

Business Strategy in the Post-Pandemic World

COVID 19 has been having a devastating effect on the economies and societies across the world. However, Business Enterprises have been successfully realigning themselves to the new business environment enforced by this pandemic. The Insurance Industry is no exception to the rapidly changing business dynamics. Subdued business environment and possibly shrunken balance sheet assets are likely to give rise to consolidation strategies.

When normality begins to set in, insurance businesses will need rapid rethinking and rational reassessment of their business strategy in the new environment in order to remain financially viable, deliver profits and increase shareholders' value. So far, revenues in the insurance industry have been marginally affected, however, if the pandemic stays for a longer duration, it will become paramount for some companies to optimize their business offerings and modus operandi in order to respond effectively to the crisis.

The following indicative actions are likely to constitute an effective response to the challenge being envisaged:

- Set the realistic targets
- Carefully review Capital Management Policy, Risk Appetite and Asset Allocation
- Channelize resources towards the products with high returns
- Phase out the products that have low demand in the market but attract high cost
- Merge two or more profit centers to cut down the cost of operations
- Close down the non-performing divisions
- Review the reserves to ensure appropriateness
- Change Reinsurance Buying Strategy
- De-risk the capital from high risk but indispensable classes
- Used appropriate reinsurance cover to improve the Solvency

While assessing the financial position of an insurance company, reinsurance is a key financial tool to devise Risk-Reward-Return strategy. The effectiveness of a reinsurance programme is to be evaluated against cost-benefit scenarios and economic viability of the programme when claims are higher than they are normally expected. When a business is in consolidation phase, a few reinsurance strategies like commutation, run-off cover, conversion of proportional reinsurance to non-proportional & vice-versa etc. come in handy. However, caution needs to be practiced while shifting the reinsurance structure as the risk of carrying long-tail and unexpired risks is often misjudged, leading to unexpected and unnecessary strain of the Net Account.

Afro-Asian Insurance Services Ltd is a specialist reinsurance intermediary, trading extensively in the African Market. We are able to assist our clients in the changed business environment in devising strategies and arranging appropriate alternative reinsurance solution that aligns with the overall financial strategy of the company.