

COVID-19 challenges and other evolving risks



Brokers must adapt to stay a step ahead according to industry experts who discussed COVID-19 and other evolving risks during the Virtual Asia Insurance Brokers' Summit hosted by *Asia Insurance Review*.

By Amir Sadiq



The current pandemic shocked the world with the knowledge of how big a risk the spread of an infectious disease is. It has also highlighted the critical role that brokers play, as they are required to understand all the risks their clients face – and there are many risks that are evolving rapidly.

The world at risk

Kick starting the summit was Japan Insurance Brokers Association president and Marsh Broker Japan chairman and director Satoru Hiraga who discussed the top risks affecting the global economy based on the World Economic Forum's Global Risks Report, with updates to reflect the state of the world after the onset of COVID-19.

Based on a survey of 350 risk specialists conducted at the beginning of April, seven out of 10 risks most likely to affect the world were COVID-19-related economic risks, with negative terms such as recession, bankruptcy, unemployment, disruption and collapse all present in those risks.

Similarly, seven out of 10 risks that were of greatest concern to the

respondents were also COVID-19-related economic risks.

He also showed how the risks that have dominated survey respondent concerns have evolved over the last 10 years. The early 2010s were largely dominated by economic risk, which then gave way to more societal risks. By 2016, environmental risks were the most pressing concerns

Mr Hiraga also said that most risks are interconnected and will affect each other. Based on the Global Risks Interconnectedness Map 2020, there over 10 risks that can influence, or be influenced by, infectious disease.

Extreme weather, climate action failure, food crises, water crises and natural catastrophes are just some of the risks related to infectious disease.

Australia update

National Insurance Brokers Association of Australia CEO Dallas Booth gave an update of how COVID-19 has affected insurance in Australia.

The March quarter largely saw business as usual for most brokers, with an increase in premiums. The June quarter then saw premiums continue to rise by



Mr Satoru Hiraga



Mr Dallas Booth

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– Mr Dallas Booth

about 6.8%, with significant increases in property and liability insurance.

COVID-19 has not had a huge impact on the country’s insurance market with most businesses still up and running. There is a worry however, that some of these businesses are surviving on government support and may go under when that support ends.

Pandemic aside, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry found no serious misconduct among insurance brokers, but some of its recommendations will still affect them, nonetheless.

One example is the prohibition of hawking or cold calling of insurance products. This means that a broker may take a client’s call and discuss the issue the client brings up, but they cannot then shift the conversation to another issue.

“The broker has to have the capacity to talk to their clients about their full range of risks and we’re a little bit concerned that the hawking provisions might have an impact on that, and we think that might be an unfortunate outcome if it occurs,” he said.

The complexity of risk

Risk Management Institute of

Australasia CEO Jason Smith said that insurance is just one tool in the kit available to risk executives and officers, which is why

a smaller percentage of real risks that organisations face these days are insurable.

He also brought up how the world today is increasingly complex and



Mr Jason Smith

interconnected, and that complexity has been highlighted by the pandemic. “This was an event that started off as a health and safety risk and before we knew it, it turned into something much bigger and much more complex than just a health and safety risk,” he said.

AM Best Asia Pacific co-CEO and board member Scott Ryrie suggested that the insurance industry’s lack of progress over the years – the classes of business today are almost the same as they were 40 years ago – is partly why there appears to be a smaller percentage of risks that are available today.

Alluding to his past experience, he said that risk managers will try to look at the grey areas between the policies they buy to make sure that those gaps are covered. And while risk managers wanted to buy cover, the cover was unavailable in the form they needed.

“It [the insurance industry] needs to change not just for fun but because there’s an opportunity to grow and to mature the product,” he said. “And that then brings in the brokers because the brokers can sell it every day, but they can’t sell it if it doesn’t exist.”

Singapore Insurance Brokers’ Association president Gerald Lim said that looking at the whole range of risks, and considering insurance is a risk-transfer mechanism, insurance will not be able to solve every problem.

When it comes to new risks, it is becoming increasingly difficult for



Mr Scott Ryrie



Mr Gerald Lim

the insurance industry to define, quantify and price those risks. Cyber risk is a good example of this, where the insurance industry has been talking about it for years, but offerings have not really evolved, he said.

What comes next?

In another panel discussion, QBE Insurance (Singapore) CEO Ronak Shah said that after being focused on survival in the first few months of the pandemic, the insurance industry is now in a new phase and needs to start thinking about what comes next – how it can adapt in a positive manner and creating opportunities from the challenges it faces.

Marsh (Singapore) CEO Iris Teo said that one of the main challenges brokers will face in the next six to 12 months is the inability to interact face-to-face with their clients, and that they will need to adapt quickly and make the best of what they have to develop forward-thinking communications and engagement models.

She also brought up the importance of brokers’ relationship with their clients as well as the market, and that it is something they need to invest in so they can rely on each other in difficult times.

With COVID-19 numbers still rising all over the world, including some parts of Asia, The Association of Indonesian Insurance and Reinsurance Brokers chairman

Jusuf Sofyadi said that we still do not know when the crisis will be over or if there is light at the end of the tunnel.

He said the best thing brokers can do right now is to adapt with new types of communications to maintain their clients as much as possible, and work with regulators, who also need to adapt. ▀



Mr Ronak Shah



Ms Iris Teo



Mr Jusuf Sofyadi