

# BEING RESILIENT

## FOUR STEPS INSURERS SHOULD TAKE TO ADDRESS COVID-19

# INSURANCE

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Insurers in particular will be managing consequences of COVID-19 for years to come. In addition to the new coronavirus' highly contagious nature and apparent ability to spread from asymptomatic carriers, the virus has infected a populace that is more interconnected and interdependent than ever before. At this stage, society's main tools to limit the spread of COVID-19 are social distancing and shutting down business as usual. This will result in severe economic consequences. Insurance executives can begin managing those consequences now by reassuring customers and employees, reassessing their business, reinforcing customer support, and preparing for a long reset.

## First step — reassure everyone

Managing through this current disruption and into the recovery period will require insurance executives to move quickly, rely more on technology and find new ways to take care of customers. The shift of employees and companies to the work-from-home context means insurers with more digital operations will have an advantage as the impact of COVID-19 lingers from spring into summer. Companies with robust cloud-enabled systems can shift to decentralized teams and begin to prepare for clients who have questions or changing needs.

Insurers should strive for zero lapse in communication by keeping agents and customer support staffers available for clients. At the same time, companies can encourage customers to engage via mobile apps for routine customer service needs such as starting a claim, making a payment and reviewing policies.

With communication in place, insurers will be able to make customized accommodations for clients, extend

grace periods for lapsed policies and missed premium payments, and then communicate that broadly. This can prompt customers to engage and explain their situation. In jurisdictions where it is allowed, insurers should allow customers to request special payment plans that allow the customers to skip or defer premium payments without a penalty.

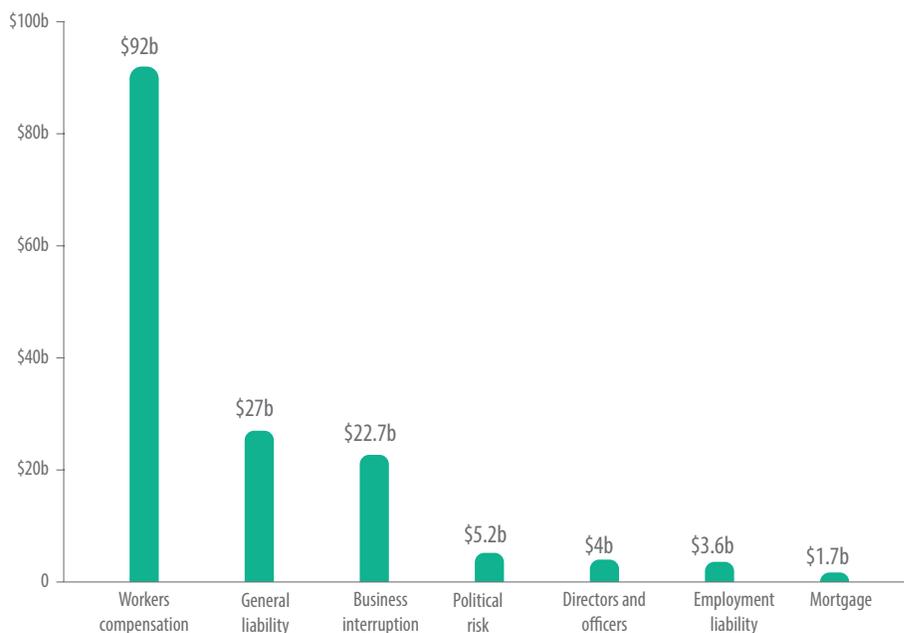
A number of auto insurers in the U.S. already have moved quickly on this, returning premiums to policyholders.<sup>1</sup> That includes Allstate's plan of refunding a combined total of about \$600 million to auto insurance customers who are driving less. American Family Insurance says it will send customers \$50 per covered vehicle, or about \$200 million in total. Consumer groups already have called for some relief for sheltered-in-place drivers, and the list of insurers granting some relief ballooned in one

week to dozens.<sup>2</sup> Parallel to extending grace to customers, insurers should adjust their commercial messaging to emphasize stability, service and security (as opposed to sales and savings) until the crisis subsides. In addition to the obvious sense it makes, this move will have greater impact as other advertisers retreat from media channels.<sup>3</sup>

For group coverage plans, insurers should develop and communicate their plans for furloughed workers and those temporarily separated from work. MetLife has pledged to continue group life, dental, accidental death and dismemberment, vision, accident and health, and legal coverage for an additional 12 months (if premiums are paid).<sup>4</sup> Insurers should move quickly to develop answers, establish a plan and then stand ready to adjust to the rapidly changing pandemic situation.

Figure 1. COVID-19's potential impact on insurance lines

COVID-19 will have its biggest impact on workers' compensation policies held by hospitals, medical services, first responders, and transport and retail organizations.<sup>5</sup>



Sources: *Scenario Analysis of the COVID-19 Pandemic*, Richard Clarkson, Christopher Bozman and Will Shuter | May 1, 2020, Willis Towers Watson.

## Second step — reassess everything

Insurers should reassess their operations in the broadest terms possible. This begins with gauging flexibility and the ability to work from anywhere. Insurers can achieve this by applying cloud and “polycLOUD” strategies and making them safe by applying robust cybersecurity protocols. Once those are in place, companies can further support their employees in this trying time by creating user-friendly bring-your-own device protocols.

This meshes well with the motivations of insurance companies, as measured in Infosys Knowledge Institute’s Digital Radar 2020 research report. Insurers value empowering employees and have excelled at eliminating legacy systems, compared with other industries.<sup>6</sup>

In uncertain times, insurers should develop the ability to be more aware of all the inputs coming into their systems. This can be accelerated by bringing automation, artificial intelligence and machine learning to bear on the expanding universe of

data that is being collected to hunt for meaning in the information and by developing dashboards to signal decision-makers when data shifts out of specifications. This assessment and dashboard monitoring must be ongoing and evolving in order to catch important data at the right moment. Insurers who actively listen to customers and develop dashboards based on customer data will have an advantage as they assess and reimagine customer experiences for a socially distanced world and in light of the economic challenges ahead.

Insurers can benefit by developing dashboards based on customer data acquired through active listening

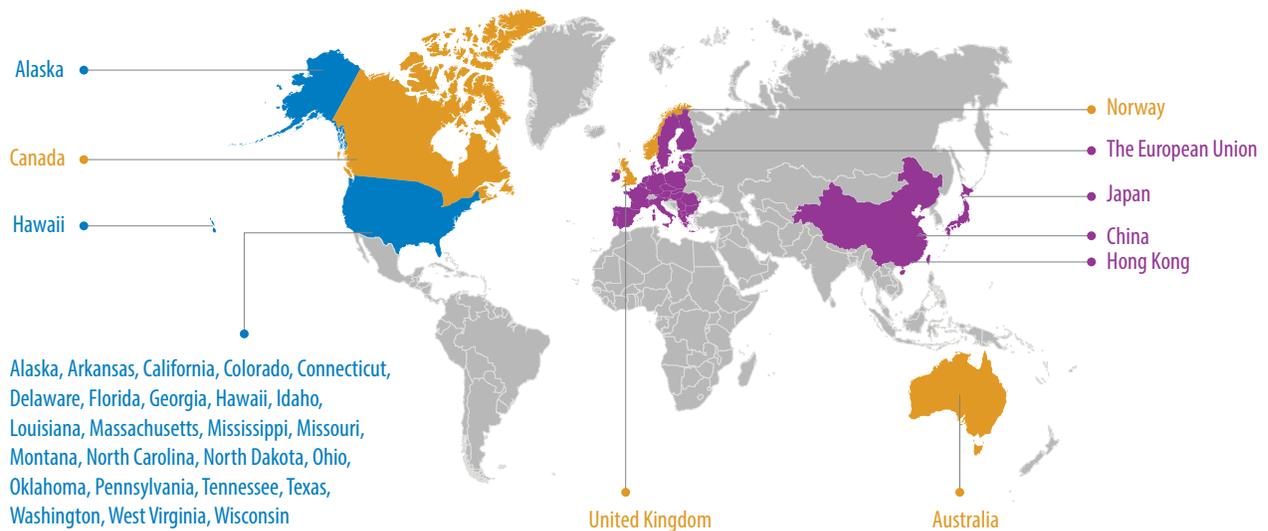
Insurance should expect challenges on all fronts:

- **Customers:** Insurers should expect all customer services inquiries, sales, underwriting and claims to require more care and attention. And this will come at a time when the traditional customer service

ecosystem has shifted to a work-from-home arrangement.

- **Sales:** Social distancing disrupts conventional sales channels. And conventional products will need to evolve to work well in the post-COVID world. These will necessitate changes from lead generation to closing.
- **Underwriting:** The strains caused by pandemic responses will slow underwriting. Further, underwriting will have to adjust to a different risk landscape.
- **Claims:** Last, insurers must prepare for more claims, more unconventional claims, and more involvement of regulators, politicians and community stakeholders. While past epidemics may have resulted in specific exclusion of epidemics from business interruption insurance policies, politicians have begun wading into the debate, and insurers will have to navigate the optics of such exclusions, which will require great care and precision.<sup>7</sup>

Figure 2. Insurers should prepare for more regulatory involvement



- These nations and states have urged or required insurers to provide extensions or halt policy cancellations
- These nations have urged or instructed insurers to suspend dividends during the pandemic period

Sources: [healthinsurance.org](http://healthinsurance.org), NAIC Coronavirus Resource Center, Institute of International Finance

## Third step — reinforce sales, service and support

Even if a company gets its digital decentralization and dashboard standup correct, leaders should expect some clients to be frustrated. Even the best companies will struggle to deliver good customer service to a distressed customer from within a stressed system. Customers' circumstances have shifted, and those customers will have questions and seek endorsements and policy changes.

The customer questions will hit all at once. Instead of flattening the curve of customer queries, insurers instead should expand the capacity of the customer-facing part of the business by:

- Reskilling employees (and executives) to support customer service.
- Expanding and improving digital channels to support customer service operations.
- Supplementing customer service with automation and artificial intelligence.

Further, the shift to a work-from-home setting for the bulk of its workforce will stress customer service functions. Here again, high tech can supplement high touch with automation tools, making customer service reps more productive and empowered to solve customers' problems. As companies strive to react more quickly and allow more tech-supported independence for employees, leaders also must remain

mindful of bad actors who will look to exploit the system. To do this, apply clear communication and carefully tuned data systems to watch for errors and to detect fraud attempts.

It's time for insurers to reimagine traditional functions with the help of technology

In terms of coverage, insurers must reframe traditional products for their new realities. For example, when a restaurant client shifts into the food-delivery business, its insurer and product rep should shift coverage seamlessly to adjust to the new potential liabilities that come from that change. Further, the proactive insurance partner will have studied such a change and be able to bring some risk management advice to the client. By understanding and engaging in their political environment, insurers also should prepare for new state mandates that will come about in reaction to the pandemic.

Insurers also should look at ways to reimagine and apply technology more broadly to traditional functions. COVID-19-related rules and changes will delay and interrupt the typical work of a property and casualty inspector. Digitally adept insurers could consider deploying drones to collect images for inspectors to review remotely and enabling customers to submit digital information, including high-resolution photos and data files for processing.

Sales and underwriting also can turn to digital tools to adjust to the disrupted status quo. That starts with using digital channels for sales and lead generation. Data sources and artificial intelligence can speed underwriting decisions.

## Final step — prepare for the long reset

Finally, prepare for what comes next. Leaders should experiment, try new tactics, pilot new technology and prepare for the reset that comes after COVID-19 runs its course. Insurers can help clients reimagine what the workplace in the post-COVID-19 world will look like. Insurers' strength in understanding risk and developing plans can provide value in a number of ways, such as:

- Gauging the effectiveness of business continuity plans currently in action.
- Studying how lessons learned from past epidemics and global events can apply to COVID-19.
- Providing advice for businesses on their efforts to reopen.
- Developing action plans for a recurrence of the COVID-19 pandemic and for future epidemics.

By leveraging digital technologies and their institutional expertise, insurers have an opportunity to demonstrate their worth to clients and their communities as we all work through this crisis together.

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