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STRATEGY | M&A | TRANSFORMATION



# COVID-19 | goetzpartners' Insurance Industry Assessment

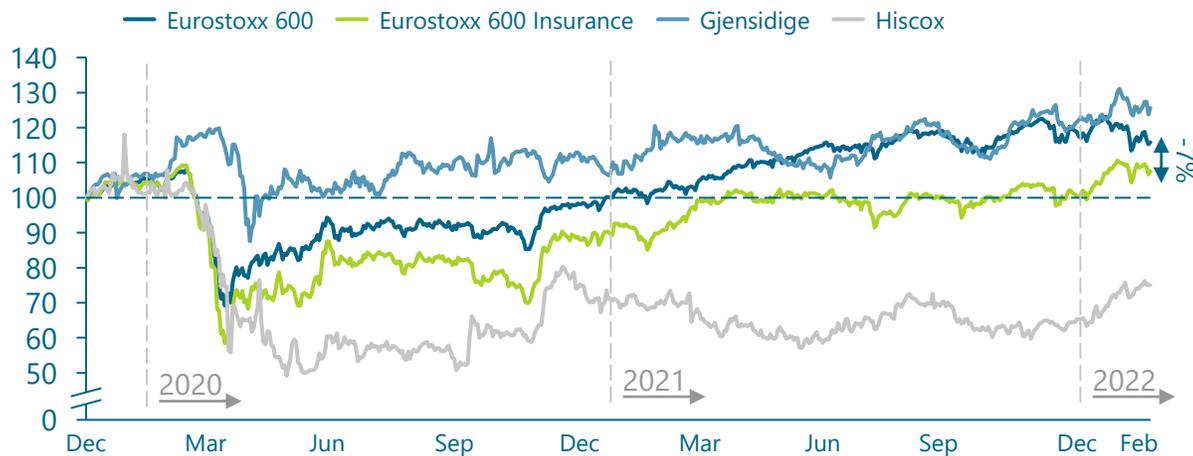
MUNICH, APRIL 2022

# Insurance Industry | Shareholder Sentiment

Insurance companies' stock prices fell further than the general market due to Covid-19 – the relative gap, though varying in size, has remained relatively constant even nearly two years after the initial stock market drop

## INDUSTRY STOCK PERFORMANCE

Index (stock price on December 2<sup>nd</sup>, 2019 = 100)



- Initial main reason for the sharper drop of insurance companies' stock prices **was claims arising from the Covid-induced lockdown**
- However, as the lockdowns went on and consumption remained low, **a lack of demand for new policies** additionally hampered the **insurance companies' stock prices**
- As most countries are leaving lockdowns and limitations behind, local **economies are recovering** and **growing** steadily and so is the insurance industry
- Currently, an **increase of new policies**, especially in commercial insurances and some parts of consumer insurances (e.g., travel, event) lead to **pre-Covid stock performance**
- Overall **premium expectations** are **significantly higher** than pre-Covid

## COMPANY STOCK PERFORMANCE

### SELECTION

#### "Positive impact": Gjensidige Forsikring ASA



- **Diversified offering:** Losses by travel insurance claims are offset by reduced claims for motor insurance
- **Capital buffer:** Significantly higher capital buffer than insurance peers
- **Reinsurance:** High degree of reinsurance transferring risk exposure
- **Dividend:** Paid-out dividend in 2020 and highest ever dividend in 2021, safeguarding against a share price drop

**26%** increase in stock price<sup>[1]</sup>

Outperformed Eurostoxx 600 Insurance by **15%**<sup>[1]</sup>

#### "Negative impact": Hiscox Ltd



- **Inefficient underwriting:** Hiscox had a combined ratio of 114.6% in 2020, indicating inefficient allocation of resources within the pandemic years, but has a positive outlook for 2021 results
- **Debt-to-equity:** High degree of leverage – increasing from 18% to 40.2% over the past years
- **Reliance on small business:** Relatively high reliance on Covid-sensitive businesses as revenue streams are focused on small businesses (which include e.g., events)

**25%** decrease in stock price<sup>[1]</sup>

Underperformed Eurostoxx 600 Insurance by **30%**<sup>[1]</sup>

# Insurance Industry | The CEO's Agenda

Translating lessons learned from the Covid-19 pandemic and trends into the agenda of company leaders implies asking the right question about defensive and offensive strategic considerations

## LESSONS LEARNED FROM COVID-19 CRISIS



## STRATEGIC CONSIDERATIONS

### DEFENSIVE (FINANCING, MARKET CATCH- UP)

- How can **AI<sup>[1]</sup>** help you to develop **usage-based insurance products** that are exactly **tailored to individual needs** of clients?
- Can **digital transformation** help you to **effectively address** potential **regulatory requirements** and **speed up claims & underwriting processes**?
- How can **AI** help you to **efficiently manage** your portfolio/ investments?

### OFFENSIVE (ACQUISITION, CARVE-OUT)

- Are there opportunities for **investments** or **partnerships** related to **technology start-ups** or **InsurTechs**?
- Are their attractive acquisition opportunities with regard to booming markets such as **usage-based policies** or **cybersecurity**?
- Has your company already started the **transformation** to a centralised mobile platform to **fulfil customer needs** of **continuous availability** and **flexible insurance policy management**?
- How large is your company engaged in the **improvement** of its **digital skills** and in the **integration** of **innovative technologies** as **IoT<sup>[2]</sup>** or **AI** in its operations?
- How can you transform your sales approach to find the right mix between **efficient & economical AI** and **trust-building human interaction**?

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