



COVID-19 CRISIS - REWIRING THROUGH THE GREAT RESET

An analysis of strategy and commentary from 100 global Insurance CEOs FY 2021 (Apr 2020 – Mar 2021).

Abstract

The Insurance industry, like many others, has faced extraordinary turmoil due to Covid-19. While COVID-19 has presented the Insurance industry with unprecedented operational and financial constraints, it has also created the potential to embrace innovation, technological advancement, and digitalization to keep pace with the volatile global environment and growing complexity of customer requirements. While digitalization has been a point of focus for the industry before COVID, the crisis has hastened the progression.

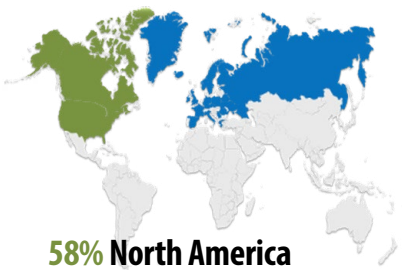
Insurers intend to continue investing in better systems and technology that will eliminate manual processes and improve customer engagement. The shift in consumer behavior to digital has accelerated the growing need for digital capabilities and spurred technological change among carriers and brokers. The Insurance industry is adapting to changing customer behavior and growing appetite for personalized products, technological innovations, and stringent regulatory requirements to counter the pandemic's challenges, all of which are largely altering the insurance value chain.

CEOs are bullish about the year 2021. However, they concede that COVID-19 related headwinds and uncertainty will persist for the foreseeable future. Although it is uncertain how long economies and society as a whole will take to recover from the crisis, insurers are continuing to concentrate on rebuilding their business, operations, and technology to better serve their stakeholders, becoming more agile, digitally enabled, and finally, a data-driven organization. With an eye toward the future, insurers are considering pursuing new collaborations, adjusting to new ways of working as they seek efficiency in these challenging times.

About the Analysis

This research paper offers a unique perspective of Insurance CEOs on the pandemic's impact, trends, shifting strategies, outlook, and the key initiatives for 2021. In mid-2020, we analyzed 100 Insurance CEOs commentaries ([see Link](#)) before the full effect of the pandemic hit some of the world's most key economies. This is a follow-up analysis of 100 Insurance CEOs commentaries from 2021 Q3 and Q4 to get a high-level view on how the thinking has advanced, to learn CEOs perspectives, outlook, and a road map of the key priorities ahead. The results reflect our views of the CEO comments from global corporations that represent a broad cross-section of life, property/casualty, reinsurers, and insurance brokers of all sizes and lines of business. The figures below displays the distribution by company geography, size (annual revenue), and lines of business. The findings and implications of this research paper are subject to change in the light of post-publication developments.

Distribution by Geography

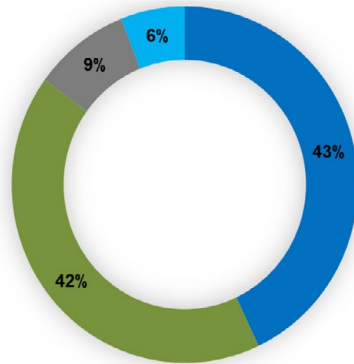


58% North America

40% Europe

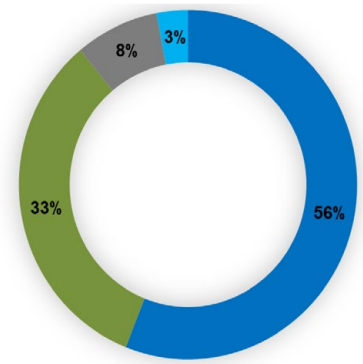
2% Rest of World

Distribution by Industry Sub-segment



■ P&C Insurers ■ Life Insurers ■ Reinsurers ■ Insurance Brokers

Distribution by Size



■ <10 Bn ■ 10-50 Bn ■ 50-100 Bn ■ >100 Bn



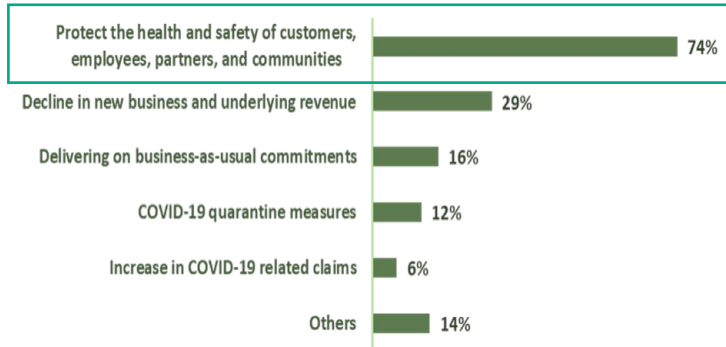
Key Findings

The COVID-19 outbreak is causing widespread concern among Insurers, who are responding to the widening outbreak on various fronts. This research note, drawing on our analysis, explores the following key findings.

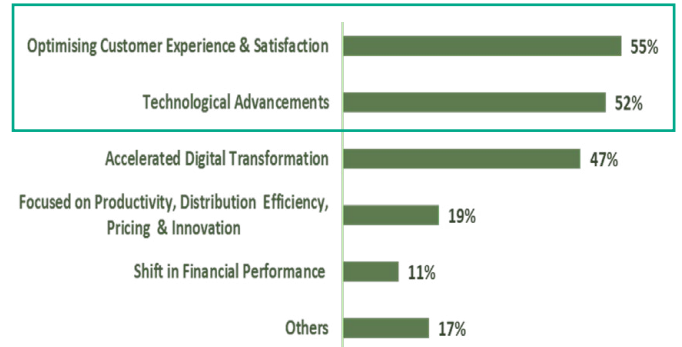
Embracing change

Insurance CEOs continue to protect their employees, customers, and distribution partners while attempting to maintain business continuity through technological advancements and digital transformation.

2021 CEOs Quotes Analysis Top Trends (Q1 & Q2)



2021 CEOs Quotes Analysis Top Trends (Q3 & Q4)



Meeting customers' needs digitally

55% of CEOs reported that superior customer experience remains a key differentiator. Life insurance and PC insurance CEOs said that they are innovating to address evolving customers' expectations to become more customer focused.

Pandemic put a spotlight on IT investments

52% of CEOs make the move to digital business, they are prioritizing investments in the technologies that allow them to support digital transformation and customer-centricity.

Most important technology investments highlighted by CEOs are:

1. Automation
2. Artificial Intelligence
3. Advanced Data Analytics
4. Customer Centric technologies
5. Data Security & Privacy

CEOs are optimistic of economic recovery

31% of CEOs acknowledged that economic uncertainty is likely to persist throughout 2021. However, they are confident that once vaccine starts to be delivered around the world, the economy is going to bounce back.

Maximizing financial flexibility and profitability

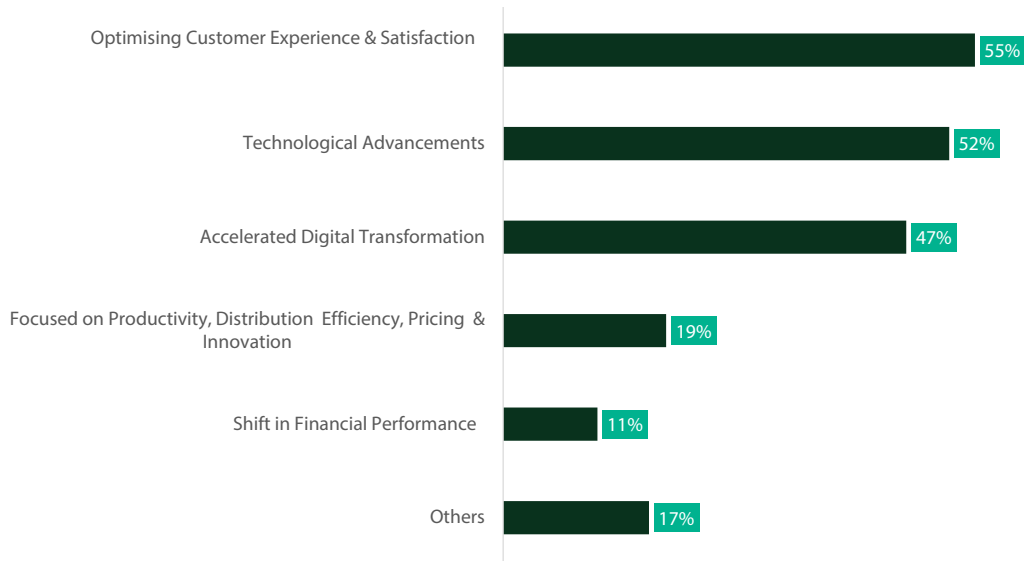
29% of CEOs reported that they will be focused on identifying opportunities for profitable growth including maximizing market share. They'll be looking for new ways to boost the value of their financial assets.



Key Trends

Against a backdrop of economic uncertainty, CEOs are being pushed to make critical decisions with long-term implications. While struggling with massive economic pressures that could jeopardize their company's future, considerable efforts are being made to protect the health and safety of their customers, employees, partners, and communities. During 2020, CEOs continued to concentrate on distribution efficiency, launch new and innovative products and services, and adjust cost structures to drive long-term profitable growth. They were focused on business continuity, resilience, lower risk exposure and support customers and distributors through the implementation of digital and technological platforms. In addition, CEOs are pledging a stronger commitment to sustainability, with the goal of investing in employee training and brand growth, etc. Exhibit 1 displays key trends cited by 100 CEOs across the globe.

Exhibit 1: CEOs Major Trends



Source: Infosys Insurance Research Analysis, N= commentary from 100 CEOs



Optimizing customer experience and satisfaction. There has been a lot of focus on improving customer experience and helping customers with continuity and forging stronger customer/brand relationships. **55%** of CEOs under the analysis acknowledge that superior customer experience remains a key differentiator. **67%** of Life Insurers and **53%** of PC insurance CEOs indicated their focus on the customer experience and engagement to drive higher satisfaction.

Technological advancements. COVID-19 has significantly accelerated insurers' growing need for technological advancement in order to optimize efficiency, operations, and proximity with customers, agents, and employees. Technological progress has been reshaping and driving innovation. Key technologies highlighted the most by CEOs are AI & ML, Advanced Data Analytics, Automation, RPA, Internet of Things, Cloud etc. **52%** of CEOs reported that they have invested in technology to make the customer interactions simpler, upgrade capabilities, and support future profitable growth. **60%** of Life and **53%** of PC insurance CEOs said that they advanced service quality and technology to enhance both new business capability and to service and retain customer relationships during the crisis.

Accelerated digital transformation. The growth of new business models, distribution networks, partnerships, and revenue streams in the insurance industry is being aided by increased digital adoption by both consumers and insurance intermediaries. COVID-19 increased digital workplace adoption. **47%** of CEOs are betting big on digital transformation and the majority have seen it speed up during the lockdown. **57%** of Life and **47%** of PC insurance CEOs said they had the digital and technological platforms in place to ensure business continuity and to help reduce costs.

Focused on productivity, distribution efficiency, pricing, and innovation. During 2020, Insurers continued to focus on distribution efficiency, constantly developing new products and services, adjust cost structure to generate sustainable, profitable growth. **19%** of CEOs understudy said that 2020 highlights the efficacy of their unique distribution strategy, strength, and commitment of their agent relationships, and their ability to deliver a diversified portfolio of products and services. **19%** of Life and **23%** of PC insurance CEOs said they focused on actions that will further increase productivity to enhance the customer and partner experience.

Shift in financial performance. Despite the COVID backdrop, most CEOs reported that they have achieved earnings growth during 2020, which demonstrated the resilience of their organization. Only **11%** of CEOs said that the COVID-19 pandemic has materially and adversely affected their results of operations and is expected to continue to do so.

1

"Critical to our success is our focus on our customers. That is why I am delighted that despite the significant challenges posed by the pandemic, we have continued to meet or exceed all of our customer satisfaction targets during 2020. Key to this was our decision to keep our call centers open while others closed theirs, coupled with the immense dedication of our customer support teams."⁽¹⁾

Andrew David Briggs, Group CEO, Phoenix Group Holdings plc

2

"We also had the digital and technological platforms in place to ensure business continuity and to support our customers even in the most critical times, reinforcing our role as a lifetime partner. So, we are investing in technology, in digital transformation, in technological innovation because it helps creating value for all stakeholders, not only shareholders but also, obviously, customers and distributors."⁽²⁾

Philippe Donnet, CEO, Generali Group

3

"We had already made digital a key focus. The pandemic meant we needed to accelerate our digital program even faster to serve clients virtually when face-to-face became impossible. As you know, we are on the journey of accelerating everything digital driven by our purpose of helping clients achieve lifetime financial security and living healthier lives."⁽³⁾

Dean A. Connor, President and CEO, Sun Life Financial

4

"During 2020, Lincoln responded well to the immediate health, economic and capital market challenges. We also took steps to add new products and build distribution, improve cost effectiveness, and strengthen the balance sheet. These actions will further strengthen our product portfolio, enable us to participate in more market segments and increase sales opportunities, combining our product breadth and distribution capabilities."⁽⁴⁾

Dennis R. Glass, President and CEO, Lincoln Financial Group

5

"Although we have made sound strategic progress in the past six months, Covid-19 has had an adverse impact in financial terms. Our operational result decreased due to the negative trends on the financial markets and the impact of Covid-19 on our health insurance business."⁽⁵⁾

Willem Van Duin, CEO, Achmea

Key Outlook

Following the COVID-19 pandemic and the resulting decline in economic activity, CEOs recognized the importance of restoring their businesses to improve their resilience. As vaccination rates against Covid-19 rise and lockdown measures are relaxed, they anticipate that the global economy will rebound in 2021. The business environment is fraught with uncertainty; nevertheless, insurance CEOs expect to deliver increased growth and earn good returns. They are optimistic that, even in these trying times, they will continue to support their customers, partners, employees, and shareholders with strong propositions. In 2021, most CEOs are focused on strategies centered around enhancing the experiences for customers and distribution partners, product innovation, with an eye on introducing new solutions, digitizing transactions, and creating efficiencies. Exhibit 2 displays CEOs outlook for the next two years (2021 and 2022).

Exhibit 2: CEOs Outlook 2021 & 2022



Source: Infosys Insurance Research Analysis, N= commentary from 100 CEOs

Digitally enhance offerings and customer experience. To be future-ready, majority of CEOs have stated that digital transformation will be a top priority in 2021. As business and trade evolves online as a result of lockdowns and social distancing, CEOs are advancing their digital strategies by effective use of data and process enabling technologies to meet the evolving consumer needs. **39%** of CEOs said that they will continue to simplify customer experience supported by modern technology, as well as driving greater operational efficiencies and digital customer services. **50%** of Life insurance and **30%** of PC CEOs will continue to invest in future growth, particularly through digital enhancements and innovations and building digitally led customer experience.

Hopeful of recovery while uncertainty persists. Most CEOs are bullish about a global economic recovery. **31%** of CEOs acknowledged that economic uncertainty is likely to persist throughout 2021. However, they are confident in the strength of their business, strategy, and employees to deliver greater success ahead. **33%** of PC and **26%** of Life insurance CEOs said that they tailored their business strategies and investments to handle the situation in the face of ongoing national lockdowns and uncertainty to improve their resilience.

1

"We will modernize our operations, delivering top quartile customer service and an increase in digitization. We're digitizing and automating more of our customer journeys. We need to build an efficient, enjoyable, engaging and digitally led customer experience and to do this consistently across our business. Customers want to purchase and interact with their insurers through mobile ad platforms."⁽⁶⁾

Amanda Jayne Blanc, CEO & Director, Aviva

2

"And while we see many positive signs for the economy, significant uncertainty remains. And we expect the recovery will remain inconsistent. As we look to 2021, though significant uncertainty remains, we expect – as economic conditions continue to stabilize and improve, we anticipate modest growth in Q1, with growth increasing toward mid-single digits as we continue through the year."⁽⁷⁾

Gregory C. Case, CEO, Aon Plc

Maximizing financial flexibility and profitability. CEOs will continue to improve the profitability, margin expansion, and investing to restore organic growth. This entails achieving cost savings and efficiencies in various core businesses while investing in products and services. **29%** of CEOs will focus on identifying opportunities for profitable growth, including maximizing market share. They'll be looking for new ways to boost the value of their financial assets. Insurers are taking steps to build a more stable and financially resilient company with greater performance predictability and financial strength. Insurers will strive to limit interest rate sensitivity as well as sensitivity to other financial market fluctuations.

Fostering business innovation, operations, and partnerships. CEOs will continue to invest in enhancing key capabilities and rollout of new and expanded offerings. Through partnerships and internal development, they plan to leverage industry-leading data assets to innovate and add products to complement their core offerings. **21%** of CEO's main emphasis will be on finding sustainable growth opportunities, such as increasing market share with distribution partners, strategically appointing new partners, and identifying a new stage to broaden footprint.

Low-interest rates expected to remain. In the coming year, the sustained record low-interest rate environment would weigh down industry wide investment market returns and ROEs. **7%** of CEOs believe that the macro environment, which includes the pressure that lower interest rates are exerting on investment income, indicates that this momentum will continue. Therefore, CEOs intend to allocate their resources where they see the best underwriting opportunities.

3

"In 2021, our primary focus is to improve our performance across all of our businesses. That means achieving efficiencies and expense savings, while at the same time, investing in products and services to our customers in the various core businesses. We will also continuously look for ways to maximize the value of our Financial Assets, for instance, by implementing Long-Term Care rate increases and dynamically hedging our legacy variable annuity block."⁽⁸⁾

Lard Friese, CEO, AEGON

4

"We continue to invest in relationships and to advance service quality and technology. All of these enhance both our new business capability and our ability to service and retain those profitable client relationships. Our focus on operational improvements and disciplined execution has created a financial signature of double-digit growth over 10 years across all key metrics: new business profits, earnings and capital generation."⁽⁹⁾

Michael Andrew Wells, CEO, Prudential plc

5

"The low-interest phase will be with us for a long time. Extremely low interest rates mean that our net investment income is decreasing from year to year. This leads to an increasing need to offset this effect with profits from the pure insurance business – in other words, actuarial pressures"⁽¹⁰⁾

Torsten Leue, CEO, Talanx

CEO accelerate growth through a set of key initiatives

Insurers will continue to work towards making a more digitized and customer-centric organization by increasing investment in "digital capabilities - digitalization, E-commerce and omnichannel, technology innovation, busines apps, analytics & big data, etc.

Increase investment in digital capabilities



Growth and improving margins

Insurers are identifying ways to improve margins by reducing expenses, increasing efficiency, and pursuing opportunities for profitable growth across different markets and business lines.

Pursuing new alliances and partnerships with digital Insurance platform providers, InsurTechs, global system integrators, IT service providers, public-private partnerships, non-traditional partners such as e-commerce, retail or automotive companies to help accelerate access to talent, increase revenue, diversify products/services and technologies.

Embrace alliances and partnerships



Leverage data assets to innovate

Insurers are leveraging industry-leading data assets to innovate and offer personalized products/services to complement core offerings, both through partnerships and internal development.



Protecting against Cybersecurity risks

Pandemic triggered increase in ransomware attacks, cyber threats, and data fraud remained the top risks. Therefore, emphasizing the need for insurers to invest in solutions for risk management that enable agile responses and quick recovery.

Concluding Thoughts

COVID-19 has deeply influenced and impacted every sector of the economy. The insurance sector was no exception to this. There's no denying that it is also serving as a spark for potential development.

Despite the confusion of what the future will entail, one thing is certain: it will be Digital. This has endorsed innovation and the development of novel products and the optimization of processes across the Insurance industry.

With a growing number of digital platforms broadening their business scope into the Insurance industry, insurers need to adapt their business models and engage with digital ecosystems. This is to broaden offerings and drive business growth across channels, geographies, and lines of business. Insurer's actions to weather the COVID-19 storm may have a

significant outcome on their long-term competitiveness and growth. As a result, insurers must be mindful of how the crisis is unfolding from a business standpoint, as well as what the future holds.

Additionally, Insurers should develop a priority and risk management process for outsourced services unique to business-criticality and locations/country risks. This is particularly so when new virus variants emerge as fatal and contagious. Having regular conversations with service providers to understand the current situation and what steps they are taking before the situation stabilizes, as well as understanding service providers' business continuity strategies and looking at potential delivery options, are few mitigation actions that insurers should consider.

To seize the opportunities arising from the Covid-19 pandemic and strengthening its competitive position, Insurer's strategy is to remain effective and more valid in the volatile market context, Insurers may embark on the following key points -

1. Focus on the digital workplace, AI, robotic process automation, cloud, IOT, and 5G to target the immediate and near-term opportunities
2. Embrace digital customer service (portals, apps, chatbots, smart assistants)
3. Leverage the power of emerging technologies, data mastery (analytics, AI, ML), and automation (cost optimization)
4. Ensure data privacy through cloud-based cybersecurity measures to minimize the risk of malware, and data breaches
5. Legacy modernization (core systems)

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