty insurers writing business in their states to provide policyholders an explanation of benefits under their policies and to clarify language surrounding protections in connection to COVID-19.[10]

Regardless of the political and legal outcomes, the reputational challenges are substantial. One IGLN participant cautioned that the industry will have to take *"a very careful"* approach in handling business interruption claims and managing their reputations. Another added, *"For much of the public, everything that the insurance industry is bringing forward as reasons why they could not insure pandemic losses is not understandable and not hearable."* Another added, *"After this is over, insurers are going to have to think about their social contract with people, much like many businesses will. Some high-profile businesses [that] have laid off instead of furloughing people may find that patrons will no longer support them because of their actions. Insurers may have the same issue if they choose not to cover certain claims resulting from the pandemic."* Evidence of this has begun to emerge. A third of UK small businesses surveyed in late April 2020 said that they would stop paying for business interruption coverage.[11]

Insurance Governance Leadership Network

IGLN

VIEWPOINTS

About the Insurance Governance Leadership Network (IGLN)

The IGLN addresses key issues facing complex global insurers. Its primary focus is the nonexecutive director, but it also engages members of senior management, policymakers, supervisors, and other key stakeholders committed to outstanding governance and supervision in support of building strong, enduring, and trustworthy insurance institutions. The IGLN is organized and led by Tapestry Networks, with the support of EY. ViewPoints is produced by Tapestry Networks and aims to capture the essence of the IGLN discussion and associated research. Those who receive ViewPoints are encouraged to share it with others in their own networks. The more board members, members of senior management, advisers, and stakeholders who become engaged in this leading-edge dialogue, the more value will be created for all.

About Tapestry Networks

Tapestry Networks is a privately held professional services firm. Its mission is to advance society's ability to govern and lead across the borders of sector, geography, and constituency. To do this, Tapestry forms multistakeholder collaborations that embrace the public and private sector, as well as civil society. The participants in these initiatives are leaders drawn from key stakeholder organizations who realize the status quo is neither desirable nor sustainable and are seeking a goal that transcends their own interests and benefits everyone. Tapestry has used this approach to address critical and complex challenges in corporate governance, financial services, and healthcare.

About EY

EY is a global leader in assurance, tax, transaction, and advisory services to the insurance industry. The insights and quality services it delivers help build trust and confidence in the capital markets and in economies the world over. EY develops outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, EY plays a critical role in building a better working world for its people, for its clients, and for its communities. EY supports the IGLN as part of its continuing commitment to board effectiveness and good governance in the financial services sector.

tapestry NETWORKS

EY Building a better working world

Appendix

On June 2 and June 9, 2020, Tapestry and EY hosted paired IGLN virtual meetings on the COVID-19 pandemic. Prior to that, Tapestry and EY hosted four conference calls on March 27, April 9, April 24, and May 15, 2020 to discuss the pandemic. In those virtual meetings and conference calls, and in individual calls in preparation for them, we conducted numerous conversations with directors, executives, regulators, supervisors, and other thought leaders. Insights from these discussions inform *ViewPoints* and quotes from these discussions appear throughout.

The following individuals participated in these discussions:

IGLN Participants

- Doug Allen, Assistant Vice President, Enterprise Risk Management, State Farm
- Joan Amble, Non-Executive Director, Zurich Insurance Group
- Tony Anderson, Non-Executive Director, Marsh & McLennan Companies
- Bill Anderson, Chair of the Board, Sun Life Financial
- Amy Bally, Vice President, Risk Management, State Farm
- Marty Becker, Former Chair of the Board, QBE
- Matt Brewis, Director, General Insurance and Conduct Specialists, Financial Conduct Authority
- Douglas Caldwell, Executive Vice President, Investment Risk, Model Risk, Governance and Reporting and US Chief Risk Officer, MetLife
- Marcia Campbell, Non-Executive Director, CNP Assurances; Risk Committee Chair, Canada Life Group
- Jeff Campbell, Non-Executive Director; Aon
- Jan Carendi, Non-Executive Director, Lombard International Assurance
- Alison Carnwath, Audit Committee Chair, Zurich Insurance Group
- Carolyn Dittmeier, Chair of Statutory Auditors, Generali
- Sara Grootwassink Lewis, Audit Committee Chair, Sun Life Financial
- Mark Hoban, Chair of the Board, Flood Re
- Sheila Hooda, Non-Executive Director, Mutual of Omaha; Nominating and Governance Committee Chair, ProSight Global

- William Kane, Audit Committee Chair, The Travelers Companies; Audit Committee Chair, Transamerica
- Sue Kean, Non-Executive Director, Utmost Life and Pensions
- Joan Lamm-Tennant, Chief Executive Officer, Blue Marble Microinsurance; Non-Executive Director, Equitable Holdings and Hamilton Insurance Group
- Christine Lasala, Senior Independent Director, Beazley
- John Lister, Risk Committee Chair, Old Mutual, Pacific Life Re, and Phoenix Life
- Karole Lloyd, Audit Committee Chair, Aflac
- Mike Losh, Audit Committee Chair, Aon
- Monica Mächler, Non-Executive Director, Zurich Insurance Group
- Trevor Manuel, Chair of the Board, Old Mutual; Non-Executive Director, Swiss Re
- Roger Marshall, Audit Committee Chair, Pension Insurance Corporation
- Eileen Mercier, Non-Executive Director, Intact Financial
- Mike Morrissey, President and Chief Executive Officer, International Insurance Society
- Nathan Moss, Chair of the Board, Wesleyan Assurance Society; Non-Executive Director, Canada Life Group
- Fausto Parente, Executive Director, European Insurance and Occupational Pensions Authority
- Kevin Parry, Chair of the Board, Royal London
- Debra Perry, Finance and Risk Committee Chair, Assurant; Non-Executive Director, Genworth Financial
- Peter Porrino, Audit Committee Chair, AIG
- Andrew Pryde, Chief Risk Officer, Beazley
- Sabrina Pucci, Non-Executive Director, Generali
- Alessandrea Quane, Executive Vice President and Chief Risk Officer, AIG
- David Roberts, Chair of the Board, Beazley
- Teresa Roseborough, Non-Executive Director, Hartford
- Ted Shasta, Non-Executive Director, Chubb
- Nicholas Silitch, Senior Vice President and Chief Risk Officer, Prudential Financial

- Eric Spiegel, Audit Committee Chair, Liberty Mutual
- Bob Stein, Audit Committee Chair, Assurant; Audit Committee Chair, Talcott Resolution
- Gregor Stewart, Audit Committee Chair, Direct Line
- Scott Stoll, Audit Committee Chair, Farmers Group; Audit Committee Chair, Farmers New World Life Insurance Company
- Anna Sweeney, Executive Director, General Insurance Supervision, Bank of England
- Cathy Wallace, Chief Risk Officer, State Farm
- Tom Wilson, Global Chief Risk Officer, Allianz

EY

- Anthony Caterino, Vice Chair and Regional Managing Partner, Financial Services
- Lisa Choi, Principal, Financial Services
- Gary Hwa, Regional Managing Partner, Financial Services, Asia Pacific
- Matt Hynes, Global Cyber Transformation Leader
- John Latham, Global Client Service Partner
- Ed Majkowski, Americas Insurance Sector and Consulting Leader
- Peter Manchester, EMEIA Insurance Leader and Global Insurance Consulting Leader
- Simon Plummer, Principal, Americas Insurance Enterprise Protection and Trust Leader
- Isabelle Santenac, Global Insurance Leader
- Marcel van Loo, EMEIA Financial Services Regional Managing Partner
- Simon Woods, EMEIA Financial Services Insurance Strategy

Tapestry Networks

- Eric Baldwin, Principal
- Jonathan Day, Vice Chair
- Marisa Roman, Associate
- Simon Wong, Partner

Endnotes

[1] Pandemic Risk Insurance Act of 2020, H.R. 6983, 116th Cong. (2020).

[2] International Monetary Fund, *World Economic Outlook Update, June 2020: A Crisis Like No Other, An Uncertain Recovery*, (Washington, DC, June 2020), 5.

[3] International Monetary Fund, *World Economic Outlook Update, June 2020: A Crisis Like No Other, An Uncertain Recovery*, 20.

[4] Ben Dyson and Ahmed Aftab Qureshi, "U.S. Insurers Have a Reprieve from Lower Interest Rates, but Not for Long," *S&P Global*, April 2, 2020.

[5] Greg Iacurci, "The U.S. Is in a Recession, but The Stock Market Marches Higher. Here's Why There's a Disconnect," *CNBC*, update June 10, 2020.

[6] Iacurci, "The U.S. Is in a Recession, but The Stock Market Marches Higher. Here's Why There's a Disconnect."

[7] Elizabeth Blosfield, "More States Introduce COVID-19 Business Interruption Bills," *Claims Journal,* April 16, 2020.

[8] Business Interruption Insurance Coverage Act of 2020, H.R. 6494, 116th Cong. (2020).

[9] Sarah Turpin and Alexander J. Bradley-Sitch, "COVID-19: FCA File Pleadings in Business Interruption Insurance Test Case," *The National Law Review*, June 15, 2020.

[10] "Legal and Regulatory Developments—Business Interruption Insurance for COVID-19 Related Losses," Eversheds Sutherland, June 25, 2020.

[11] Oliver Ralph, "UK Companies to Shun Business Interruption Insurance," *Financial Times*, May 3, 2020.