Pakistan Insurance Institute Quarterly Newsletter

INSURE

Issue 31, September 2020

Pakistan Insurance Institute
Since 1951

"Life is always like a desert. You will either find an oasis or will end up in a mirage while finding one."

Sunirmal Kundu

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COVID 19 Lockdown Post Lockdown & Beyond

Kamran Arshad Inam
Deputy Managing Director (Technical)
EFU General Insurance Company

Implications

As pandemic required employees to stay home to limit exposure and to prevent or slow down the spread of the disease, also required the activation of remote working capabilities. Unlike an occasional weather event, which may prompt some employees to work remotely, pandemic led a complete shutdown of the entire facility in cities, forcing a high number of employees to work remotely for an extended duration. This resulted in heavier-than-normal traffic on remote connectivity networks, causing capacity and load access issues.

Therefore, many Companies invested in tools to enable personnel to work remotely and collaborate virtually, assess their current bandwidth to support remote work, perform periodic network stress testing and identify workarounds for critical tasks that weren't executable from home. It worked well for insurance sector, banks and software houses where remote working is a feasible option for customer services, however it did not work as well for manufacturing, thus resulting in critical impact on their product supply chains.

During the pandemic, some of the standard strategies such as work transfer to alternate sites, relocation of workforce and staff augmentation likely to be not considered as a viable option as personnel and alternate locations/sites may be just as impacted by the event. So, Companies carefully designed distinct strategies; for instance, inter-affiliate contracts to subcontract work to or alternate supply chain vendors to overcome these barriers, and especially planned around areas of high manual intervention and concentration risks, including single points of failure.

Companies validated that contracts between country-to-country affiliates are in place to reduce uncertainty of terms, rates, payments and regulatory requirements; data-sharing agreements are addressed within the contracts (e.g., General Data Protection Regulation requirements); and, as required in regulated industries, appropriate licenses are in place to conduct the additional work.

For highly regulated industries such as financial services, health care, power and utilities, companies determined and complied with applicable federal, state and local reporting requirements (e.g., disclosure of material risks and impacts), and have a process in place to notify and engage with regulators proactively across various jurisdictions. Furthermore, employees also received training on the characteristics of a pandemic and how pandemics differ from traditional disasters.

Many companies today have increased interconnectedness with third parties such as outsourced vendors, cloud service providers, data processors, aggregators, payment processors and suppliers for delivery of products and services. These third parties are also vulnerable to pandemic events.

Abdul Haye
Chief Executive Officer
Alfalah Insurance Company

Challenges

The COVID-19 pandemic that began as a health crisis quickly turned into a financial one and its impact is undoubtedly severe on the economies across the globe. The worldwide insurance sector is badly affected by the outbreak and as the economy is recovering, the insurers are facing different challenges. Major challenges in acquiring and retaining the business include the development of business continuation strategies, shift to paperless work by digitalization of the sales and customer services, establishment of call centers etc.

Insurers who choose to view the pandemic as an opportunity to provide their customers with more considerate, flexible and digital service will avert some of the more damaging outcomes.The ability of the insurers to process policies and claims online from start to finish is a top priority and the industry players should smartly convert these challenges into unique opportunities by innovating, introducing new products and changing the way that insurance products are sold and serviced. Successful COVID-19 responses from Asia have taught us four important lessons: go for pragmatic and fast solutions rather than perfect solutions (speed is a strategy unto itself), adapt a new digital way of working to engage agents and customers, stay close to customers and provide them with valuable information, and seek innovation in products, distribution, and customer reach.

Insurers around the globe are confronting the reality that COVID-19 is a long-term disruption and that the circumstances may change and new issues inevitably emerge, therefore, the industry must be ready to think creatively and act nimbly.

Mohammed Ali Ahmed
Executive Director & Chief Strategy Officer
EFU Life Assurance

The New Norm

Indeed, these are challenging times and require us as the insurance industry to rethink our business model from many aspects – employees, customers, partners, products, processes and shareholders.

The complete return-to-work scenario is going to be different from what it was just a few months ago. Health and safety measures will be the new norm in offices for quite some time, especially if we face a 2nd wave of COVID 19. Social distancing measures will continue to be in place and office layouts will need to adjust with a new definition of seating space.

We have been forced to be part of the largest "work-from-home" experiment in modern times and I think this will now become the norm (in some functions) for those where this experiment has been successful. However, I still feel that a fine balance has to be created between WFH and Work-from-office, as organizations over the years have invested substantially in building "social capital" which had held teams together and face-to-face interactions between staff contributes to a greater level of collaboration, trust and camaraderie, something that I feel gets lost in the digital interactions.

The unprecedented nature of this pandemic requires us to be agile and nimble; we are evolving and learning on a daily basis and this I think will continue for the near future, until we as humanity are able to settle down once again post COVID 19.

Faisal Khan

Chief Risk Officer
IGI General Insurance Ltd

Reinsurance

International rating agencies envisage that the global reinsurance industry will fail to earn its cost of capital in 2020 due to the impact of the COVID-19 pandemic.

The unprecedented insured losses due to COVID -19 Pandemic in the aviation industry, event cancellation, contingent business interruption, directors and officers liability, credit lines, and travel liability business have brought an additional burden to the reinsurers and retro markets which were already affected by recent global natural catastrophic events like hurricanes, wildfires and earthquakes and man-made disasters like Beirut explosions.

Despite better underwriting performance as of September 2020, it is feared that our market is likely to feel the tremors at the time of reinsurance treaty renewals dawning a new regime owing to 'price-correction' and encouraging underwriting discipline.

The globalization of businesses cast out the odds of competitive advantage in a small market like ours and the risks are skewed to the downside for companies that cannot earn their cost of capital on a sustainable basis. It is upto the Risk Managers to bargain a fair deal vis-à-vis their risk exposures in coming times.

Nadym Chandna

Head of Learning & Development
Jubilee Life Insurance Company

Training

The COVID-19 is finally over or so they say. The pandemic has not only affected our daily lives, the effect has been felt enormously by the corporate world even more so. In order to fully grasp the far-reaching effects of the virus in the corporate world, we must understand first that everything has been rendered obsolete. Nothing is as it was and may never will be. Like all other areas of the corporate world Corporate Training has also felt its impact.

We at Jubilee Life realized early that the world as it was known before January 2020, was rendered obsolete. There is no longer a relevant module to follow. Not for consumer spending, not for altered demand, not for regular human interaction, not for corporate training.

The rush to adapt to online training, the struggle to comprehend the rapidly changing world and the social skills that suffered from social isolation all add up to the problems faced in the initial switch over to trainings conducted over web based platforms.

And the rush to convert meant that neither the trainer nor the trainee were equipped for their tasks to the optimum. Working from home assumes that individuals have unrestricted access to the following: a stable internet connection, a quiet work place, zero external distraction, a laptop or tablet solely for personal use and a state of mind that allows one to be present to either conduct the training or to be able to comprehend and absorb what is being delivered in the training.

All the above hurdles were overcome thanks to our proactive approach. We adapted quickly and as a first step equipped all our trainers with new technology being used worldwide for training like Zoom, Google Class Room and eventually Moodle and took them through a crash course on the same.

Next, we created Quick Learn videos which we would first share with our trainees so that they can familiarize themselves as to how to connect on-line and attend the training session.

Since the priority was to train the sales staff first as it is also a regulatory requirement, we initially limited ourselves to the SECP mandatory sales training. As a result we conducted back to back on-line trainings during the lockdown and continued to serve our employees as well as our clients.

As the menace of COVID 19 has somewhat mellowed down, we are now tentatively moving towards a mix of on-line and class room trainings to accommodate for the back log created during the lockdown, however, the long term view is to do all trainings on line.

Karim Merchant
Executive Vice President
Jubilee General Insurance

Economic Impact

The recent COVID-19 pandemic has undoubtedly shaken the world economy from economic giants like USA and China to other smaller countries. Luckily, in Pakistan the outbreak was successfully curtailed and therefore the business sector of the country was less impacted. Moreover, apt government initiatives such as, reduction in taxes and interest rates, encouraged the commerce sector in Pakistan and mitigated heavy losses.

Global Insurance industry was largely hit by major losses which include event cancellation of Olympics and Wimbledon and other losses due to business interruption and health insurance claims as the global economy headed towards an economic recession. However, in Pakistan health claims recorded were relatively lower than anticipated and overall fire, motor and miscellaneous sectors were stable. Consequently, profitability in the sector was also sustained.

Hence, given the current favorable trends and appreciative government incentives, the insurance sector will regain the momentum and is likely to grow in near future.

Remote Work
during COVID-19

75% say their job performance has either increased (45%) or stayed the same (30%)

Only **15%** of those newly working from home due to COVID-19 have maintained their previous work schedule

57% would prefer to work from home in the future

68% have others in their household also working from home. (including students)

76% use video conferencing as part of their daily work

75% have shifted their work hours to better suit their life (such as starting earlier, or starting later, or breaking up their work hours) with 46% working more hours each week - and 25% say they are working some hours on the weekends

THE NEW LOOK OF PASSION

Keeping up with the changing times, our identity has evolved.
It is reflective of our renewed passion, utmost commitment, and a never-ending pursuit for the growth and prosperity of those we serve.

LIFE GENERAL

Elections

PII
July 28, 2020

Council 2020 ~ 2023

Naim Anwar (Chairman)
Managing Director & CEO
Crescent Star Insurance Limited

Farrukh Majeed Qureshi (Vice Chairman)
Company Secretary
National Insurance Company Limited

Abdul Waheed
President & Chief Executive
Askari General Insurance Company

Jamil Ahmed
Chief Financial Officer
Pakistan Reinsurance Company Limited

Junaid Moti
Executive Director
Pakistan Reinsurance Company Limited

Muhammad Faisal Siddiqui
Chief Executive Officer
Sindh Insurance Limited

Obaid ur Rehman
Joint Director- Insurance Division
Securities & Exchange Commission of Pakistan

Syed Rafeo Bashir Shah
Chief Executive Officer
National Insurance Company Limited

Tahir Masaud
Chief Executive Officer
IGI General Insurance Limited

Dr. Irfan Hyder
Rector
Institute of Business Management

Dr. Saqib Sharif
Associate Professor (Economics & Finance)
Institute of Business Administration

IAP
September 21, 2020

Executive Committee 2020 ~ 2021

Shabbir Gulamali (Chairman)
Chief Executive Officer
Habib Insurance

Abdul Haye (Senior Vice Chairman)
Chief Executive Officer
Alfalah Insurance

Mohammed Ali Ahmed (Vice Chairman)
Executive Director
EFU Life Assurance

Ali Haider
Head of Business Distribution
Adamjee Life Assurance

Babar Mahmood Mirza
Chief Executive Officer
Atlas Insurance

Farrukh Aleem
Chief Executive Officer
Security General Insurance

Farhan Akhtar Faridi
Group Head, Retail Distribution
Jubilee Life Insurance

Kamran Arshad Inam
Deputy Managing Director (Technical)
EFU General Insurance

Mian Kashif Rashid
Executive Director
United Insurance

Nawaid Jamal
Chief Financial Officer
Jubilee General Insurance

Zeeshan Raza
Chief Executive Officer
UBL Insurers

Enterprise Risk Management for Insurers An Overview

In the world of Insurance, Enterprise Risk Management (ERM) is a concept often talked about, while still remaining somewhat misunderstood and under-utilized. In recent times, several factors have contributed in making ERM an essential part of insurance companies' ongoing operations, specifically:

- New Regulations focusing on enhanced Risk Management/Monitoring capabilities
- Uncertain market conditions
- Rapid evolution in technologies and customers
- Major events that happen more often than initially suspected

An effective ERM program can potentially reap the following benefits:

- Greater likelihood of achieving strategic objectives
- Fewer surprises and crises
- Capability of taking on greater risk for greater reward
- Increased risk awareness
- Enabling proactive responses

ERM at its core is simply a holistic approach to risk management that takes into account the correlations and dependencies of risks across the entire organization. One of the key advantages of such an approach is the focus on relationships between seemingly independent risks. Too often have organizations missed out on such relationships, which may only emerge once it is too late to take action. The focus placed by ERM on proactive risk measures is critical in being able to build up resilience against such deeply interwoven risks.

Insurance Companies by nature of their work take on a wide array of risks. Some key areas to focus on include the following:

- Business/Product Development
- Pricing and Policy Terms
- Distribution and Marketing
- Underwriting
- Reinsurance
- Claims Processing
- Investment Management
- Legacy Systems and Information Security
- Financial and Solvency Management

Each of the areas identified above present their own risk profiles. For several years now, financial institutions have been moving away from traditional silo-based approaches to risk management in favor of integrated risk management approaches such as ERM.
ERM provides value in three key areas:

1. Strategic Strength through an enhanced outward- and forward-looking ability to manage risk
2. New Insights due to availability of vast amount of data
3. Increased Resilience through better management of Operational Risk

Focus of Insurers

Past	Future
Focused on Reporting	Focused on Optimization
Silo-based Approach	Dynamic Approach
One-time Procedure	Continuous Process

The models currently in use by Insurers, which have survived and thrived for generations are now under pressure. The focus on the future will lend itself to new ways of managing risk.

ERM completely aligns with the forward-facing focus that insurers are now adopting. It represents a significant evolution of risk management techniques, encompassing all areas of an organization, and looking across the overall set of risks that result from the interrelated processes, people and structures that exist across an insurance company.

Effective ERM can protect and create value by integrating and aligning risk-related elements, functions and roles across the company such as risk strategy, management and infrastructure. It brings together risk managers and isolated lines of reporting, delivering aggregated information to the Board. ERM can work for firms of any size due to the alignment of the risk profile with the risk appetite. This allows firms to proactively monitor and assess potential emerging risks. This enables them to exploit or mitigate identified risks to detect, maintain, protect and create value.

Important Considerations

While ERM can be of great benefit to the insurance industry, its impact is conditional on the practical implementation across the organization.

Following are some key areas to keep note of with regards to successful ERM implementation:

- Buy-in of Board
  It is important that the ERM process is driven from the level of the board. This ensures that seriousness of its implementation is communicated, and also the upper management remains involved in the process

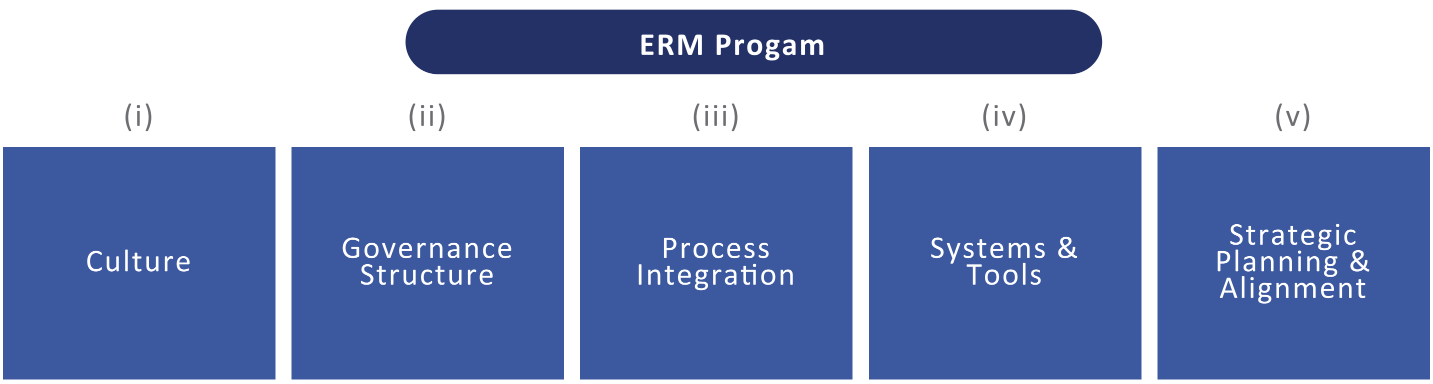
- A process, not a project
  ERM must be treated as a continuous, dynamic process rather than a one-time project that just requires a checklist to be populated

- Tracking and Reporting too many risks
  Upon completion of the risk identification and assessment step, it is important that the organization focuses on the most important key risks. The acceptance of some risks is a key part of ERM, as that allows for focus on mitigation and reduction of risk impacts

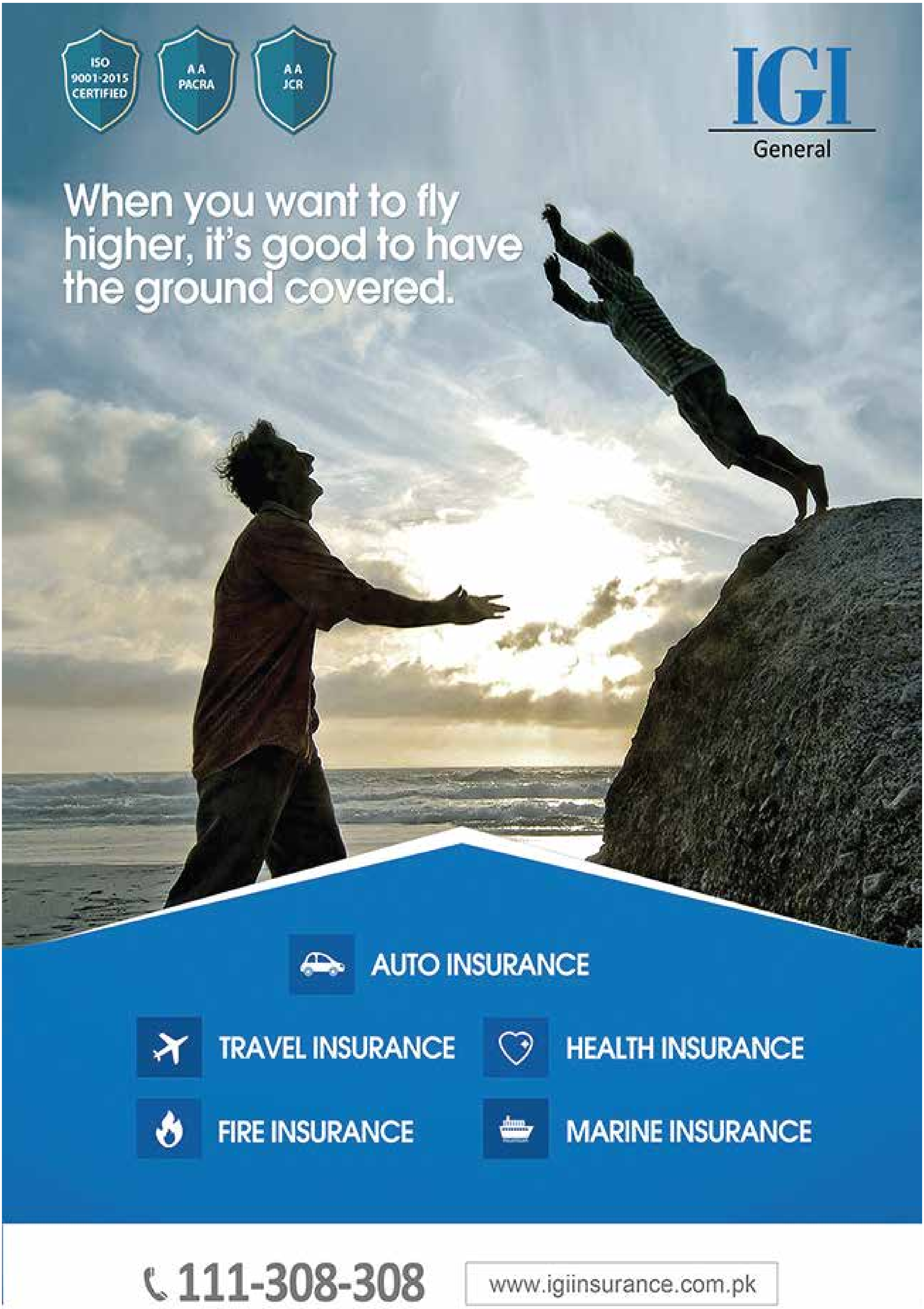
- Hoping for early results
  Several organizations undertake premature attempts at ERM's advanced capabilities and try to establish ERM as a quantitative exercise too early. Organizations must focus on the basics first and ensure the foundations of ERM are strong before tackling the more advanced techniques

In today's uncertain world, the most important aspect of any organization is resilience. Being able to withstand the many changes, while exploiting and enhancing value-creating activities, will be the mark of success. Robust ERM programs can ensure that the insurance industry is in good stead to withstand the coming challenges while enhancing risk monitoring and management capabilities.

Syed Abdul Mujeeb (CERA, ASA, APSA)
Head of ERM
EFU Life Assurance Ltd



Areas to consider under an ERM programme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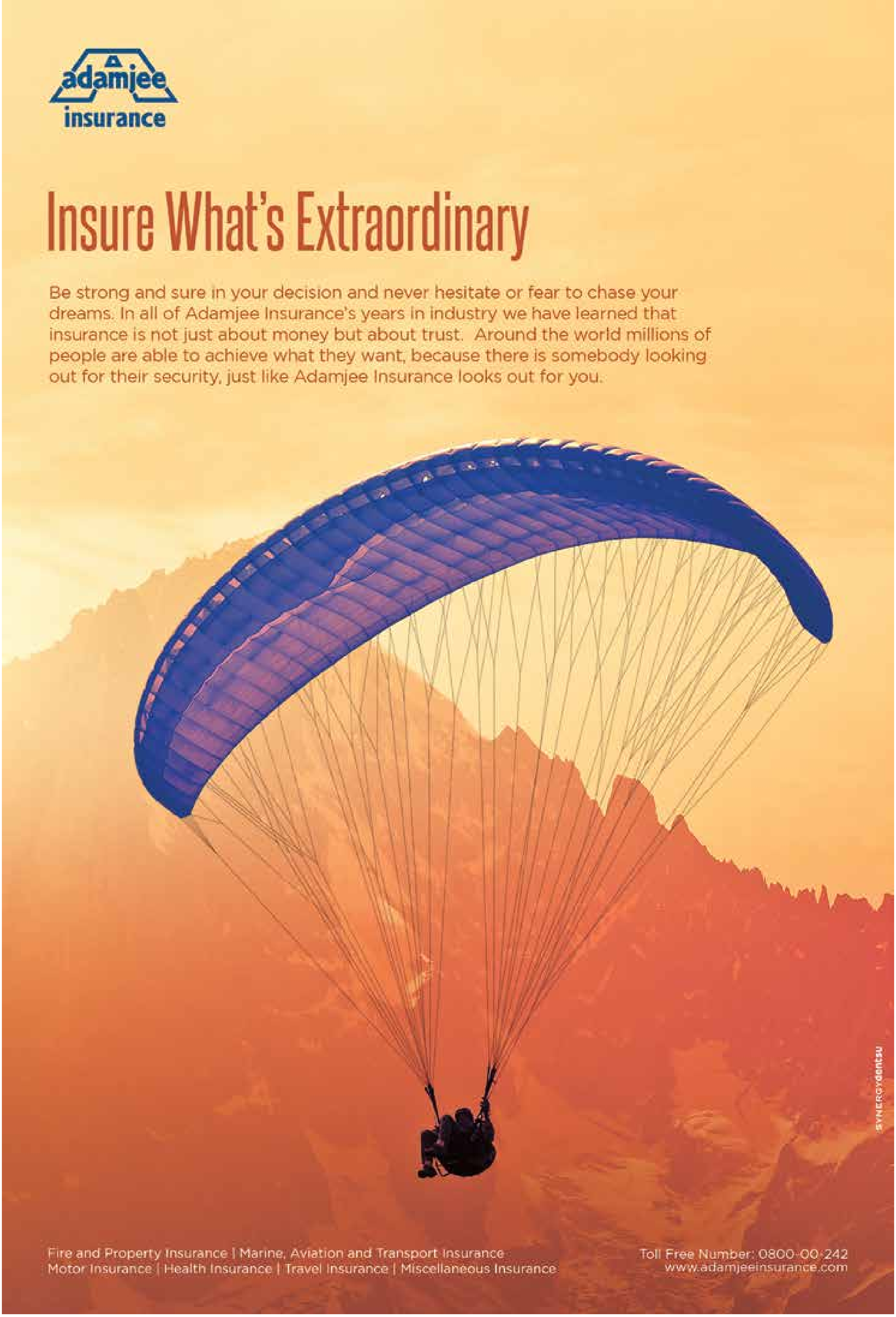
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Valuation for Insurance Purposes

Valuations for insurance purposes are a specialised area of valuation practice requiring in-depth experience and knowledge of insurance and the particular property or item of plant and equipment. There are many types of assets and various levels of reporting, therefore, based on the requirement, the client is adequately and appropriately informed. The assessment of insurance valuations requires a broad range of professional skills and experience.

Insurance valuation services are commonly required for one of the two following reasons:

- *"To determine the amount of insurance required for the purpose of establishing insurance cover (i.e. to assist in assessing declared value or sums insured)*

- *To determine the sum to be paid following loss or damage as a result of an insured peril"*

In addition to the responsibilities covered,

- *"The reinstatement cost estimate and/or indemnity value estimate of the assets for insurance purposes at the date of valuation*

- *Whilst risk managers and/or insurers commonly address factors that can or could impact adversely on the assets in respect of insurance issues, such as, upgrade requirements, loss of existing use rights, proximity to nearby high-risk activities, etc."*

Prior to assessing business property's worth for insurance purposes, it is important to note two things:

- *"Insurance value is not market value, if you decided to retire from practice and sell your business property, the market price for that property will seldom, if ever, coincide with its replacement value. And, if you own the building, its market value will include the value of land, which will endure even if the building is damaged or destroyed*

- *Insurance value is not the depreciated value of the asset ledger you keep for income tax purposes. Tax depreciation is an artificial form of valuation that usually has little or nothing to do with the replacement cost"*

Concept of Reinstatement value in Insurance

This is the value at which the damaged property can be reinstated or replaced by a similar property, without deducting depreciation. Agreed value is also sometimes mutually agreed upon by the insured and the insurer, subject to the valuation certificate.

Reinstatement cover means that the insurers will pay the cost of replacement with a new one which is equal to but not better than the item lost or damaged. This is usually the basis of cover under the event assured "all risks" cover, provided the sum insured represent the full replacement cost.

For example, buildings must be insured to cover the full cost of demolition and rebuilding, together with any other allowances for professional fees. For leased buildings, the insurance policy may cover ground rent and an alternative accommodation for the lessees, but this should be clarified with the insurance company.

An accurate reinstatement cost could save money on insurance premiums by accurately determining the value of property before a quotation. We have known some property owners to guess at the Cost of Reinstatement, but in the event of an insurance claim being made; the first thing the underwriter will ask for is a Reinstatement Valuation.

If property is undervalued, the insured might not receive the full value of the insurance claim. Although many buildings insurance policies are index linked, it is still sensible to obtain regular reinstatement valuations to ensure sufficient cover.

Whereas, Indemnity basis means that the insurance will only pay for the second hand value of the item i.e. what you might get if you sold it. This is its market value, not the written down value.

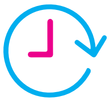
Each policy of insurance could be subtly or dramatically different in how it defines the terms discussed herein. The mechanism by which values or costs of reinstatement are calculated will differ in each policy of insurance. There are many different types of insurance policies available. The most common policies relating to the insurance of buildings and contents are:

- Home Policies
- Industrial Special Risk (ISR) Policy
- Typical Policy Indemnity Cover
- Extra Cost of Reinstatement
- Reinstatement Rights/Existing Use Rights
- Co-insurance Clauses
- Limit of Liability
- Fiduciary Interests

Large-scale catastrophes and disasters can result in unforeseen escalations in building and other related costs due to the high demand for building materials and labour. Declared values or sums insured are usually determined on the basis of a single loss and not in the context of a more widespread catastrophe such as an earthquake, flood or bushfire. Because such events can give rise to shortfalls between the declared values or sums insured and the ultimate cost of reconstruction, therefore suitable disclaimers may be included when completing valuations for the purpose of setting sums insured, excluding possible cost escalations arising from such catastrophic events.

Engr. Afzal H. Nanjee
Iqbal A. Nanjee & Company (Pvt.) Ltd

Burnout at Work
20 Warning Signs

01


Setting your alarm too early
The signs of job burnout can start first thing in the morning. For example, if you're so tired that you hit "snooze" over and over and then feel frantic and late when you wake up.

02


Being depleted after work
Consistently lacking the energy after work to do regular things like cook, go to the gym, or spend time with your family is not a good sign.

03

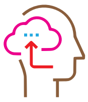

Inconsistent sleep patterns
Oftentimes, people that are over-stressed at work will lose sleep over something they they did (or didn't do) at work.

04


Feeling liberated Friday Evening
You know you're really stressed when you truly feel like you've been freed when the weekend rolls around.

05


Explaining your job with "fine"
An obvious sign of burnout comes when family and friends ask you about your job, and whether it's new or you've been there for a while, you simply respond with one-word responses like "fine."

06


People constantly ask about your feelings
Do your coworkers often approach you because they are worried that you are struggling or down on yourself? This is a signal that others are picking up on your misery.

07

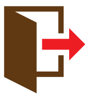

Not spending time with coworkers
Burnt out employees tend to shy away from company-wide lunch events or functions because they've lost interest in building their network.

08


Living like a vampire
Arriving before dawn and leaving well into the evening is stressful on its own. Being forced to work these hours can make the problem even worse.

09


Dreading every Monday.
Similarly to only looking forward to Friday night, absolutely dreading Mondays signals you're burnt out at your current job.

10


Fantasizing about quitting
Moving to a new job for a higher salary or better hours is one thing, but fantasizing about simply quitting is on the other end of the spectrum.

11


Not wanting to explain your job
"What do you do for a living?" is a common question at gatherings, but it likely becomes annoying to someone who is sick of their job.

12


Treating your coworkers or customers
If you're planning to quit or you're just sick of dealing with the same people every day, it may be reflected by how you treat your coworkers.

13

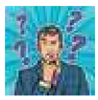

Forgetting your last accomplishment
Not remembering the last time you felt satisfied or accomplished at work can signify the development of job burnout.

14


Constantly feeling overwhelmed
Stress at work is inevitable, but every moment shouldn't be stressful. Feeling stressed out all the time, even outside of work, can mean you are burnt out.

15


Rarely feeling like you're progressing
A lack of progress or feeling like you are sick is likely a sign that it is time for a new job (or at least a vacation).

16


Being cynical
Once you lose interest in the company and stop caring about helping it, you can become a liability.

17


Frequently losing your temper
Stress can lead to temper tantrums and you may seek relief in exploding on those around you.

18


Over-complaining to your partner
There's no doubting that venting can help, but your problems at work shouldn't consistently become the problems of your significant other or your close friends.

19


Dreading a new job search
Even if you know it's time for a new job, if you're over-stressed there's a chance you won't even take the time to look.

20

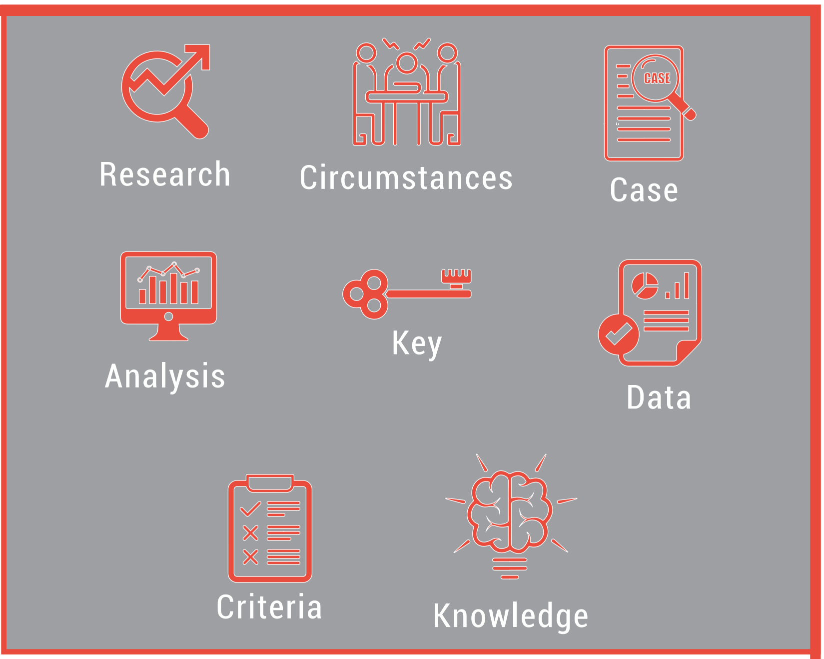

Noticing coworkers reaction
If you notice that your coworkers are "walking on eggshells around you because they don't know what to expect," that's a clear sign that you're having a tough time.

PII

Pakistan Insurance Institute

Since 1951

CASE STUDY COMPETITION 2020



Pakistan Insurance Institute is pleased to announce a competition to develop case studies for further teaching, training and research in insurance.

This competition aims to create a repository of cases that help to understand how issues & problems in the vast and complex field of life and non life insurance arise and can be resolved.

The Case Study Competition is an opportunity for students, researchers and professionals to display their skills, knowledge of the field and innovations in resolving the issue.

The objectives of this competition are:

- To introduce use of the practical applications of the basic insurance principles and innovations in solving cases.
- To encourage research that contributes to professional knowledge and provides solutions.

Prize will be awarded to the two best case studies.
1st Prize: Rs. 35,000 **2nd Prize: Rs.15,000**

All case studies (soft copy) should reach the Institute on or before **December 15, 2020**

Guidelines:

Case studies will be expected to include the following:

- Introduction: The essential question to be discussed and a description of the problem to be analyzed
- Key parties: Descriptive analysis of the key parties and their objectives.
- Background of the case: Narrative description of the case including important factors and events
- Details, if any
- Solutions adopted by the company / organization which can be shared for academic purpose

Case may be based on issues and experiences from companies – Private / Public, Insurance Agent / Broking Company / Surveyor firms etc.

The contribution should be original and should relate to any topic of insurance and related subjects. It should not be submitted elsewhere.

The case study must be written in Microsoft word. There is no limit on number of pages / words. If case study is selected, then it will be copyright of the Institute.

Competition is open to all professionals working in the insurance industry.

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