



Quantifying Risk, Enabling Opportunity.

European and UK Insurer Responses

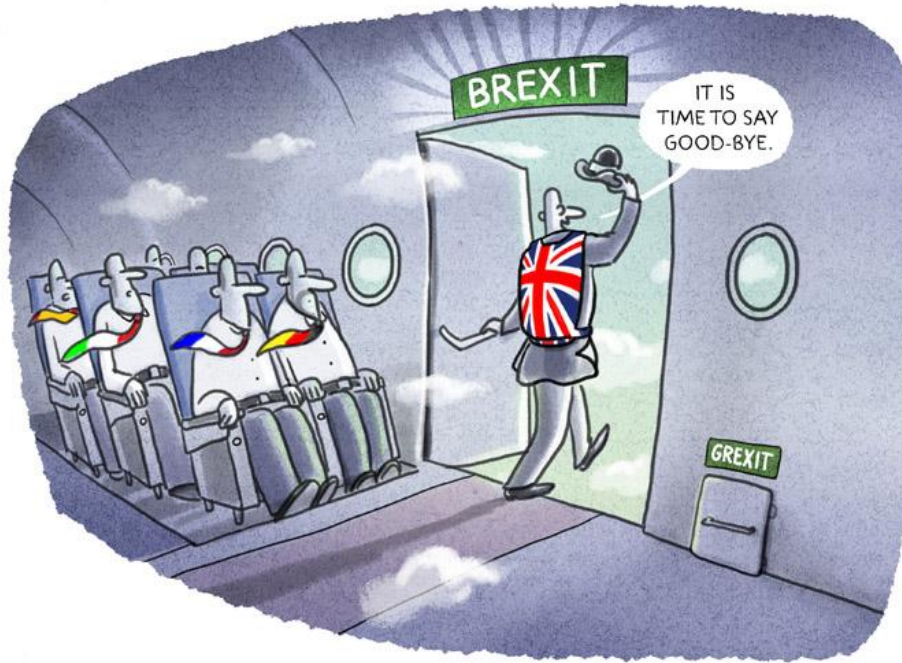
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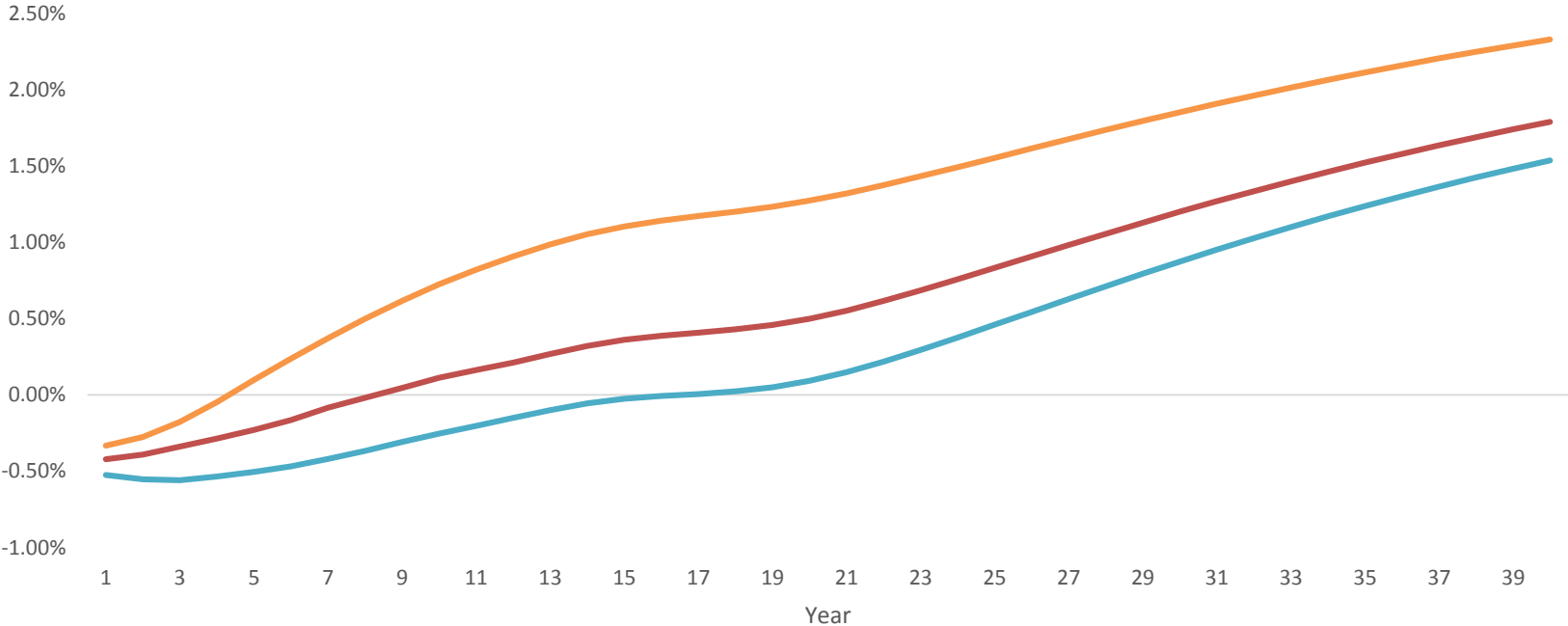
Brexit and EU Fragility

CARTOON
MOVEMENT



Interest rates low-for-long and negative

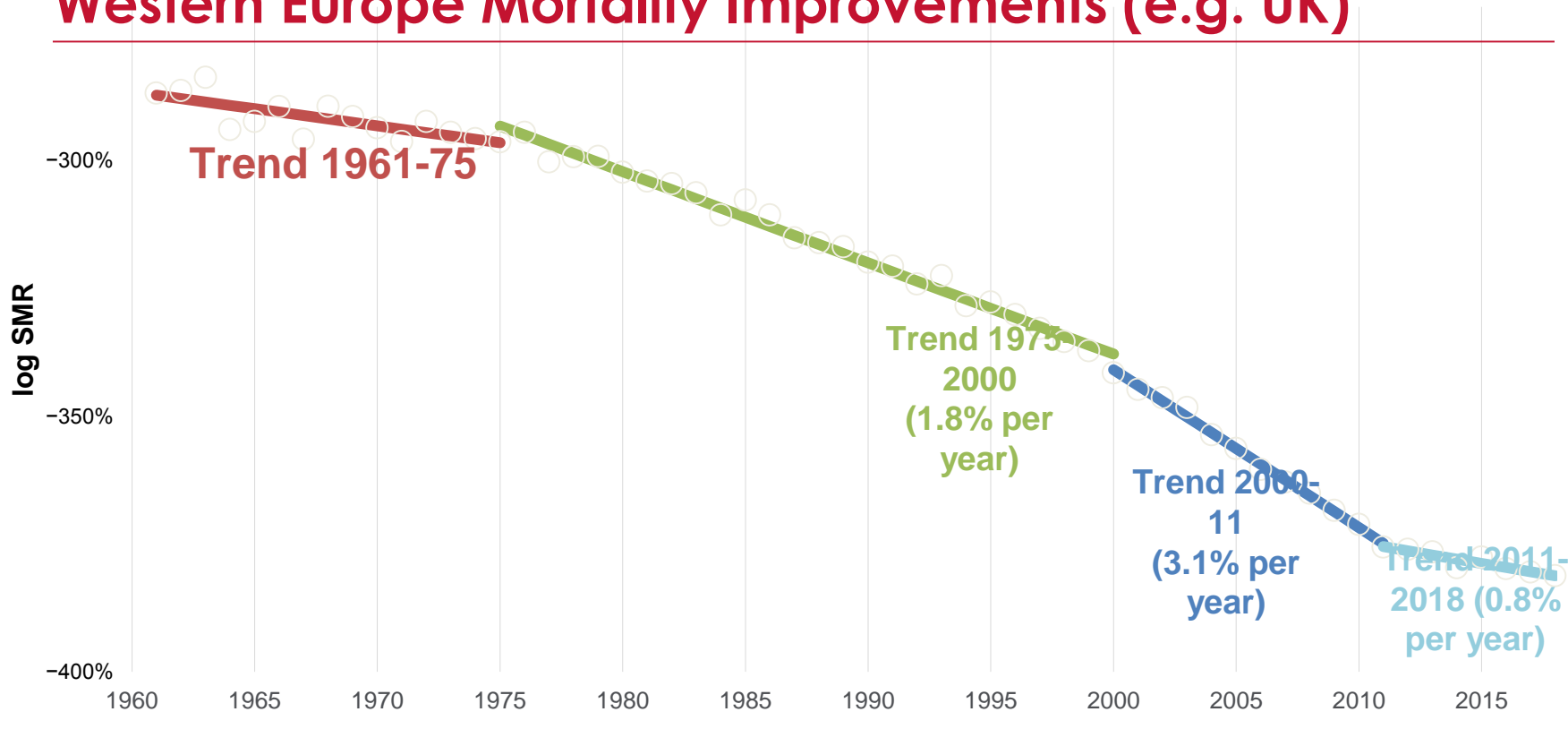
EIOPA Risk-free Yield Curve, EUR



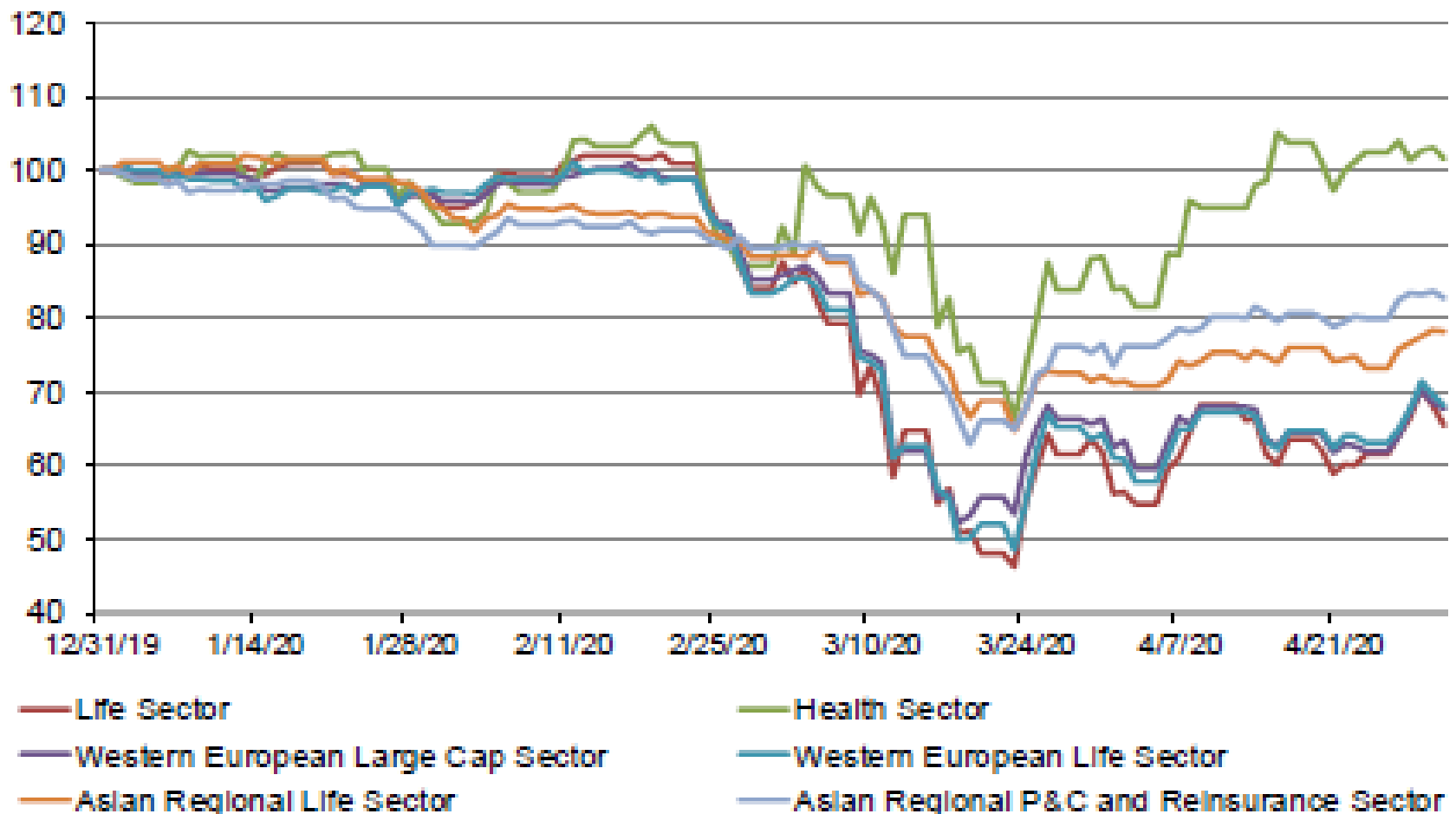
Solvency II

- EIOPA Swap Curve – Ultimate Forward Rate
- Savings business with guarantees and participation rights – under water and moving to unit linked
- Transitional Measures 4/16 years – covering cracks
- Risk Margin - especially for UK longevity insurers
- 2020 Review (remove zero interest rate floor)

Western Europe Mortality Improvements (e.g. UK)

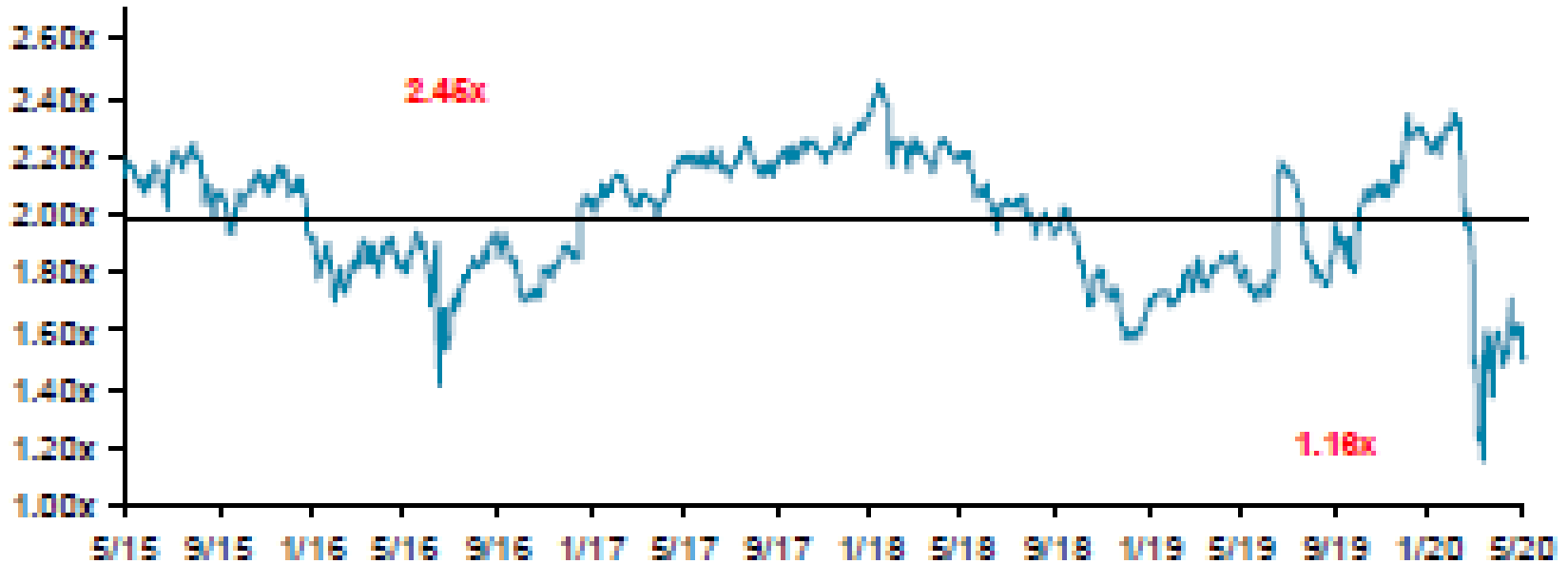






Western European Life Sector

Price / Tangible Book Value



Lloyds Market

The market itself will pay out **\$3bn to \$4.3bn in claims**, with the largest portion of that for event cancellation (31%), followed by property covers (29%), credit lines (11%) and 15 other classes (29%). But the corporation warned losses could rise further if the current lockdown continues into a third quarter.

Lloyd's Covid-19 losses are **on a par with its payouts for the 11 September terrorist attacks in 2001 and the combined impact of hurricanes Harvey, Irma and Maria in 2017.**

Axa

But the damage from higher mortality would be roughly on par with a **one-in-20 year operational risk incident** (195%), a one-in-20 year natural catastrophe (197%), or corporate bond spreads widening by 50bps (195%)

What Does the Industry Say?

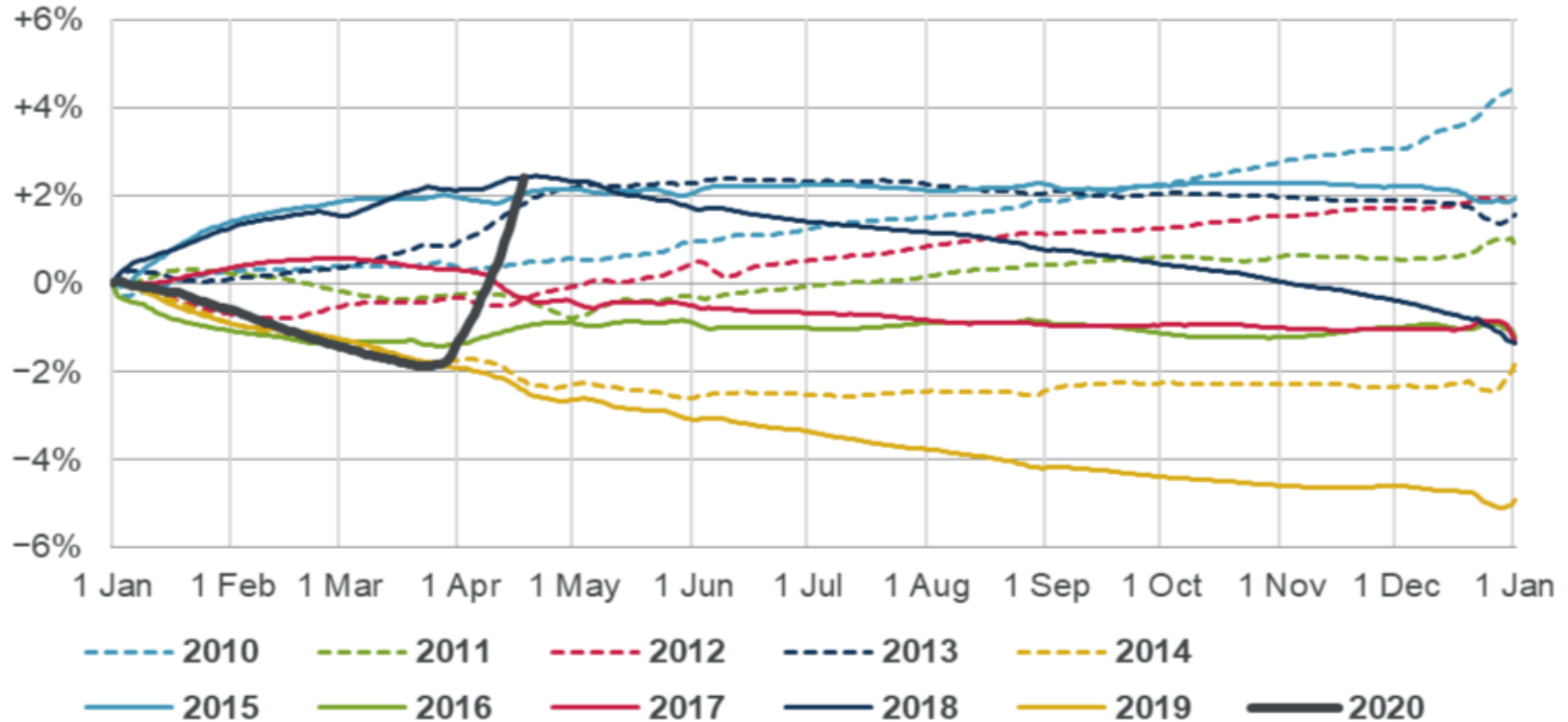
Munich Re

“ Even in the very unlikely scenario of a worldwide pandemic equivalent to a 200-year event, Munich Re would face a maximum of **1.4 billion euros in life and health** insurance claims – similar in scope to a **medium-sized natural catastrophe** in property-casualty reinsurance. ”

Munich Re in its 2019 annual report 18 March 2020

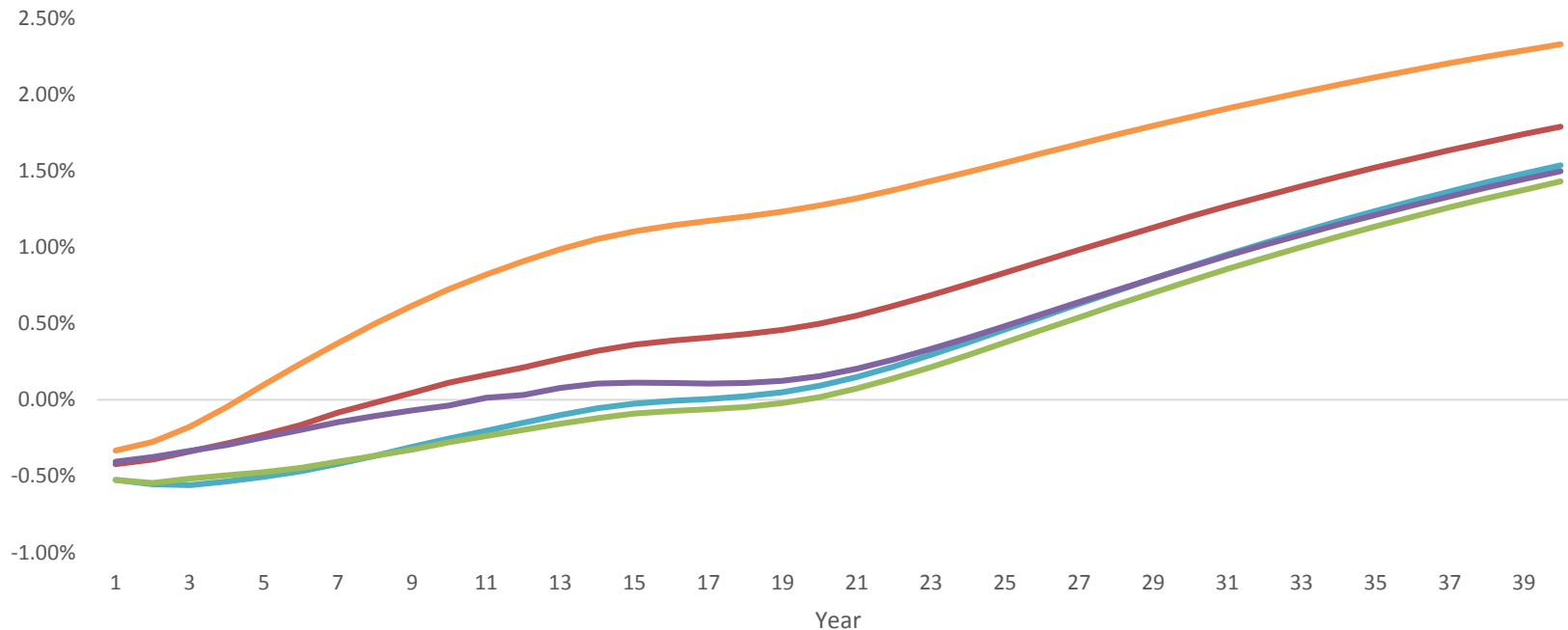
UK Mortality impact

Chart 1: Cumulative standardised mortality rate compared to the 2010-2019 average



Interest rates low-for-long and negative

EIOPA Risk-free Yield Curve, EUR



Protection Product Specific

- **Disability Income: short deferred period (?)**
- **Critical Illness: limited definitions triggered (?)**
- **Whole of Life: Over 50's products, legacy portfolios**
- **Term Life: new business sales**

Shareholder View

- **Suspended dividends**
- **Retracted forward guidance**
- **Raised Debt**
- **Solvency Financial Condition Report delay**
- **Solvency Ratios down 10-15%**
- **Value of inforce vs Value of New Business**

Insurer Responses

- Hospital cash benefit for employers for COVID-19
- Pandemic cover for life portfolios
- Changing underwriting practices
- Premium holidays to ensure no lapse
- Withdraw some product coverage

European Life Insurers

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