
The insurance impact of COVID- 19: Navigating the challenges ahead

BIPAR

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The insurance impact of COVID-19: Navigating the challenges ahead

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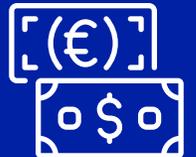


The insurance impact of COVID-19: Navigating the challenges ahead

- Welcome and introductions – **Iwan Ropcke**
- Lloyd's Europe – setting the scene – **Sonja Rottiers**
- The impact for Lloyd's and the global Insurance Market – **Delphine Marchessaux**
- Lloyd's response for supporting global recovery and resilience for customers and economies – **Cameron Murray**
- Q&A

Setting the scene: Lloyd's in Europe

- LIC started its **first full year of operations** in **January 2019**
- LIC is the **largest non-life insurance company** in Belgium
- **EUR 2.65bn** GWP for 2019 (exceeded plan of **EUR 2.5bn**) – so a successful first year
- Further capitalisation increase of LIC from the current **EUR 300m**
- Reinforcing **strong independent governance** and **regulatory frameworks**
- **Largest user of structured data** in the Lloyd's market
- Critical focus in 2020 on the completion of the **Part VII transfer** as well as the adoption by our intermediaries of **EIOPA Recommendation 9**



Setting the scene: Lloyd's in Europe

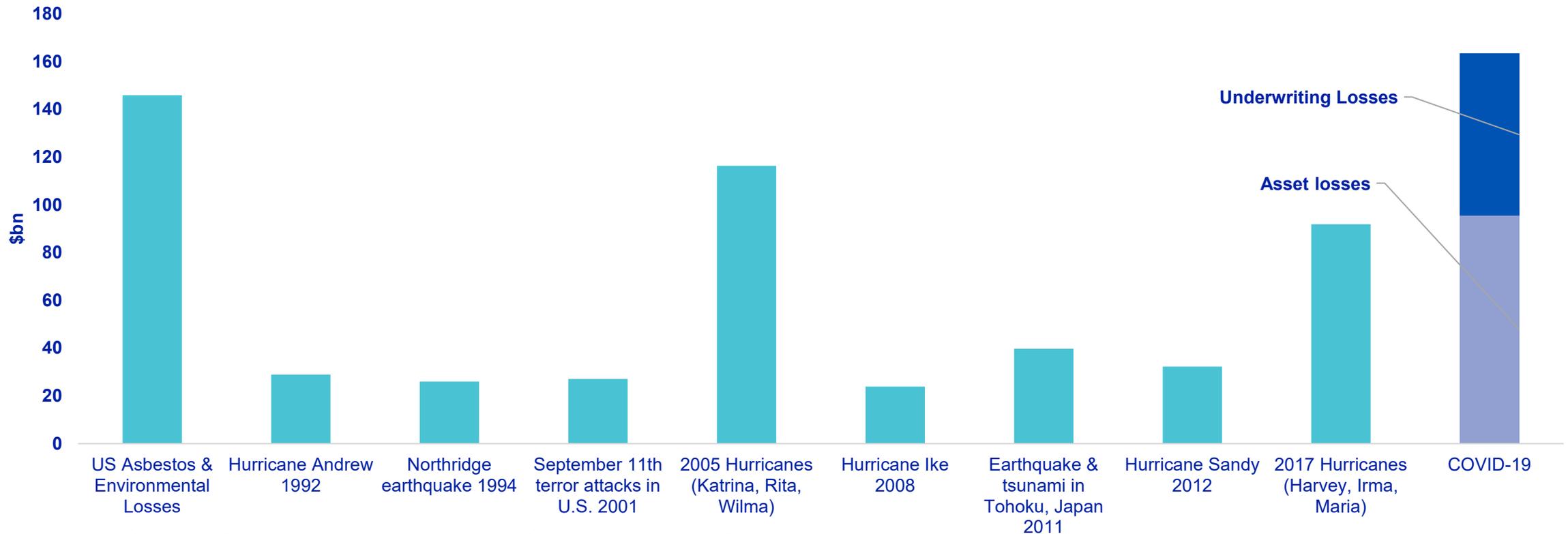
- **Strong and proven branch network** with a **highly experienced team**
- **Optimising efficiency** of our **corporate, branch and licence structure** to better align to our **customers and their needs**
- **Revised market proposition** for our key stakeholder groups which will be launched alongside a European refresh later in 2020
- **European Commercial Task Force** established to focus on key commercial activity and priorities to better align strategy and UW appetite, to broker and coverholder opportunities across the EEA
- **Improved communication and engagement**, ensuring that our European stakeholder groups are focussed on LIC as well as the wider developments within the Lloyd's market



The impact of COVID-19 for Lloyd's and the global insurance market

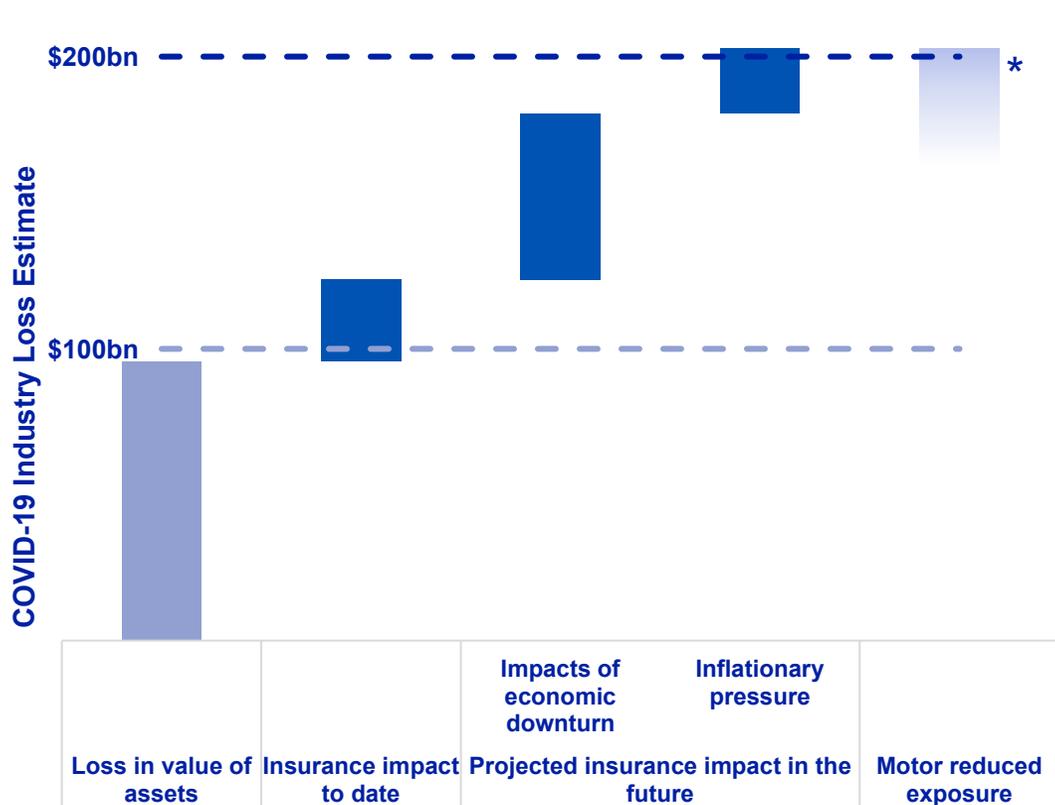
COVID-19 is likely to be the largest loss to insurers to date

Comparison to historical losses



Source: Analysis of Swiss Re Sigma 1/2018 and AM Best Asbestos & Environmental Market Segment Report
Losses are indexed to 2019 values

Our assessment of the loss reflects the unique circumstances of the current pandemic



*Impact of reduced motor exposure and resulting premium reductions depends on regulatory and customer actions

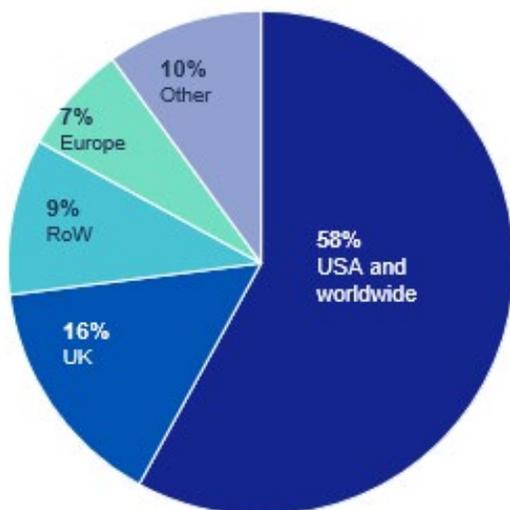
Base Case 10% fall in GDP	<ul style="list-style-type: none"> - GDP falls ~18% below trendline in Q2 due to extreme social distancing in force for most of the quarter before recovering. - A combination of ramped-up testing to identify who has the virus, testing and improved treatments of those who are sick, allow gradual relaxation of social distancing in H2 2020 driving recovery
Pessimistic Case 17% fall in GDP	<ul style="list-style-type: none"> - Similar initial trend to base case scenario although assumes steeper initial GDP fall due to more pessimistic assumptions around sector level impacts - Social distancing starts to relax in Q3, but medical advances don't materialise, and a second wave of the virus in the Q3/Q4 forces the resumption of high impact social distancing
Optimistic Case 4% fall in GDP	<ul style="list-style-type: none"> - GDP damage less severe than feared in Q2 - More rapid medical advances and sophisticated containment measures allow a more rapid relaxation of social distancing

Source: Analysis of various US/UK Economic Forecasts

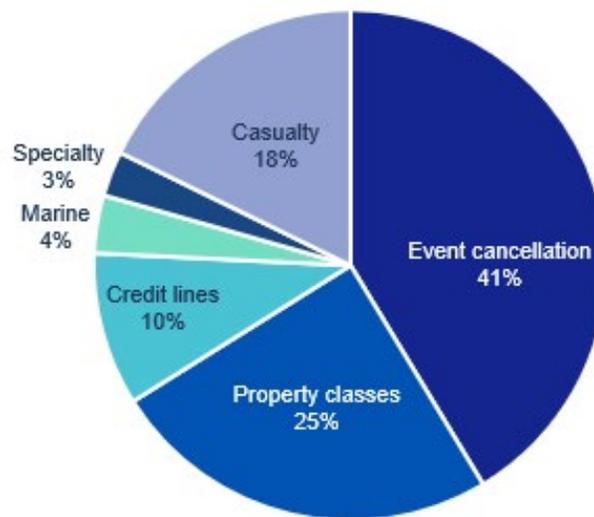
COVID-19 losses

Distribution of COVID-19 losses

Geography



Classes



'Worldwide' – customers that have global risk programmes

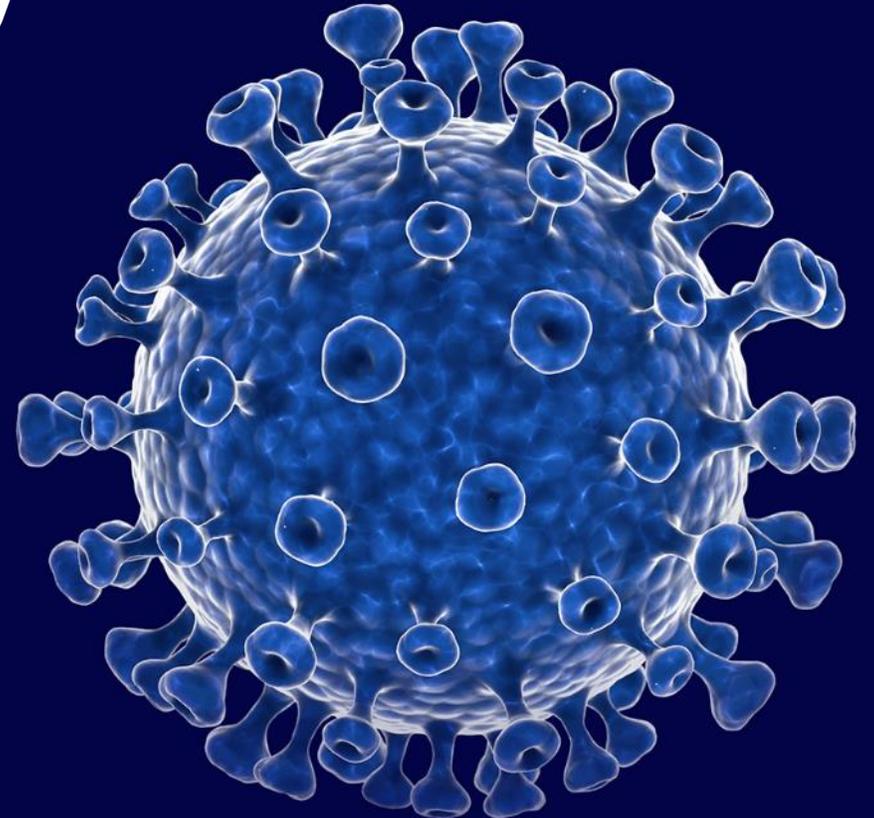
'Other' – Australia, Canada and Asia

'RoW' – all other countries and territories not specifically listed Lloyd's customer pay-out range is net of reinsurance

Supporting global recovery and resilience for customers and economies

The insurance industry's response to COVID-19

July 2020



Building greater resilience

The global insurance and reinsurance industry is responding to customers' immediate needs by committing funding and resources to support and accelerate economic recovery.

- There is much more that we can do to support our customers by providing protection for the changing risks they face, but we can't do this alone
- The impact of these kinds of systemic catastrophes, like the COVID-19 pandemic, requires resources that can only be accessed by governments, with response and recovery requiring international and cross industry collaboration
- As the COVID-19 pandemic continues to devastate economies and communities, we have outlined potential solutions to help address the many complex challenges ahead



£5bn

Expected Lloyd's pay-out for COVID-19 related risks

\$203bn

Overall cost to the global insurance non-life industry

Supporting customers

The Lloyd's proposals seek to address short, medium and long-term challenges that customers told us they are facing as they begin to recover and reopen

Short term

- Ensure business resilience to future waves of COVID-19
- Safeguard employees as they return to work
- Provide a safe environment for customers as businesses reopen
- Get clarity of insurance cover

Medium term

- More flexible insurance cover for a more volatile business environment
- Ways to increase the resilience of their global supply chains
- In-depth assessment and protection from cyber risk exposures
- Protection from digital economy liabilities

Long term

- Risk prevention and mitigation support
- Advice on preparing for the next systemic risk



Global collaboration

We have set out three 'open source' frameworks that are freely available for application around the world:

- *ReStart*
- *Recover Re*
- *Black Swan Re*

Alongside developing and sharing these frameworks, Lloyd's is developing a **Centre of Excellence** to build resource and capability to better protect customers against systemic risks, including pandemics.

In parallel, Lloyd's **Product Innovation Facility** and our new **Lloyd's Lab cohort** are focusing on innovating products to respond to an accelerated shift towards intangible-driven business models in response to COVID-19.



ReStart

A commercial non-damage business interruption solution providing limited cover for future waves of COVID-19 being developed by the Lloyd's market, specifically focused on supporting SMEs.



Recover Re

An 'after the event' insurance framework for government and industry partnership, which could provide immediate relief and cover for non-damage business interruption, including the current COVID-19 pandemic, with premiums paid over the long-term.

Black Swan Re

A reinsurance framework for government and industry partnership that could better protect customers from the devastating and long-term impacts of systemic catastrophic events.



Lloyd's next steps

Lloyd's is continuing to develop these responses and support their implementation.

To provide feedback or support, please email:

coronavirusmarketenquiries@lloyds.com



Questions?

Your contact:

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Visit our COVID-19 information hub:

www.loyds.com/covid19

