



Thailand Insurance Symposium 2021

โครงการศึกษาผลกระทบของธุรกิจประกันภัยไทยจากสถานการณ์แพร่ระบาดของ
ของโรคติดเชื้อไวรัสโคโรนา 2019 (COVID-19) และศึกษารูปแบบการดำเนินธุรกิจและทิศทาง
และรูปแบบการกำกับดูแล ตลอดจนการส่งเสริมธุรกิจ

KPMG in Thailand

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Fact findings

Insurance products

- **Life** – **shift from savings** to protection, health (responding to aging population) and investment-linked (driven by low interest rate environment)
- **Non-life** – **usage-based products**, opportunities in **business interruption** covers for SMEs
- **Reinsurers** – **support industry** in adaptation post-COVID-19, offering more **non-conventional services**

Distribution

- High acquisition costs via traditional intermediaries prompt insurers to **reassess for efficiencies**
- **Strategic partnerships (insurance ecosystems)** to tap underinsured segments



Back-office

- **Hybrid working model** in the new reality
- Continual investment in **technology & infrastructures**



Claims and after-sales services

- Automation and digitalisation of claims processes
- Health claims inflation and other post-pandemic emerging risks
- Reinsurance to address the need to identify and manage risks



Under an uncontrolled scenario, insurers view **limited impacts** to operations and are **confident in their abilities** to embrace future uncertainties

Pandemic scenario



Controlled / Uncontrolled

Horizon

Short-term
(1-2 years)



Long-term
(over 2 years)

Supervisory responses to COVID-19 across markets

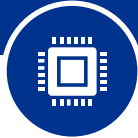


- **Premium and coverage reliefs** (e.g. grace period, coverage extensions)
- **COVID-19 coverage** (e.g. consortium, scope inclusion)
- **Policy loans** to support economy
- **Stress testing**
- Emphasis on **cyber risk** management
- **Reporting** reliefs
- **Intermediaries** (e.g. e-licensing and e-training)

Recommendations - key areas for regulatory direction

Digitalisation

COVID-19 reaction: rapid digital adoption
Opportunities and challenges as insurers emerge from the pandemic



Commercial

Considerations for products and commercial environment across life, non-life, health, and reinsurance sectors



Intermediaries

Empowered by technology to overcome pandemic disruptions, intermediaries remain key in the evolving commercial environment



Operational

Adaptations to the pandemic likely to stay in part, variations of impacts across insurers



Sustainability

New standards across aspects of operations, investment management, and underwriting



Supervision

Ensuring supervisory capabilities keep pace with changing requirements, bracing for emerging risks



This presentation selects and summarises **key sample considerations** for the insurance industry in the post COVID-19 landscape.

Recommendations for regulators and supervisors

- Point out prioritised areas within OIC's **digitalisation strategy** to promote the digitalisation of insurance in consideration of a) customer experience and demand; b) operational efficiency of insurance business
- Enhance collaboration and **exchange views with the industry digital-advanced players** and technology firms to improve understanding and remove barriers
- Explore and exploit the **possibilities of regulatory relief** provided during lockdowns to become **more permanent** (e.g. teleworking, expanding e-delivery of contracts and claims) in new reality
- **Enhance cooperation with the industry** through implementation of regulatory framework focusing on IT risk management and promoting detection capabilities for **technology resilience**



Insurance digital roadmap

COVID-19 necessitated rapid "digitalisation", (most of) the industry still needs **a clear path forward for a proper digital transformation**





The pandemic highlights key issues and considerations within each business sector – examples include

Life



- Ensuring the **in-force block of business** can withstand a prolonged low interest rate environment
- Long-term viability: assess capabilities to deliver products e.g. **investment-linked**
- **Long-term physiological impacts** from COVID-19 (Long-COVID) likely to increase the need for long-term care

Health



- Negative **mental health impacts** from the pandemic – key coverage gap exists
- **Telehealth and telemedicine** to become standard offering
- **Rising medical expense inflation** impacts sustainability in delivering health coverage – worsened by the pandemic

Non-life



- Ensuring alignment of **coverage and terms with reinsurance**
- Need for **usage-based insurance** products (e.g. motor) highlighted by the pandemic
- Assessment of supply side capabilities **for business interruption** and **cyber** insurance

- **Insurance affordability** exacerbated by the pandemic
- **Pandemic exposures** need to be monitored and managed closely
- **Product design and approval process** needs to be **more efficient** to enable insurers to respond rapidly to **new future risks**
- As industry **focuses pandemic recovery**, OIC may need to increase **focus on certain areas** on which the industry is placing lower priority (e.g. affordability and microinsurance)

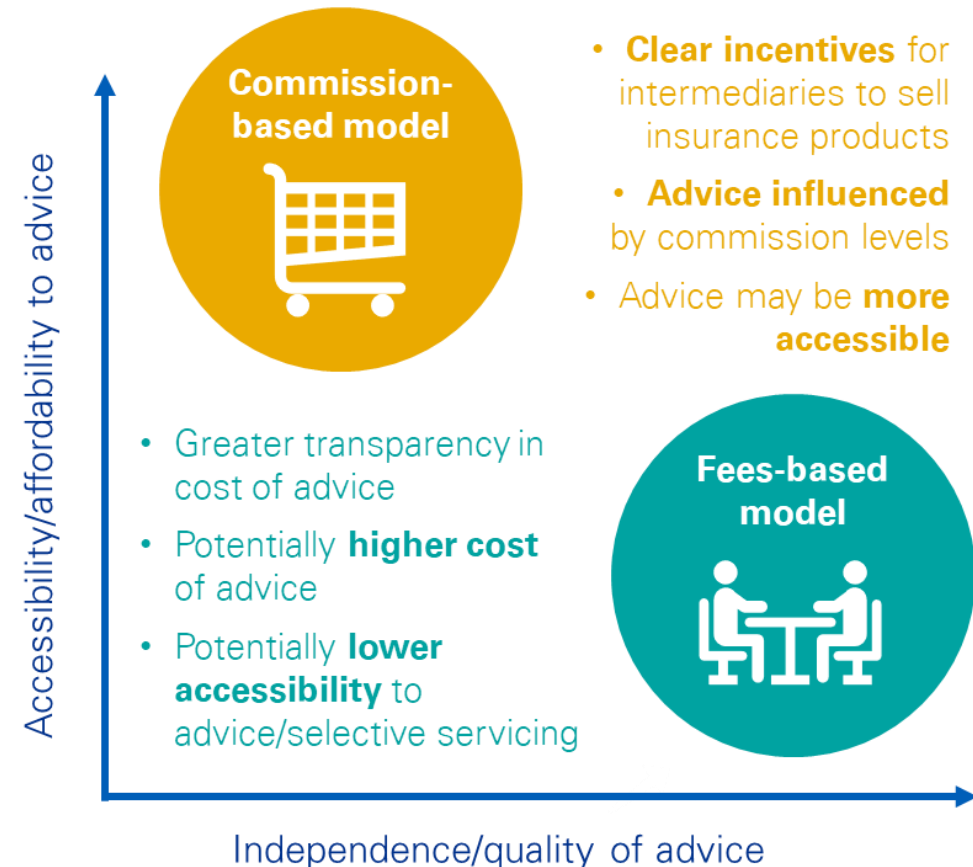
Intermediaries



COVID-19 – impact on intermediaries

- **Rapid adoption of technology** driven by the pandemic to aid sales process
- Prioritise enabling intermediaries to operate effectively, with transparency. Market conduct and technology are keys to help **reduce “uncontrolled” transactional environment**
- **Intermediaries remain crucial** in the insurance value chain - evolution of products (e.g. investment-linked; usage-based, modular products) – increased complexity/flexibility
- To support the sustainable shift to an **advice-led model**, there is a need to align incentives (remuneration structures)

Conceptual illustration of remuneration structures





Post COVID-19 landscape may bring about increased cost pressures and structural changes to operational costs

- **Size disparity considerations – the pandemic has had an uneven impact to insurers of different sizes**, may require appropriate support/intervention; linked to measure 3.2.1 in supporting business transfers and combinations
- **Cost structure assessment** to incorporate these pandemic-related considerations

COVID-19 and the new normal

- **Remote working possibilities demonstrated during the pandemic – opportunities to reduce skills gap**

Shared services model



E.g. health claims management to provide operational efficiency to industry

Further assessment required to scope **appropriate risks/feasible operating model** for the industry





COVID-19 and ESG – new expectations

- **Social (“S”)** component highlighted during the pandemic
- **Environmental (“E”)** considerations remain in focus in the post-pandemic landscape
- Insurance industry’s **contribution to sustainability** – operational, investment-related, and underwriting
- **Supervisory support** includes **information sharing, practice guidance, incentives, and reporting requirements** – considering other priorities of the industry

Sustainability in insurance

Operational
sustainability



Investment
sustainability



Underwriting
sustainability



Sustainability guidance

- Sustainability risk taxonomy
- Sustainable insurance framework





Regulatory capabilities in the new reality

- Keeping pace with **new supervisory requirements** – e.g. IT/cyber regulatory assessments; both in infrastructures and human resources
- **Hybrid model for supervision** – considerations apply (non-tangible insights, supervisory teams)



COVID-19 and regulatory reform

- **Cost pressures** to the insurance industry brought on by the pandemic to be considered in new regulatory implementations

Looking forward - COVID-19 and emerging risks

- **Pandemic-related emerging risks** – long COVID-19, new strains, worsened outbreak, increased cyber exposure
- Considerations for **other emerging risks** on a similar scale – climate risks, natural catastrophes, etc.



Thank you



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