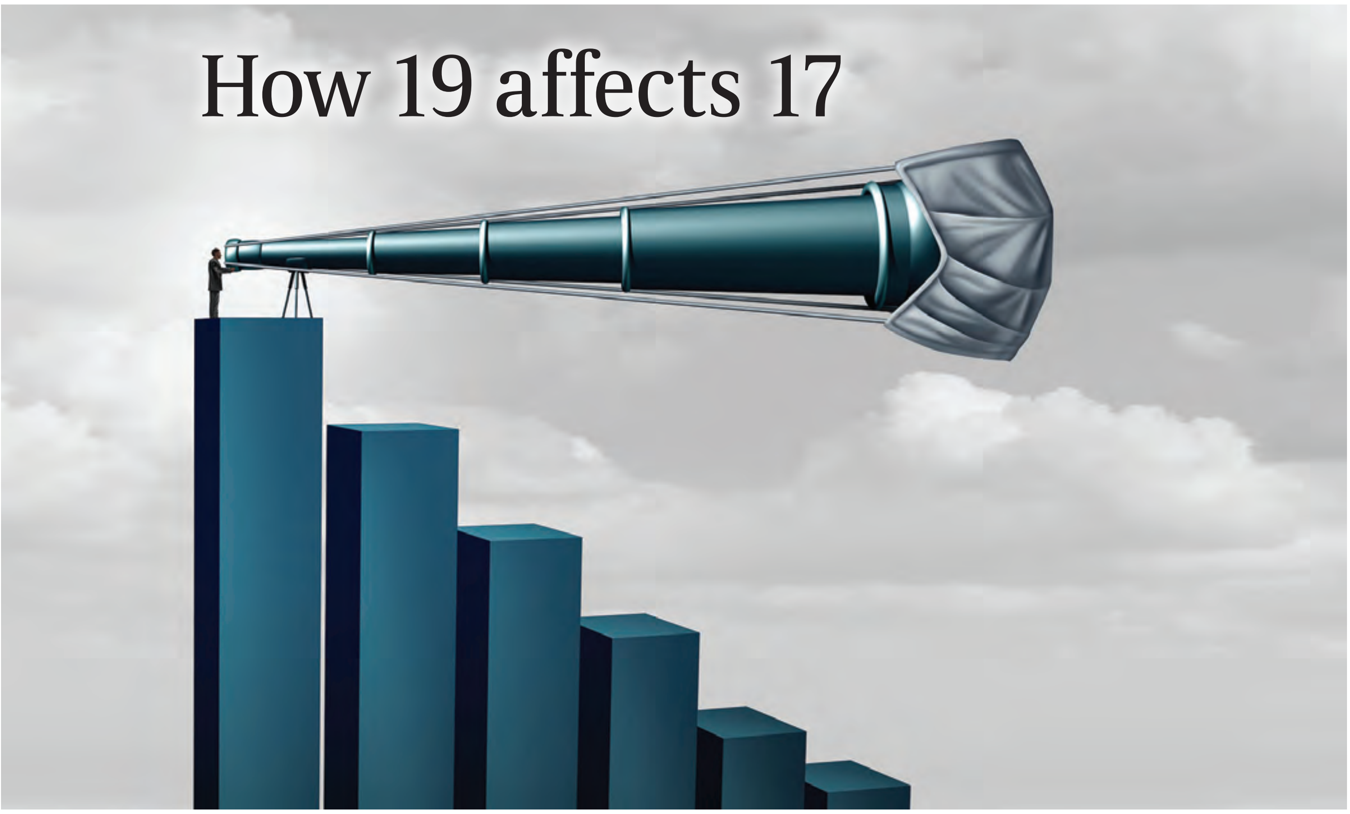
How 19 affects 17



COVID-19 has had a direct impact on the global economy and the financials of companies across the world. Insurers are not exempt, especially as the prospect of looming claims are still unquantified. At *Asia Insurance Review*'s recent CFO Insights webinar, several leaders explored how the pandemic will change insurers, and whether it will distract them from the other risks and regulations that have not gone away such as IFSR17.

By Ahmad Zaki

COVID-19, at face value, looked like something of a nightmare in terms of how it would impact IFRS17 and insurers' ability to deliver on it. There were three obvious impacts, according to Deloitte Asia Pacific partner and regional IFRS17 leader James d'Haussonville, who also chaired the event.

Mr James d'Haussonville

The first was the clear impact on revenues and the knock-on impact that it was going to have on insurers' project budgets, which would bring undertakings such as IFRS17 lower down the priority chain.

Then there was the impact on productivity; project teams, no longer being in offices but working from home, and how that might impact their effectiveness and productivity.

And then, finally, the fact that COVID-19 essentially became almost like another new critical change project in that businesses had to scramble to act and undertake necessary actions in order to handle the new reality. "That, of course, also tends to take people away from their ability to support the existing IFRS17 activity," said Mr d'Haussonville.

Those three impacts, at first glance, made it look like IFRS17 was going to be made even harder to accomplish. "However, what we saw a month or so into this, was that it maybe wasn't quite as bad as it actually looked and that maybe some of these things actually had a temporary silver lining to them," he said.

While budgets were going to be tighter, with some budgets getting cut altogether, the number of change initiatives and activities going on in insurance organisations was reducing. And that had a potential net benefit; there was possibly greater availability of time from stakeholders and other project staff to be able to focus on IFRS17.

"In terms of remote working, this was the most surprising thing that we saw, that for most of our engagements, the impact was actually minimal. And most engagements we were able to pretty much keep on track. And people quickly got to grips with working out how to make remote offices have the same effectiveness," he said.

In fact, he pointed out that remote

working did not have much impact on productivity. It demonstrated that the idea of having people not co-located with each other was not a reason for them not to be effective project individuals. "One of the impacts of that has been an increasing willingness or openness to look at the idea of leveraging lower cost offshore teams in order to deliver elements of IFRS17 projects," he said.

Finally, he noted that there was the additional benefit – which arguably would have happened without COVID-19, although certainly gave it a useful nudge in the direction – of the ISB deferring the adoption of IFRS17 until 2023.

The operating model of the future


Mr Victor Boardman

People started using the internet more while they were in lockdown, and companies followed suit. Insurers are currently riding a wave of technology adoption at speeds that have never been seen before. R3 head of insurance EMEA and APAC Victor Boardman said that next generation blockchain technology is a critical component of the digital operating model for the future.

"It's a complementary technology, not a competitive technology," he said. "So, it's not aiming to be competitive with AI or RPA or augmented reality or any of these are the sorts of technologies which all have their uses in certain areas."

Next generation blockchain is a trust layer across the value chain and it sits as a common thread of real time information that all the right parties have access to. "It won't be long before this sort of technology is normalised and it just becomes a component of any technology stack. And it is definitely a beneficial one to help insurers in terms of accessing the real time information around all the risks, payments, liabilities, that you need to have access to," he said.

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>
> **– Mr Oon Soong-Khim**

Estimated losses for COVID-19 raises more uncertainties


Mr Oon Soong-Khim

Several analysts have estimated the economic losses arising from the pandemic would range anywhere from \$30bn to \$100bn, which is a huge range. "In comparison, global net losses in 2017 was about \$40bn," said Swiss Re reinsurance Asia CFO Oon Soong-Khim.

While the economic impact and expected global recession will be worse than the global financial crisis, Mr Oon believes that the (re) insurance industry would be able to weather the crisis, assuming the loss estimates are accurate.

However, the world remains in a state of upheaval, from innocent things such as struggling with background noise on Zoom calls, to the massive unemployment rates due to business bankruptcies caused by the pandemic. In this uncertain environment, he advised that frequency of business projections needs to increase.

"You need to think about various scenarios. You need to know the scenarios you are entering into and what could happen if things go south? You also have to explore your options – for example, NatCAT and climate change is still going on, so you might think about de-risking if you are facing exposure," he said.

He also added that insurers need to have the flexibility to change their investment strategies to survive these crises.

Emerging risks post-pandemic

Mr Oon also spoke about the risks that have come out from the past three months, as the world adapts to a new way of life.

First, with increased use of digital communication and shopping tools, cyber security has become more of an issue. "There is an increase in potential attack surfaces with more interconnected devices on the network," he said. "And experts have seen a shift towards more sophisticated and damaging attacks."

Second, the breaks in the supply chain for the global pharmaceutical industry, could lead to drug shortages, which in turn could lead to increased healthcare costs. Further, substandard quality drugs reaching markets could lead to product recalls and product liability losses which insurers must pay for.

Third, the intergenerational imbalance has become more pronounced due to the pandemic. There is a growing life insurance protection gap, made worse by potential income loss due to unemployment. These risks are going to disproportionately affect people in the 20 to 40 age group, otherwise known as millennials.

The CFO Insights webinar was organised *Asia Insurance Review* and was sponsored by R3.