The impact of COVID-19 on the Seychelles insurance sector

September 2021

Acknowledgements

The Financial Services Authority would like to thank everyone who have actively participated and contributed to the initiation and implementation of this survey.

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Context

The COVID-19 pandemic has created disruptions in the global world and led to serious consequences in various industries. Seychelles has not been spared from the outbreak of the COVID-19 crisis. The Seychelles government imposed lockdown and movement restriction measures on people, services and goods in March 2020 when the pandemic hit the local shores in an effort to mitigate the spread of the virus.

The pandemic, therefore, brought an unprecedented predicament to the Seychelles economy notwithstanding the local insurance Industry. As per the last statistical recorded data, the insurance industry accounted for 2% of the overall GDP growth of the country.

Thus, since the outbreak of the pandemic in 2020, there have been considerable impact to the economy and livelihoods of businesses and individuals likewise. Thus, the Financial Services Authority took the initiative to assess the impact that the crisis has had on the local insurance market. In Seychelles, the COVID-19 pandemic impacted the brokers and insurers' ability to conduct face-to-face customer service and process and handling of claims.   Moreover, their businesses have seen rises in operating cost due to increase spending in healthy and safety measures as directed by the Public Health Authority.

Figure 1: Overview of industry

FUNDAMENTALS

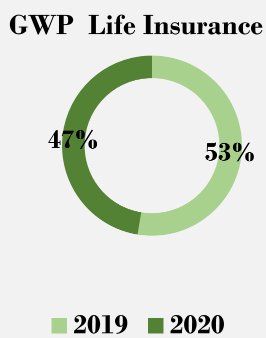
of the Seychelles local insurance industry pre-COVID-19

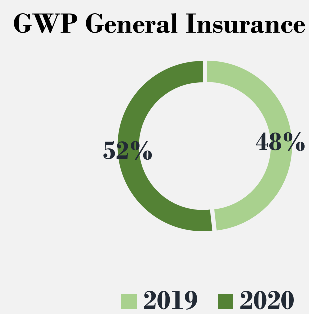
2 Life insurers

5 General insurers

22 Brokers

51 Sub-Agents





Assets

	General	Life
2019	647,317,990	587,286,992
2020	763,955,880	615,294,728

Expense and Claims Ratio

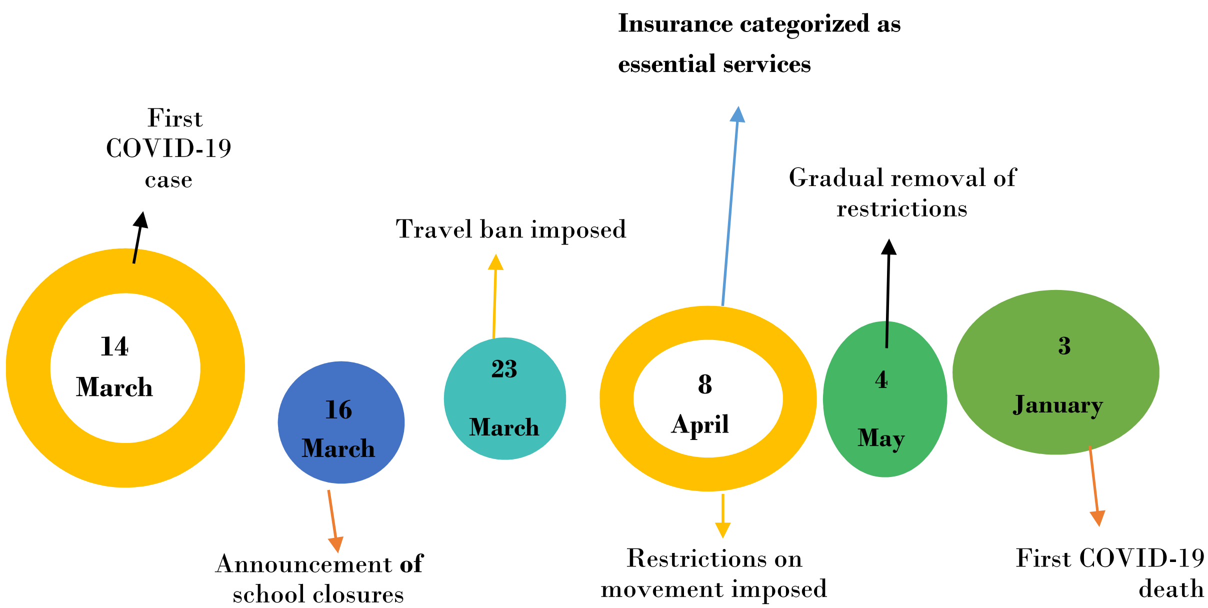
2019

	General	Life
Claims Ratio	42%	86%
Expense Ratio	47%	47%

2020

	General	Life
Claims Ratio	47%	81%
Expense Ratio	47%	42%

Figure 2: Timeline of COVID-19 Response in Seychelles



Whilst the pandemic has brought disruptive changes and uncertainty in the Seychelles insurance industry, there is an emergence of considerable opportunities to be gained that can prove to be advantageous to the industry. We have witnessed many local companies adapting to the new normal by leveraging their operations on technology to considerable success.

The survey will enable the different stakeholders to understand how businesses have responded to the pandemic. The information compiled in this report, highlights key trends, deficiencies and opportunities for the sector that has risen out of the pandemic.

ABOUT THE STUDY

Objective: The objective of the study is to inform insurers, intermediaries, policyholders, actuaries, regulators and all key stakeholders on how the insurance industry has coped and intend to cope with the COVID-19 pandemic and its uncertain duration.

Methodology and response: The study draws on a survey data sources directed towards insurers, brokers, policyholders and actuaries gathered from **March – May 2021**:

The survey also makes reference to the insurance companies audited financial statements, regulatory quarterly returns and the FSA yearly "Insurance Industry Report".

This report presents the key findings from the survey questionnaires rolled out via Question Pro. The participants of the survey include locally licensed insurers, intermediaries, actuaries and policyholders.

KEY FINDINGS

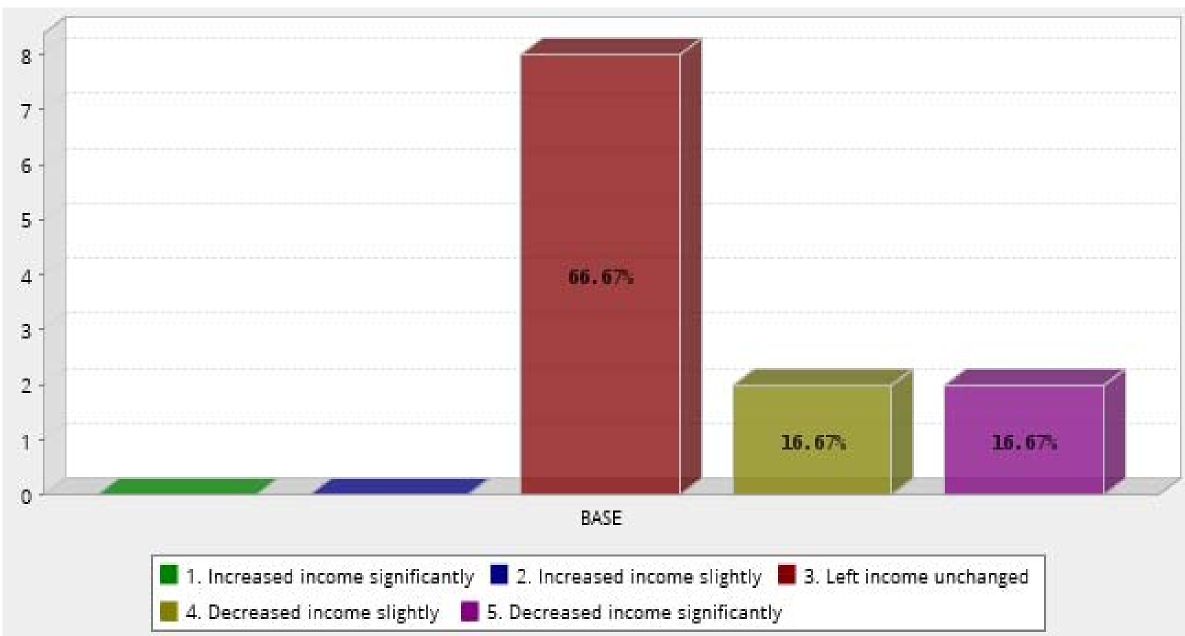
1.0 IMPACT OF COVID-19 ON POLICYHOLDERS

Policyholders' protection is one of the utmost mandate of any regulatory body within an insurance sector and ensuring that this is maintained by the licensed entities is the role of the Financial Services Authority. Consumer protection entails dealing with the potential abuse and/or mistreatment of clients in terms of poor service standards and or inadequate claims handling process.

1.1 Financial Impact of COVID-19

From the survey conducted, 66.67% of the respondents mentioned that the pandemic situation had left their financial status unchanged, whilst the remaining 33.34% noted that they had suffered a slight or significant decrease in their disposal income.

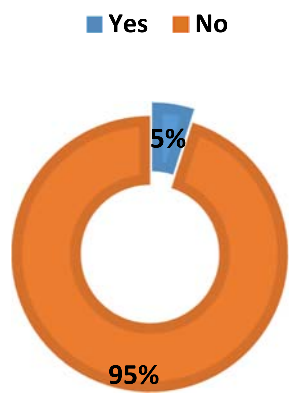
Graph 1: Financial impact of COVID-19 on policyholders



1.2 Claims

In regards to claims made, a slight percentage of the respondents has sought and/or made COVID-19 related claims to their respective insurers and the majority of these claims were motor vehicle insurance claims. 83.33% of the claims made resulted in a payment by the insurer and a lower percentage of 16.67% were unresolved as per the graph below:

Figure 3: Spread of claims lodging history



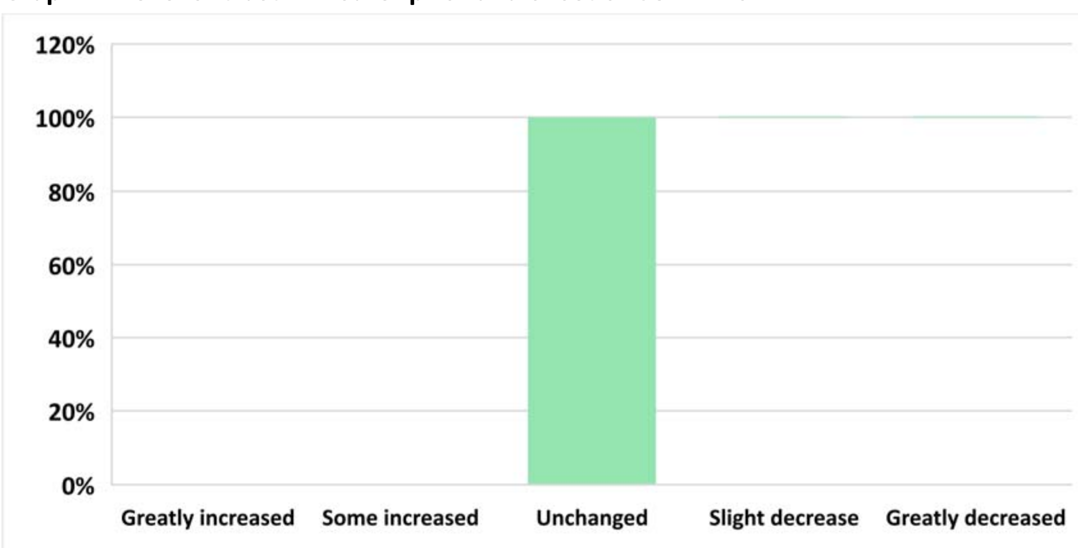
As per Figure 3 above, there were several claims recorded during the peak start of the COVID-19 pandemic in Seychelles. The onset of the pandemic brought many challenges including operational ones for both the insurers and the customers given the uncertainty of the future.

1.3 Customer Services Satisfaction Level

1.3.1 Insured and their trust in insurance providers

When queried about how the COVID-19 pandemic has affected their trust in their respective insurance companies, the policyholders' responses are per below:

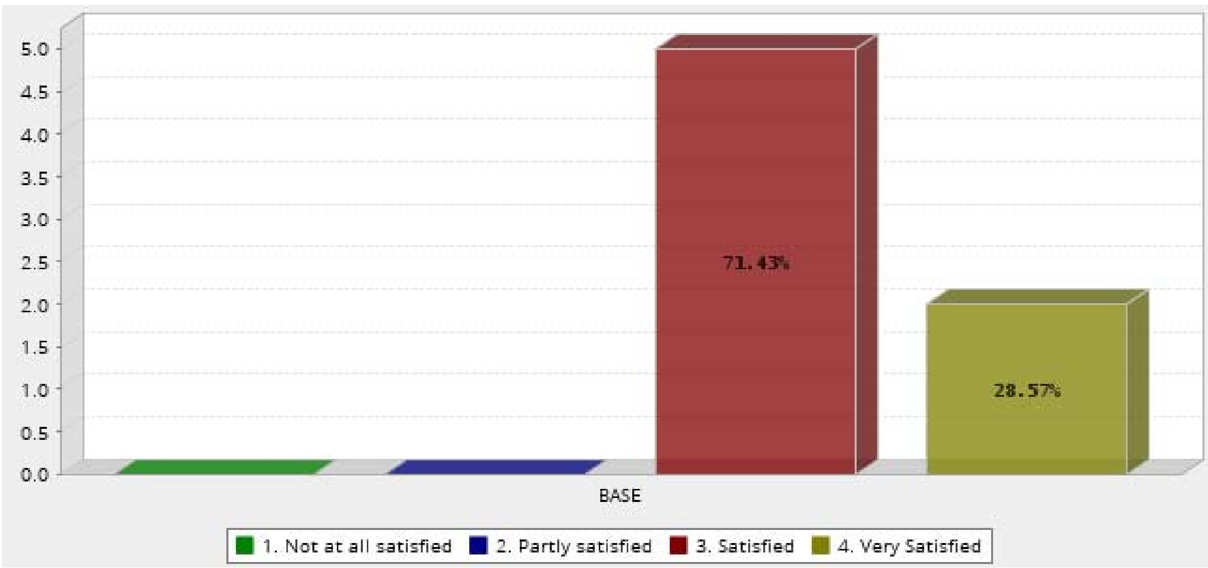
Graph 2: Level of trust in insurer prior and onset of COVID-19



1.3.2 Insured and customer services level

During the early period of the Covid-19 there were certain restrictions on movement and therefore, the policyholders were asked to make use of online payment facility. 63.64% responded that they had not accessed the online payment platforms and only 36.36% being the only users of the mentioned payment facility.

Graph 3: Levels of customers'/policyholders' satisfaction with insurance providers



8.33% of the respondents commented that they had been given grace periods to make their premium payments and also received cashbacks payments from their insurance providers. The larger majority confirmed that they had not observed any changes in terms of insurance products and services offering.

Additionally, when requested to comment on their opinion about how the insurers dealt with the COVID-19 pandemic to ensure continued efficient and effective services, the policyholders noted that some of the insurers had mitigated the risk efficiently by enabling payments to be done online, therein limiting contact and access to their offices and being attentive to their needs.

However, there were suggestion that during the COVID-19 period the insurer should look at premium reduction and better usage of online platform to facilitate access to their services and products.

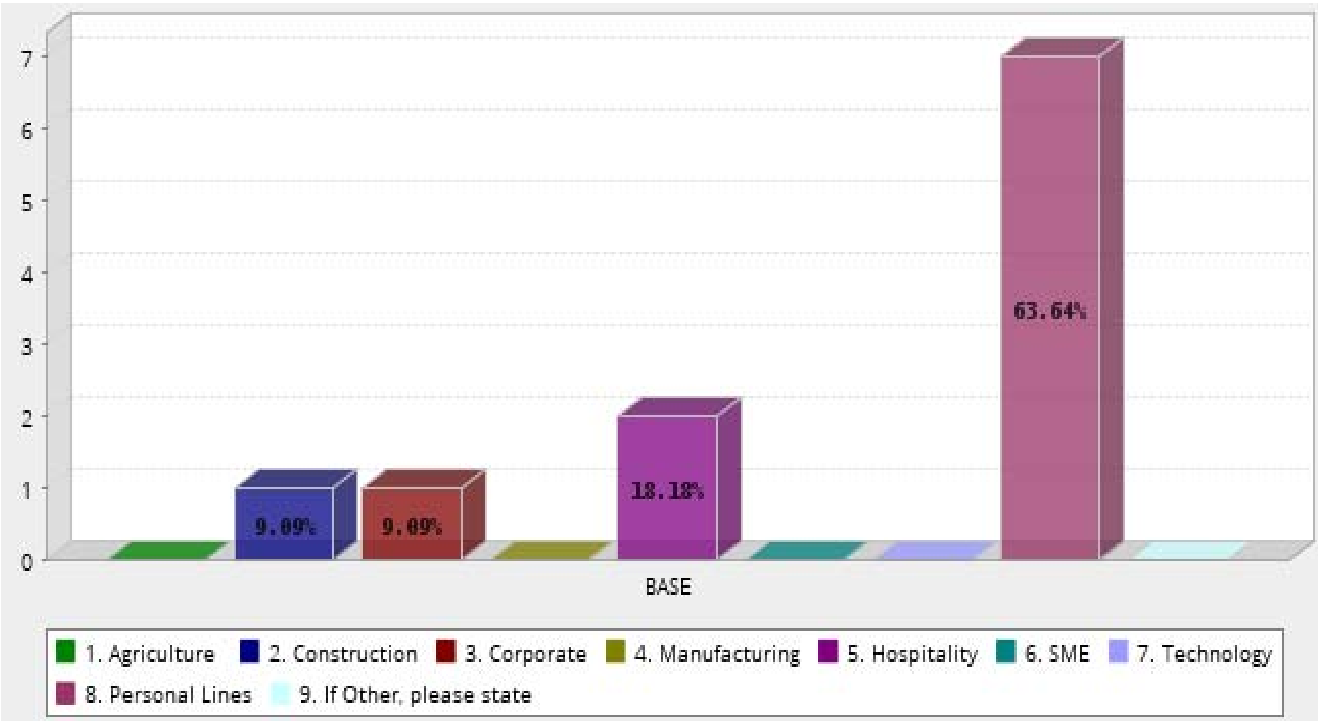
IMPLICATIONS OF THE FINDINGS	**The findings shows that the respondents were clearly satisfied with the level of service that they received from their respective insurers**

2.0 IMPACT OF COVID-19 ON INSURERS AND BROKERS

2.1 Market Segments

As per the detailed graph and table below, the client concentration was spread around diverse sectors. Most of the insurance purchased were personal lines insurance covers.

Graph 4: Sector variation of insurance covers being provided



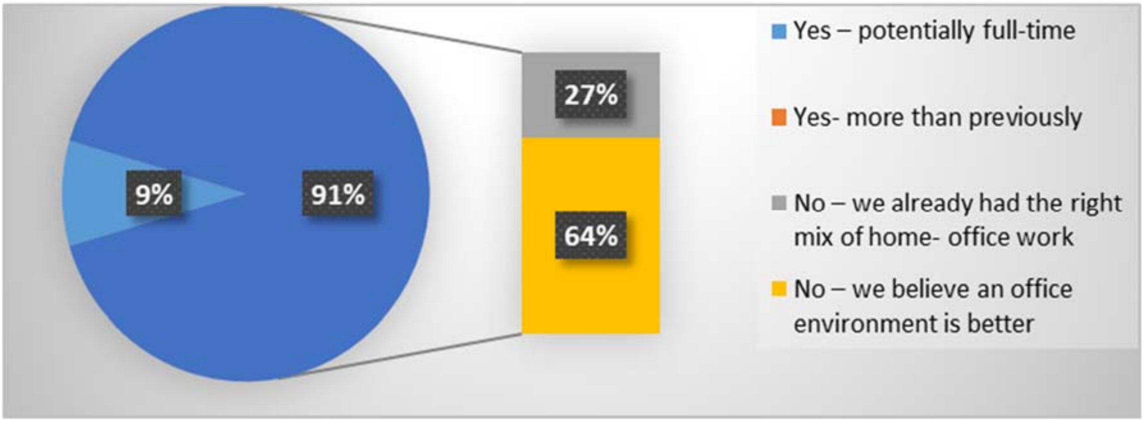
2.2 Working Remotely and Digitalization of the Insurance Sector

2.2.1 Working remotely

Insurers and brokers encountered challenges with working remotely during the restriction of movement. This was in regards to the fact that certain insurance related aspects necessitated face–to-face contact and they had difficulties in processing and paying claims.

Moreover, 30.77% of the participants mentioned that they had introduced new flexible working hours.

Chart 1: Allowing staff to work from home more frequently post lock-down

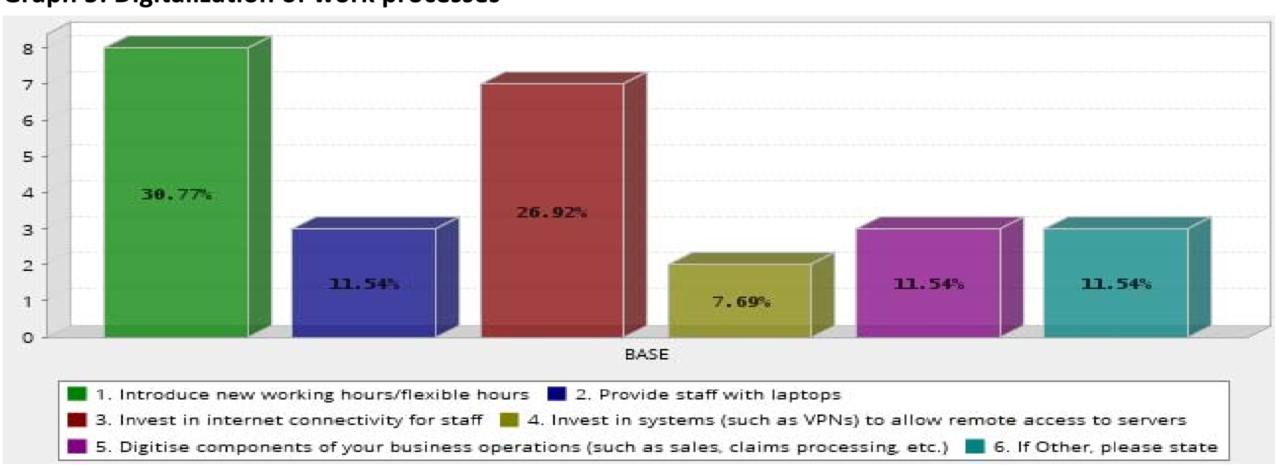


In response to the implementation of flexible working hours for their respective employees, the insurers indicated that they believe to a large extent in the spirit of an office environment whilst the lesser majority noted that they already had the right mix of home and office work already in place. Only 9.09% of the respondents advised that they would consider letting their staff potentially work full time.

2.2.2 Digitalization of processes

27.92% had invested in internet connectivity for their staff, 11.54% had respectively digitized components of their business operations, provided staff with laptop and implemented other measures. A minor 7.69% on the other hand had invested in systems to allow for remote access to their servers. All of these changes were done so that the staff could actively work from home and thus enabling business continuity and effective and efficient operations.

Graph 5: Digitalization of work processes



The Seychelles insurance industry prior to COVID-19 were partially/moderately digitalized but some of the insurers had invested and were investing in digitalization efforts as part of their response to the COVID-19 pandemic. However, this digitalization was lacking in certain components such as claims processing and payments and new product acquisition.

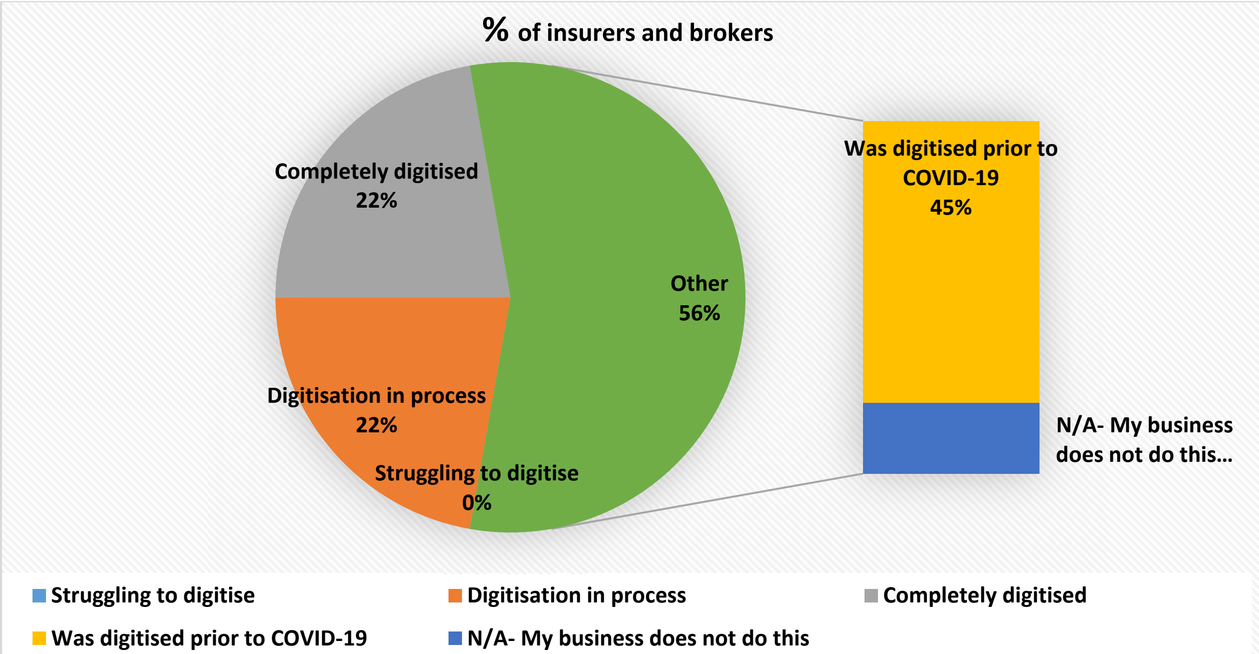
2.2.3 Servicing Existing Customer

Customers are the key dependencies that businesses rely on to be successful. Insurers and brokers should know that the way they provide service to their existing customers is instrumental to their continued survival. In order for them to maintain their book of business it is imperative that they maintain close and efficient business relationships with their clients. As mentioned earlier, clients want to have easy and fast access to their insurance cover and having digitized products and services facilitates that desired outcome. As noted, below in the next section, the insurers and brokers equally noted that they were either in process of digitalizing, were completely digitized or were digitized prior to the outbreak of COVID-19.

2.2.4 Policy Servicing

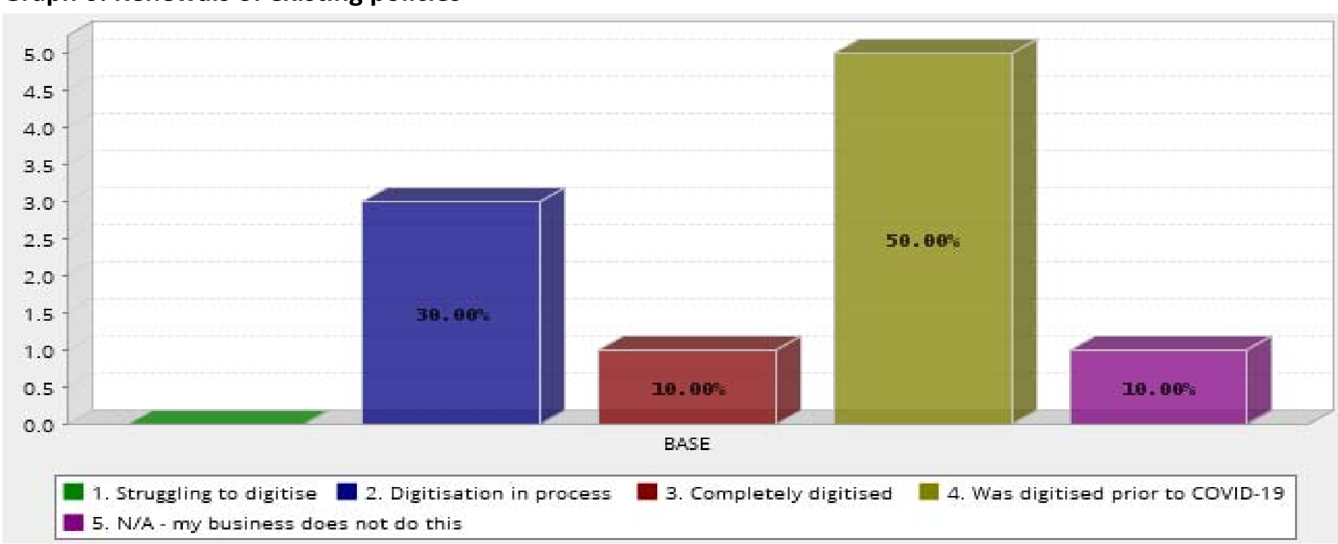
In relation to the other services such as sale of new policies (44.44%), issuance of insurance policy documents or certificates (44.44%), renewals of existing policies (50%) and processing claims (50%), it was seen that in most cases the of the respondents were already digitized prior to the COVID-19 pandemic hitting the shores of Seychelles.

Chart 2: Sale of new policies and Issuance of insurance policies document or certificates



The COVID-19 pandemic was expected to also have a direct effect on the sale of new insurance policies and the issuance of the insurance policies and certificates in relation. 45% of the respondents indicated that they were digitized prior to COVID-19, whilst a minor 11% noted that digitalization was not relevant to their businesses.

Graph 6: Renewals of existing policies



As businesses around the world contend with the new realities of the world in the wake of the coronavirus outbreak, the insurance industry finds itself in a particularly unique position. 50% of the licensees indicated that they were digitized prior to COVID-19 in terms of policy renewals, however, it is noted that renewals still entail a human interaction aspect for some consumers who do not have access to emails, WhatsApp or any other recognized mode of interaction in order to print their insurance discs or policies.

Furthermore, compared to countries like Kenya and India several insurers and brokers have automated apps that consumers can have their insurance discs sent to them electronically and they can just present upon request. However, this is a complex issue that entails other authorities and further discussions.

IMPLICATIONS OF THE FINDINGS	**It was seen therefore that there is a great need for digitalization process to be reinforced and updated in order to cater more efficiently and effectively to the needs of clients.**

2.3 Claims Processing and Payment

On the one hand, insurance companies have to expect fewer new sales as consumers are delaying large purchases which typically require insurance policies and on the other hand, consumers expect their claims to be processed efficiently and accordingly. Insurers and brokers therefore have to ensure that they meet the consumers' expectations, a feat which may prove to be very challenging given the COVID-19 situation and level of digitalized products and services. It is to be noted that the Financial Services Authority has recorded a significant rise in consumer complaints during the onset of the COVID-19 pandemic in regards to the processing and payment of claims. It is thus imperative that insurers and brokers have efficient and effective processes to manage and settle claims as it has a direct link to policyholders' decisions to continue according them business and also generate opportunities for new customers and products.

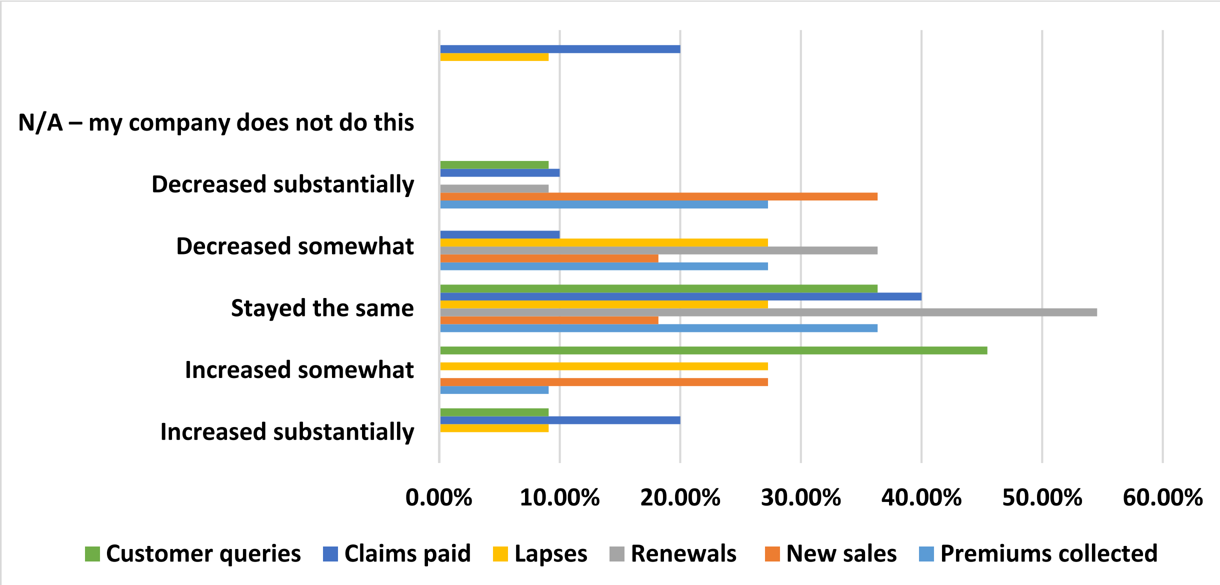
Most of the complaints have centered around the difficulty to report a claim as this has to be done face-to face in most cases although some insurers have mechanisms in place, namely on their websites to report claims directly but however, there is the issue of access to these facilities. Consumers also noted that the length of time that was taken to settle claims were not up to service standards. Many factors such as restrictive measures, rise in spare parts and alternative closures of insurer and broker offices were also obstacles to achieving the desired claims management levels.

Claim handling is a complicated business. Claim executives today must confront a wide range of operating challenges, considerably with the onset of the COVID-19 pandemic. Insurers and brokers have to find proactive alternatives to ensure claims are paid on time and as commented by the licensees to the maximum. This process has been a practice prior to COVID-19 which means it was not impacted by the obstacles that the pandemic caused. However, it is good to be highlighted as noted above that most of the complaints lodged with Financial Services Authority were due to late/ delay in or non-payment of claims.

Additionally, it was divisively pointed out by the respondents that from January 2020 to December 2020 compared to previous years there has been a considerable changes and on the other side, no difference in the trend of claims as the latter cited that they had not measured same. On the one hand, it has been observed that there are rise in both valid and fraudulent claims. Furthermore, they indicated increases of 30+ on their claims costs and that their claim ratio has improved as in 2020 they experienced certain claims decreases especially motor vehicle claims due to lockdown and restrictions. However, there were multiple recorded COVID-19 related Business Interruption claims. One respondent also noted a 50% increase in claims during the January to December 2020 period whilst another one claimed that on their part they observed an increase in fire, special perils and motor covers.

3.0 IMPACT OF COVID-19 ON INSURANCE BUSINESS

Graph 7: Changes in business operations due to COVID-19



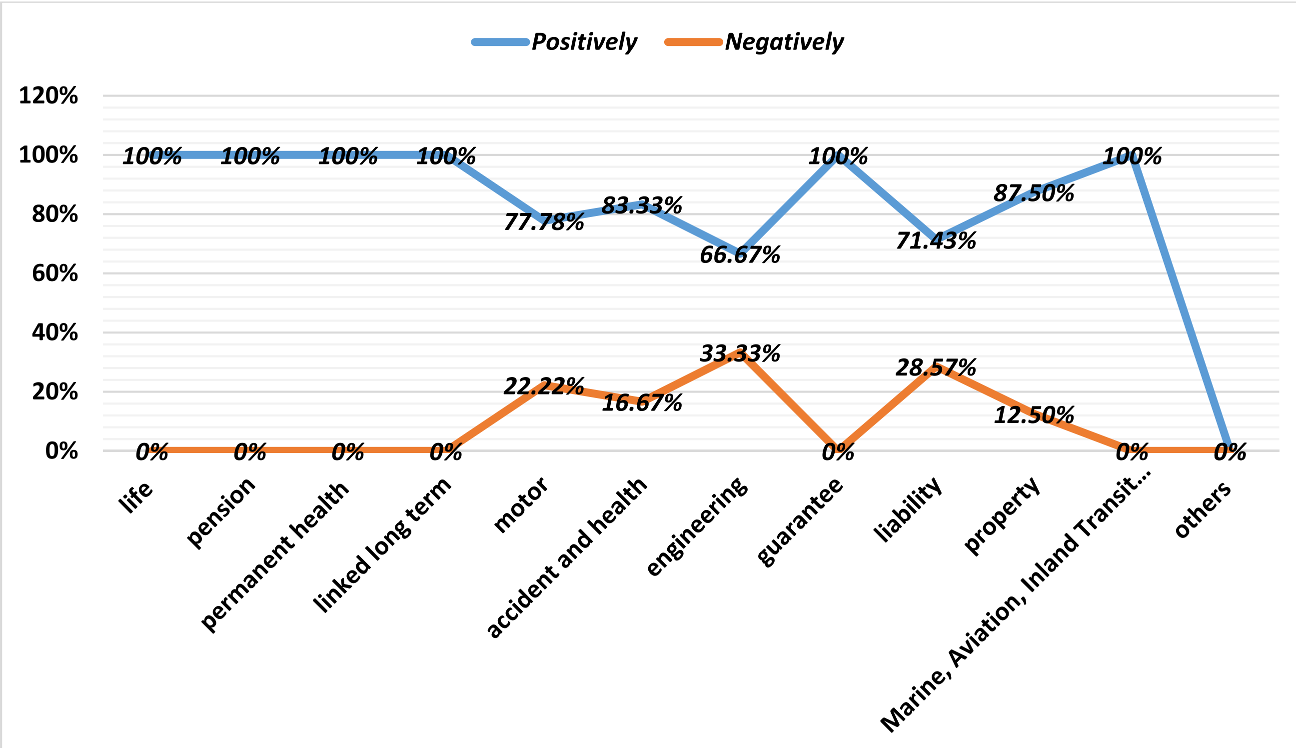
The figures gathered clearly shows that there was not much impact on the insurers' business operations as indicated by them in the survey. On the contrary they noted that new sales have considerably increased for them noting an estimate increase between 30-40% in new businesses.

According to the audited financial statements the Gross Written Premium recorded by the sector in 2020 was SR 531.8 million compared to SR 508.1 million in 2019 indicating a slight increase of 4.7%. The general insurance business being the most performing sector recorded an increase of 7.5% whilst the long term insurance business recorded a decrease of 10.8% over the previous year. Additionally, motor insurance makes up 36% of the total general insurance business, followed closely by property insurance with 31% and marine and aviation with 12%.

This is indeed a good sign as the COVID-19 pandemic has presented some financial burdens for businesses in other industries. Decreased sales, increased in policy lapses and premium collection all have considerable impact on insurers and brokers' overall balance sheets. On the other hand, it is to be noted that a rise in sales will be beneficial for insurers especially in terms of being able to meet their claims obligations in the eventual future.

Furthermore, the survey respondents indicated that some products classes have been to some extent negatively impacted (in terms of reduced sales, increased lapses, increased claims) and/or positively impacted (in terms of new enquiries, new sales, reduced claims) by the COVID-19 pandemic. This is evidenced in the below graph:

Graph 8: Positive v/s negative impact of COVID-19 on businesses



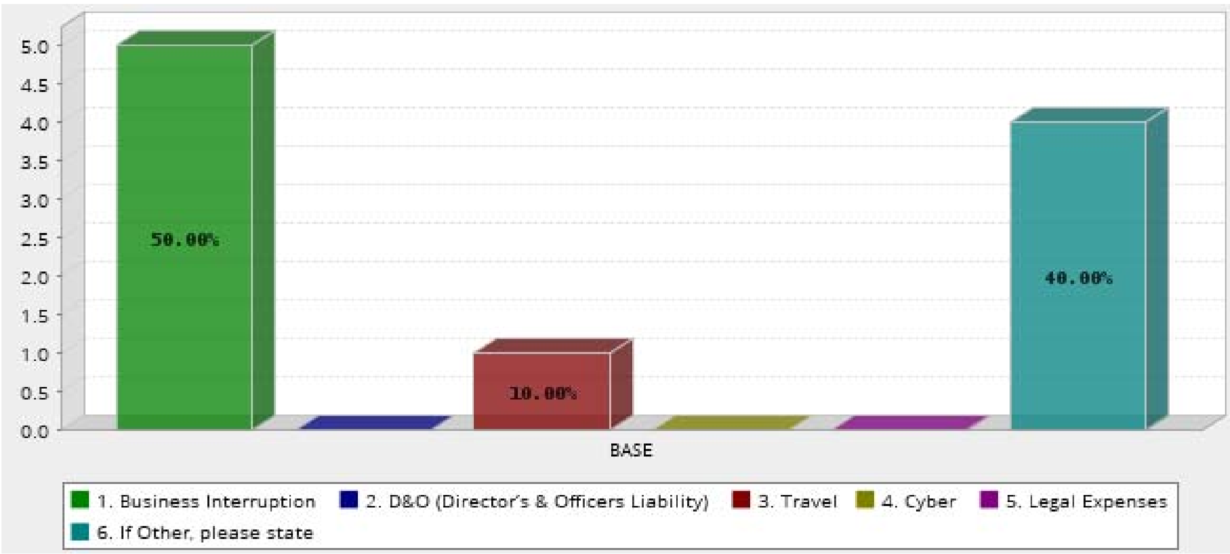
It is good to point out that certain onboarding measures such as KYC (Know-Your-Customer) and CDD (Customer Due Diligence) have a direct link to ensuring that sales take on a positive course. Should these processes be properly and securely automated as per the regulatory requirements, they limit the need for face-to-face sales. This is also applicable to claims processing and payments. In such an adverse global crisis such as the pandemic, having automated claims management systems in place would have greatly reduced the cost and time that it would take to handle claims and thus decreasing consumer complaints.

Moreover, in response to their opinions of the duration of the repercussions of COVID-19 once all restrictions of movement were lifted, 27.27% of the respondents noted that it would take 6 months to over 2 years for them to recover and 18.18% indicated that they will go back to business as usual immediately. However, it is good to note that since the launch of the survey, the majority of the restrictions have been lifted and for some of the licensees they have to operate as per previous hours and practices. This is especially the case with the inflations in new COVID-19 cases lately which precipitates restriction measures to be re-imposed.

3.1 Insurance Claims Variations

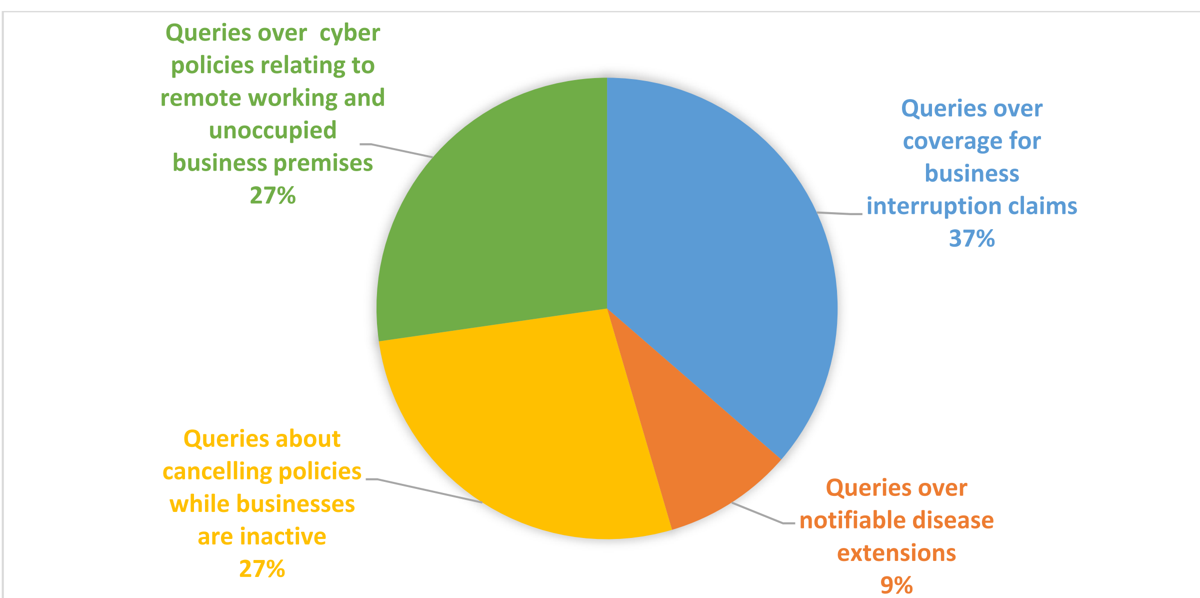
On another note, the licensees indicated that they expected to see most claims relating to COVID-19, as per the responses below:

Graph 9: Claims variations



From the statistics submitted by the respondents, there is no doubt that Business Interruption would be and still remain a main point of contention. This is supported by the fact that this has been the constant query raised by their clients since the start of the COVID-19 situation:

Chart 3: Raised queries from policyholders



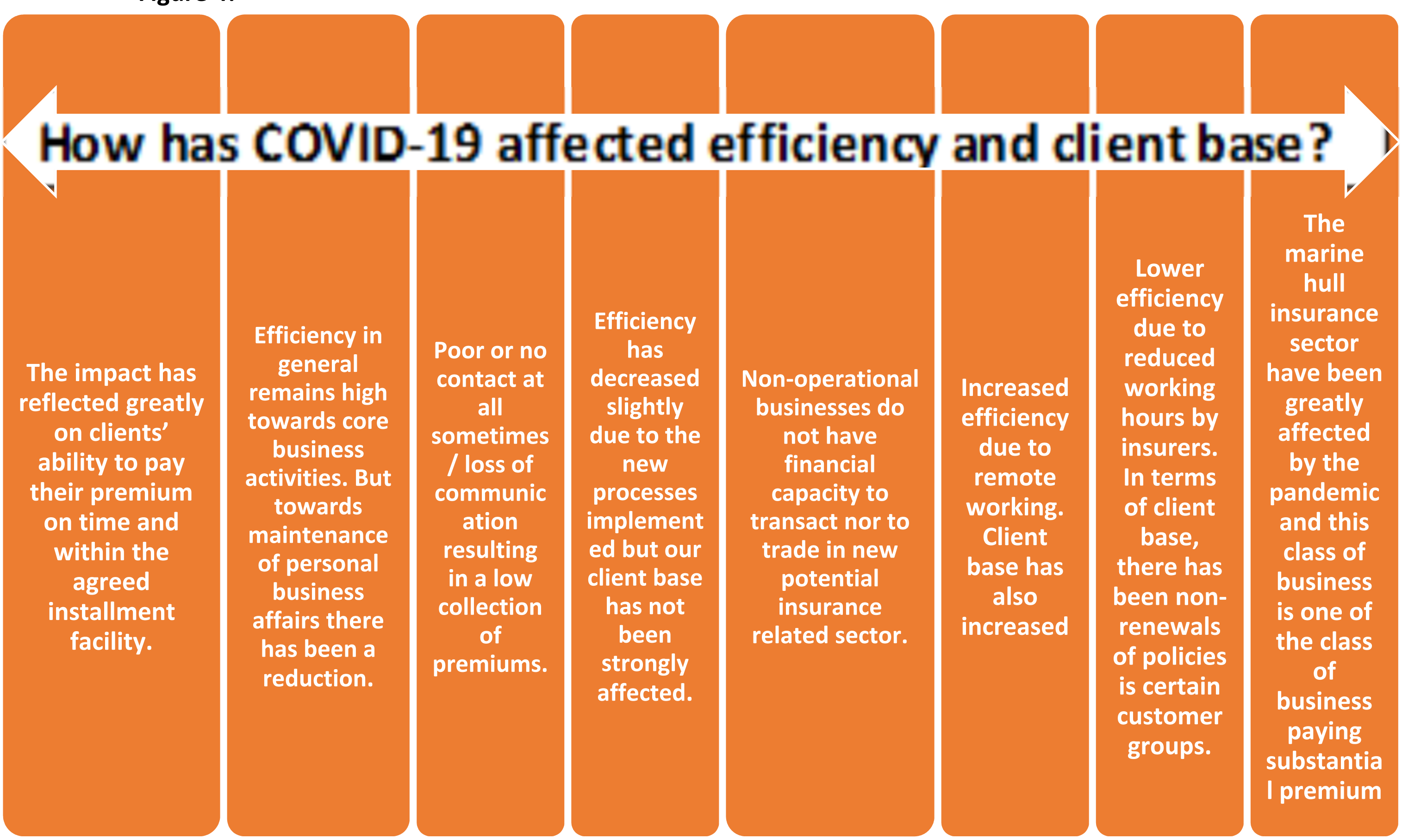
Although cyber related claims were not flagged recently many industries have been left vulnerable in respect of same according to the World Economic Forum Report 2021. Thus, making cybercrime attacks a possible cause for concern in the near future for the insurance industry.

On the one hand, 81.82% of the respondents believe that insurers should be liable for business interruption claims relating to COVID-19 but only if it was originally stated in the policy wording. 9.09% noted that insurers should have the moral responsibility to cover COVID-19 claims regardless of the policy wording whilst another 9.09% indicated that insurers should not bear the responsible for the outcomes of the unprecedented effects of COVID-19. A similar 9.09% of the respondents noted that they did not believe that insurers should have to pick up the tab for COVID-19 and its unexpected effects.

On the other hand, as a follow-up to the previous question, 90.91% of the respondents to the survey affirmed that they do not believe insurers should refund motorists for driving less during the restrictions of movement imposed by government. Moreover, they denoted several issues stemming from the outbreak of COVID-19 which has affected their efficiency and client base.

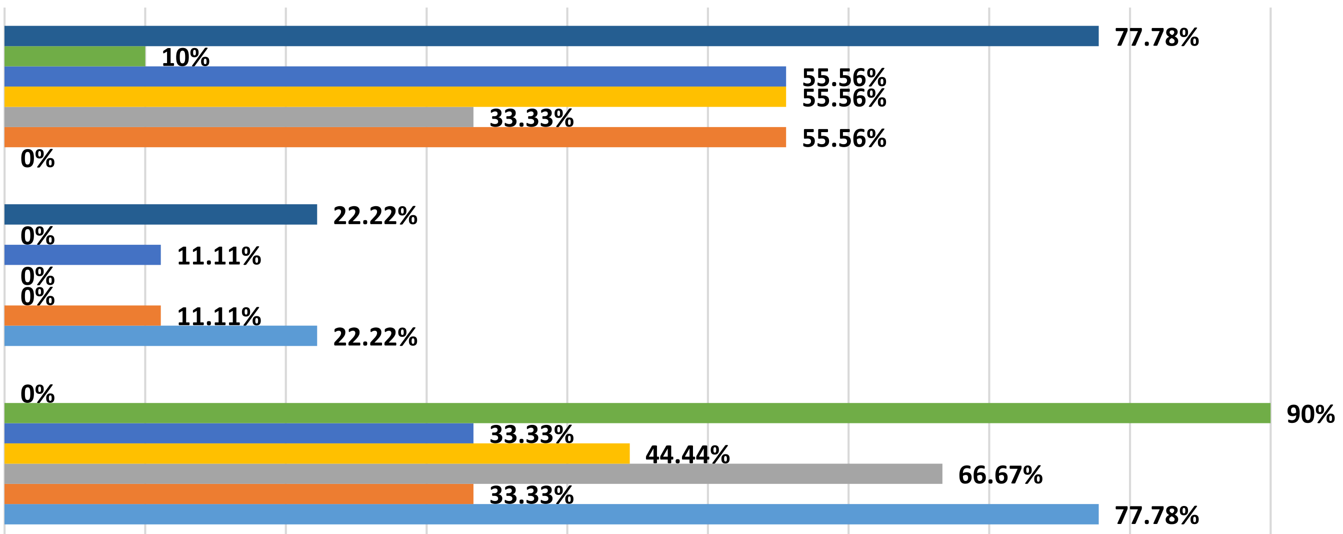
3. 2 COVID-19 Impact on Efficiency and Client Base

Figure 4:



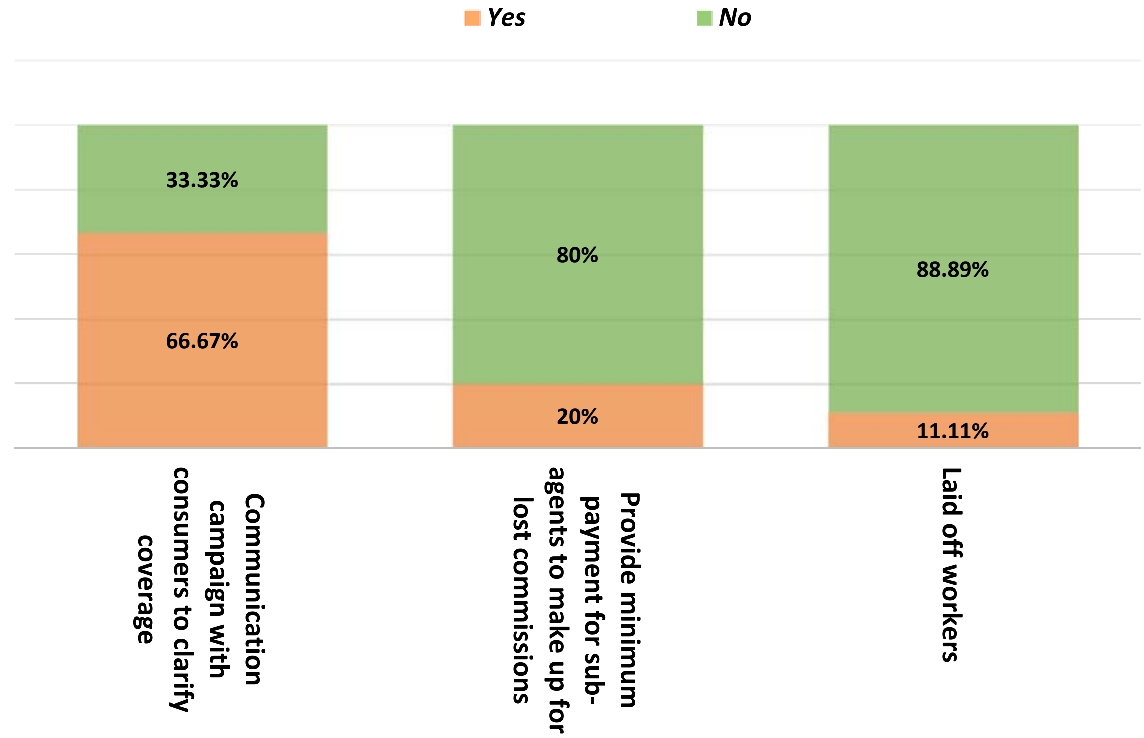
As per the above graph, the majority of respondents replied "Yes" to effecting changes to their products and services following the outbreak of the COVID-19 pandemic. This reactive move by the licensees is considered to be a good step in efficient and effective management of crisis such as the pandemic due to uncertain future of the aftermath of the COVID-19. 10-70% of the respondents noted that they had not initiated any changes to their products and services and a lesser 11-22% indicated that they are currently working on amendments to their products and services accordingly.

Graph 10: Changes to products and services following COVID-19



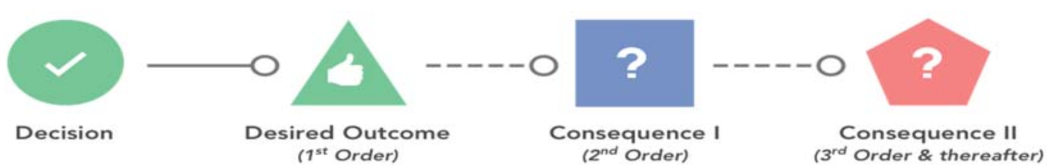
	Yes	In progress	No
Include coverage for losses related to pandemic outbreaks in policy wording	0%	22.22%	77.78%
Extended premium payment periods	90%	0%	10%
Temporary policy suspension (suspension of premium payment and policy coverage)	33.33%	11.11%	55.56%
Premium holidays (suspension of premium payment but individual/business is still covered)	44.44%	0%	55.56%
Reduced premium amount	66.67%	0%	33.33%
Increased risk coverage	33.33%	11.11%	55.56%
Reduced risk coverage	77.78%	22.22%	0%

Graph 11: Examples of measures undertaken during COVID-19:



88.89% of the respondents noted that they had not laid off any workers whilst 11.11% had to make some staff redundant during the COVID-19 pandemic. 20% of the insurers had to provide minimum payments for sub-agents to make up for lost commissions. Moreover, 66.67% of the licensees had to enact communication campaigns with consumers in order to properly clarify their clients' insurance coverage during the COVID-19 pandemic.

In cases of crisis such as a pandemic there are what is termed as second-order effects. Second-order effects refer to the idea that every action has a consequence, and each consequence has a subsequent consequence. In other words, this means that a single decision can initiate a series of cause-and-effects, something which we might not have knowledge or control of. Therefore, it can be very difficult for us to predict possible implications of the original decision or events. Examples of second-order effects in insurance are such as higher claims costs due to increases in repair and replacement costs, a smaller policy cost, and business interruption in the insurance industry.



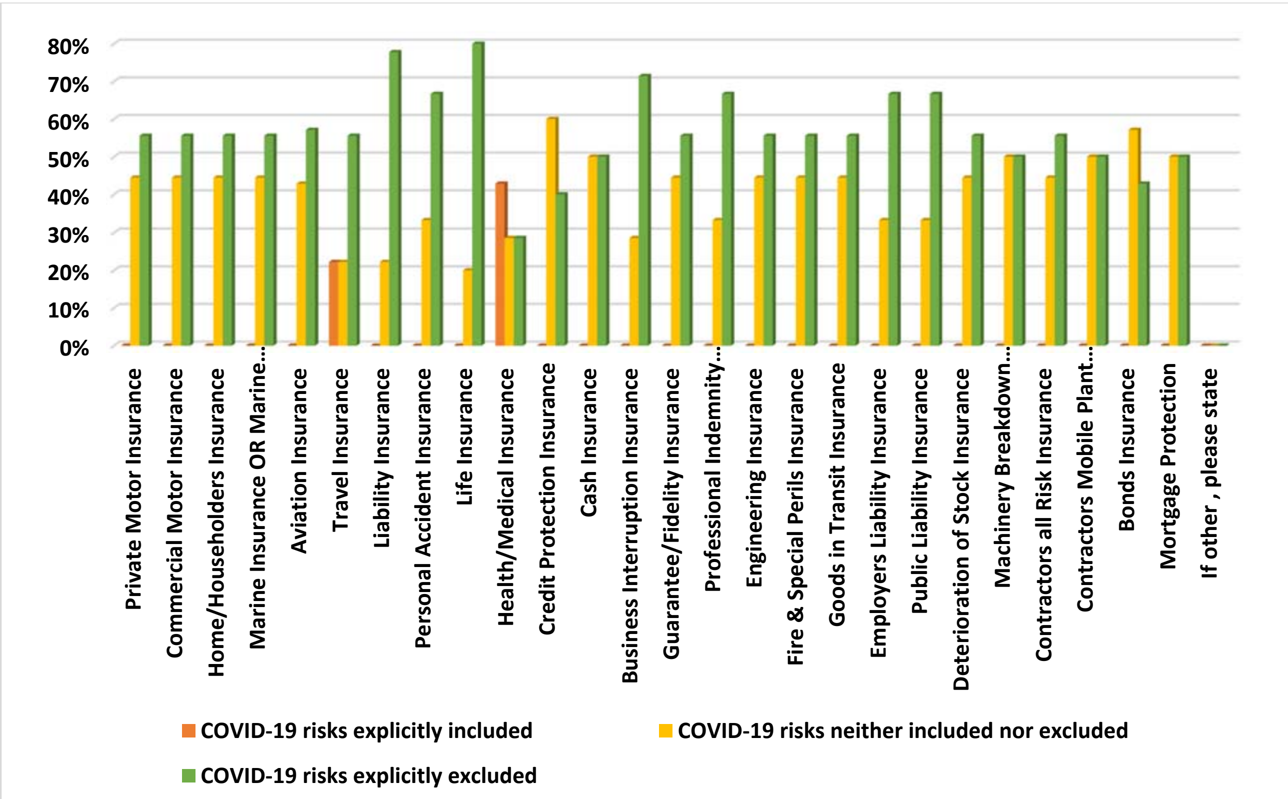
In a further opinion poll, insurers believed that there is flexibility to adjust rates for existing products and the specific allowances to accommodate adverse experiences due to pandemics; the respondents, specifically brokers noted that insurers should be more client oriented and provide the policyholder the option of having cover for any pandemic be it COVID-19 or any future development. The insurers noted that they currently have no option to re-align their flexibility rates or come up with a new pricing strategy. They also noted that they will seek assistance from their actuaries.

The respondents also commented that they have undertaken certain allowances for new products in pricing, underwriting, claims management, and other risk management processes to minimize the possible impacts of COVID-19. Furthermore, they noted pricing remains the same for their products. However, deductions have increased being made there has been no reduction in premium in general, some insurers have taken the decision to increase their premium and excesses for certain products, in most cases these have been on case by case basis.

4.0 COVERAGE/ EXCLUSIONS OF COVID-19 IN INSURANCE POLICIES

During the onset of the COVID-19 pandemic, the debate of inclusions and exclusions were raised by many within the insurance industry. Traditionally, pandemics have not been typically covered under insurance policies given the little attention that was given to their likelihood. Recently, with COVID-19 it has been witnessed that more and more consumers have been in one way or another impacted by the pandemic and have encountered numerous issues related to claims.

Graph 12: Inclusions and exclusions that applies for different insurance policies that the insurers offer.

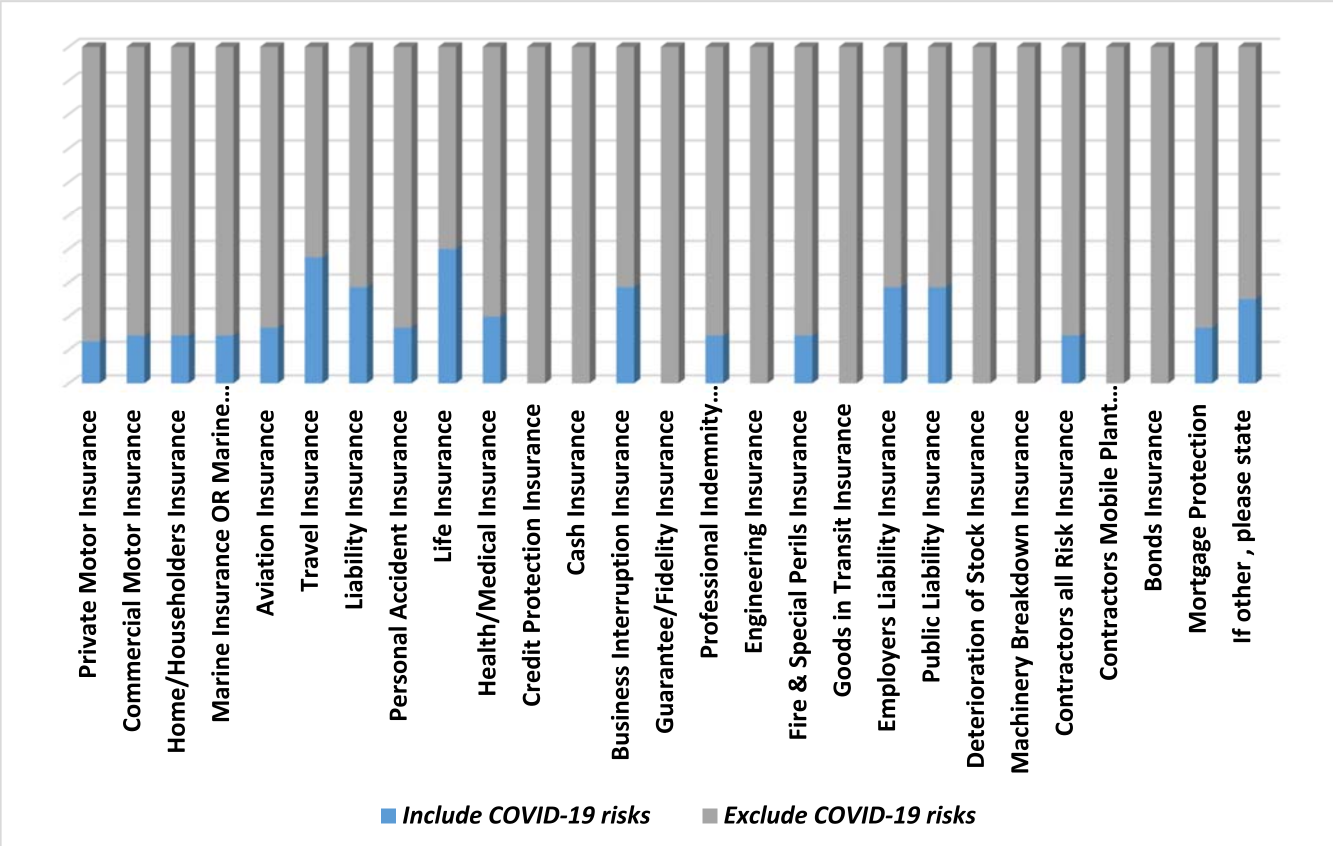


The majority of the insurers noted that COVID-19 risks are explicitly excluded in their policies with the exception of travel and medical insurance which included the associative risks of COVID-19.

It is also notable that COVID-19 risks were neither included nor excluded in Business Interruption, Bonds, Credit Protection nor Mortgage Protection insurances**.** In the following graph, the respondents noted the difference, if any actions that were undertaken in the uncertainty of COVID-19 related risks being included or excluded.

For the majority of insurance policies, cash, bonds, and credit protection insurances the decision taken was to mostly exclude in its entirety, COVID-19 risks. On the other hand, the insurers also chose to include and/or increase coverage of the COVID-19 pandemic impact to a slight margin in the policies such as Life and Travel.

Graph 13: COVID-19 inclusions/exclusions

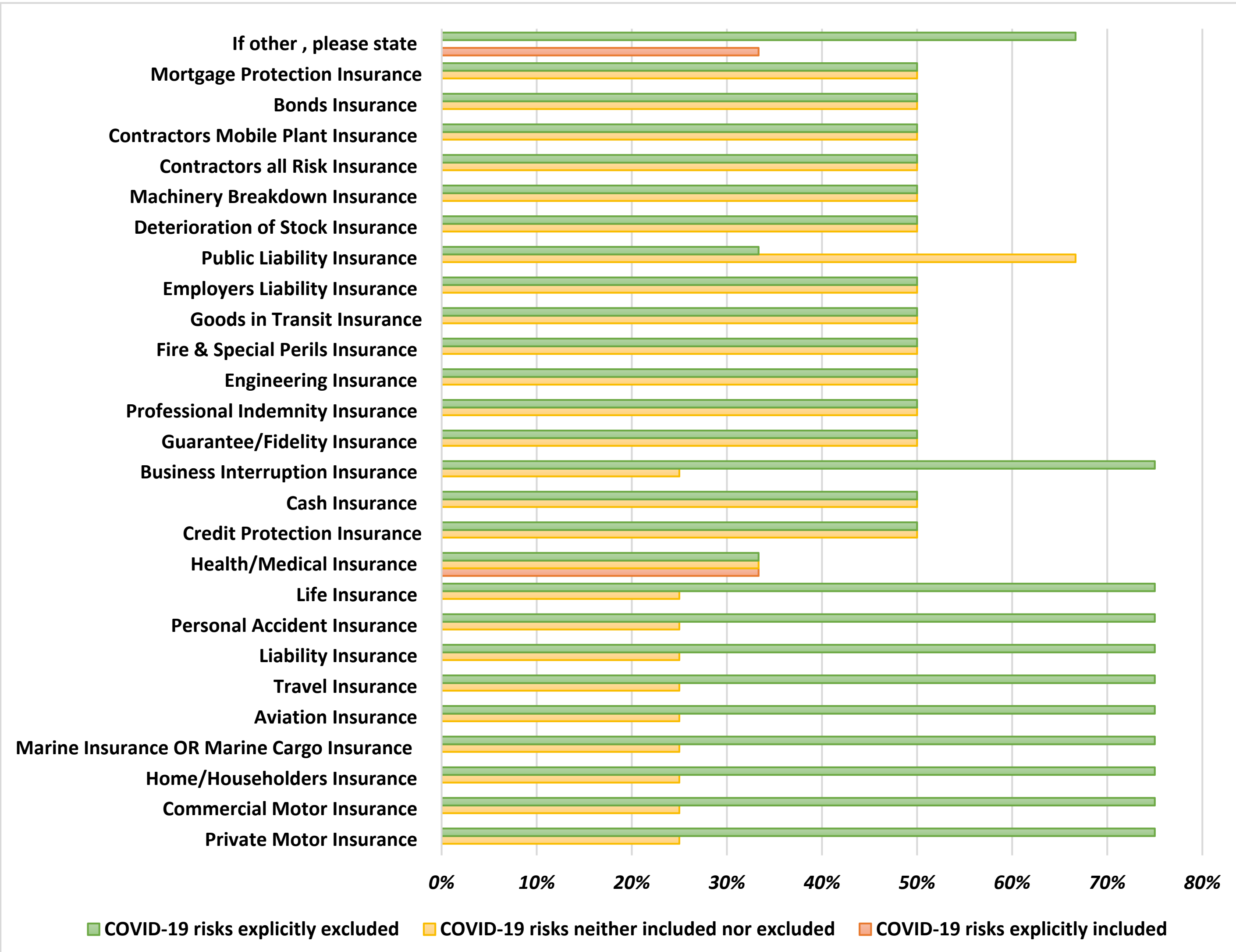


Furthermore, it was commented that if they were to exclude the COVID-19 impacts in their Policy cover, the risk of having large claims would be minimal. The insurance companies were of the view that if they were to include COVID-19 coverage in their policies, it would increase their level of risk beyond their risk appetites. In general, the industry foresee that COVID-19 will remain an exclusion and that future pandemics may be included only at an additional premium and that COVID -19 clauses could be introduced in policies subjected to conditions e.g. vaccination.

4.1 Reinsurance Exclusions/ Inclusions

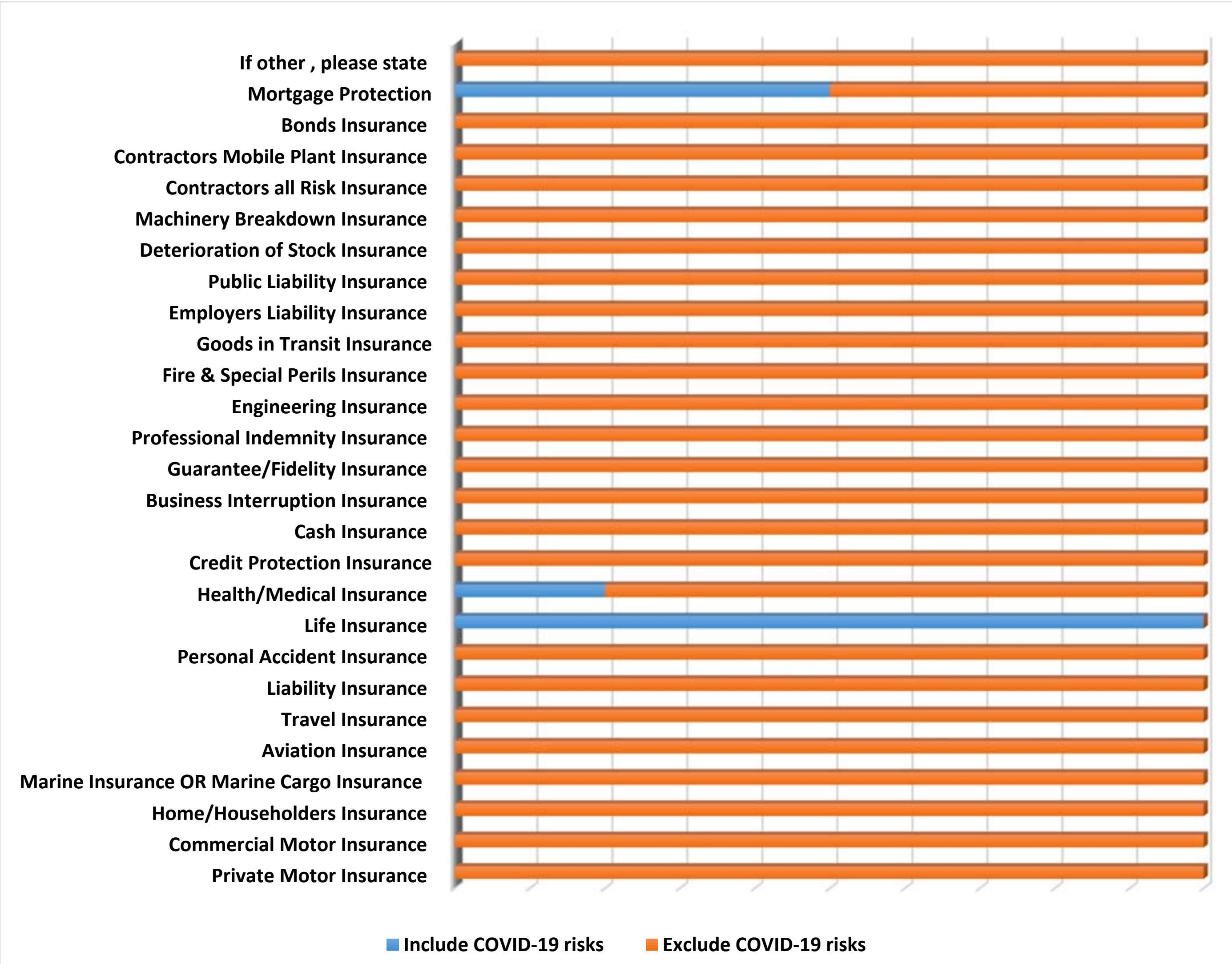
The decision to Include and/or exclude COVID-19 risks in insurance policies is based on the insurers' reinsurance treaties. The graph below depicts what was covered by the licensees in the insurance policies:

Graph 14 : Reinsurance exclusions/inclusions in relation to COVID-19:



COVID-19 risks were clearly explicitly excluded within the reinsurance arrangements. Where it was unclear if COVID-19 related risks were included or excluded, the insurers and their reinsurance partner noted that they undertook certain revisions to at minimum include the risks relative to COVID-19 in the agreements especially in terms of life insurance and mortgage protection. Interestingly the insurers and their reinsurers for their prerogative reasons did not see it acceptable to include the risks of the pandemic in relation to some general insurance covers such as Business Interruption.

Graph 15: Reinsurance exclusions/inclusions considerations in relation to COVID-19:

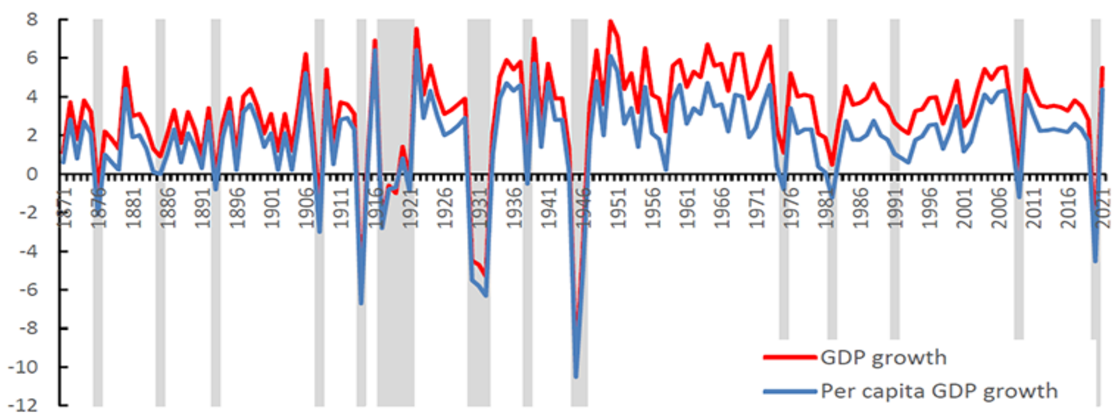


IMPLICATIONS OF THE FINDINGS	**The Seychelles insurance sector is exposed to health and life-related risks arising from the pandemic, but the risk has so far been limited by the fact that the number of people infected and mortality are low with as of date of drafting of the report being 831 active cases and 81 deaths respectively. COVID-19 has precipitated the increased demand for life and health insurance**

5.0 FINANCIAL IMPACT

As with crisis, there are considerable economic impacts that is associated with it. The impact of the pandemic on world GDP growth is massive. The COVID-19 global recession is the deepest since the end of World War II

Figure 1. Global GDP growth in a historical perspective



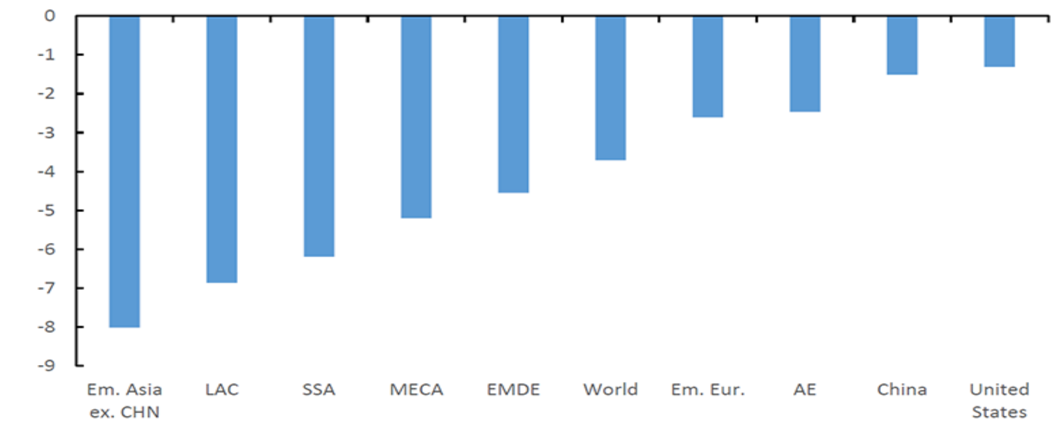
Sources: Bolt et al. (2018), Kose, Sugawara, and Terrones (2019, 2020), and IMF-WEO Apr-2021. Shaded areas refer to global recessions.

The global economy contracted by 3.5 percent in 2020 according to the April 2021 World Economic Outlook Report published by the IMF, a 7 percent loss relative to the 3.4 percent growth forecast back in October 2019. While virtually every country covered by the IMF posted negative growth in 2020 (IMF 2020b), the downturn was more pronounced in the poorest parts of the world (Noy et al. 2020) as depicted below.

The impact of the shock is likely to be long-lasting**.** While the global economy is expected to recover this year, the level of GDP at the end of 2021 in both advanced and emerging market and developing economies (EMDE) is projected to remain below the pre-virus baseline (Figure 3).

As with the immediate impact, the magnitude of the medium-term cost also varies significantly across countries, with EMDE suffering the greatest loss. The IMF (2021) projects that in 2024 the World GDP will be 3 percent (6 percent for low-income countries (LICs)) below the no-COVID scenario. Along the same lines, Djiofack et al. (2020) estimates that African GDP would be permanently 1 percent to 4 percent lower than in the pre-COVID outlook, depending on the duration of the crisis.

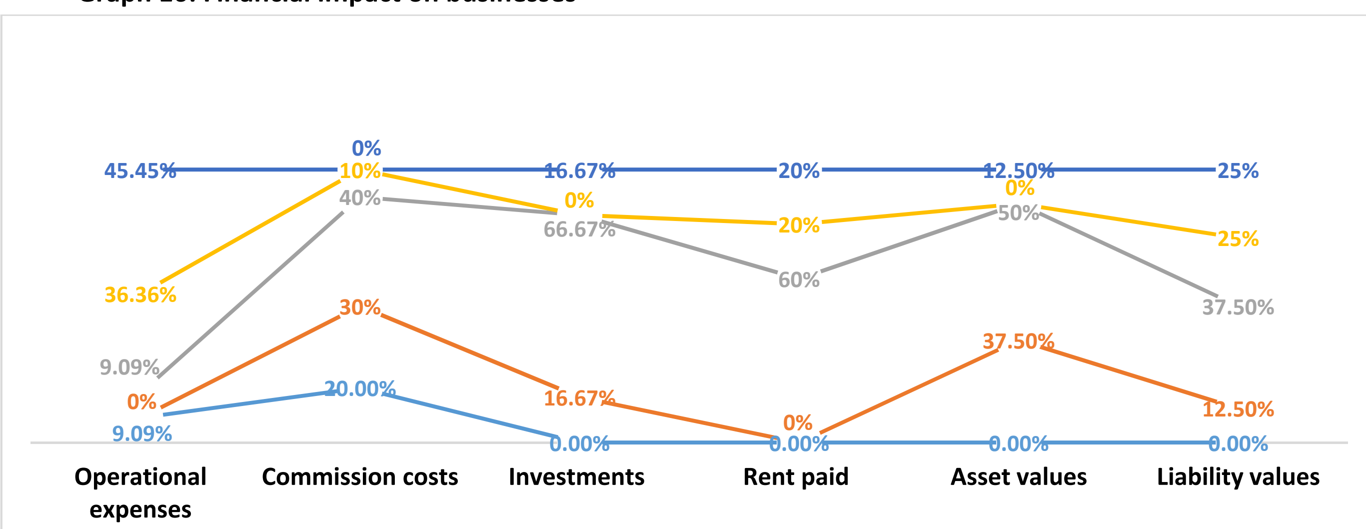
Figure 2. Global GDP growth 2020



Source: IMF-WEO Apr-2021. Note: AE = Advance economies; Emerging Asia ex. CHN = emerging and developing Asia excluding China; EM. Eur = Emerging and developing Europe; LAC = Latin America and the Caribbean; MECA = Middle East and Central Asia; SSA = sub-Saharan Africa.

The respondents noted that there were significant increases to their operational expenses, investments, rent and their asset and liability values. On the other hand, they indicated that their commission costs have decreased substantially preferably due to the fact that they had previously indicated that they had terminated some sub-agents and that there were diminished sales due to the movement restrictions which had been imposed and is constantly being revised and lifted. Such decreases in revenue and increase in costs are likely to have negative impacts on the insurers' liquidity ratio.

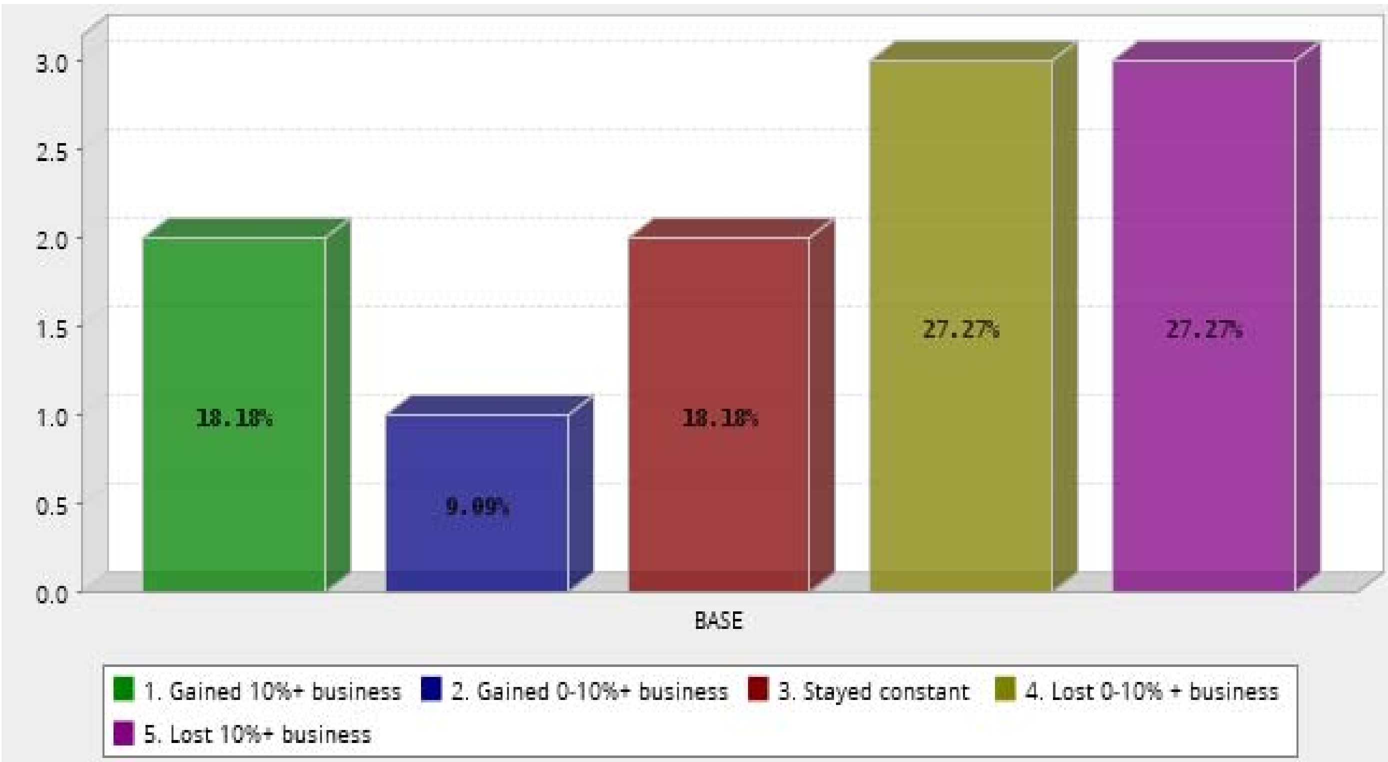
Graph 16: Financial impact on businesses



Furthermore, an equal 50% of the licensees expressed that they were respectively very and slightly concerned about their investment income, 45.45% to 54.45% about their operational expenses, 20% to 70% of their liquidity and 20% to 60% of their solvency respectively and 14.29% to 54.17% of the respondents noted their concerns of maintaining their minimum capital requirements during the COVID-19 crisis. On a minimal note, a few of the respondents also confirmed that they were not at all concerned with the repercussions of the COVID-19 on their investment income and operational expenses. In regards to the overall economic aspects of the business it can be said that it can be expected to be significant.

5.1 Business Gain/Loss due to the Impact of Covid-19

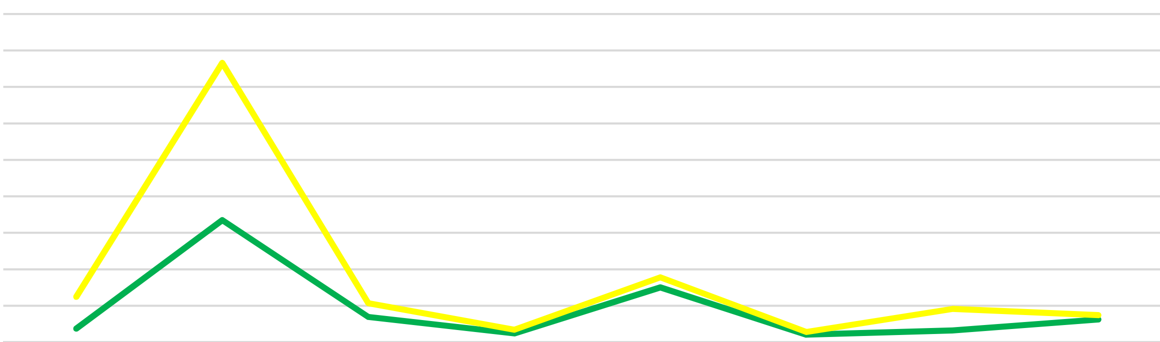
Graph 17: Impact on insurers financial operations:



This is evidenced by the feedback given by the respondents to question 39 of the questionnaire whereby 27.27% mentioned that they had lost 10%+ business since the start of the COVID -19 pandemic and a similar 27.27% noted that they had lost 0-10%+ of their usual business.18.18% confirmed that they their business had stayed constant. On another note, whilst 9.09% contributed that they had gained 0-10+ new business, a 18.18% also gained 10%+ new businesses.

According to FSA industry statistics, the general insurance recorded a total of 14,659 new business in 2020 with the majority being the motor insurance policy amounting to 45.7%, followed by marine, aviation amounting to 20.5%, with property insurance only amounting to 9.5%.

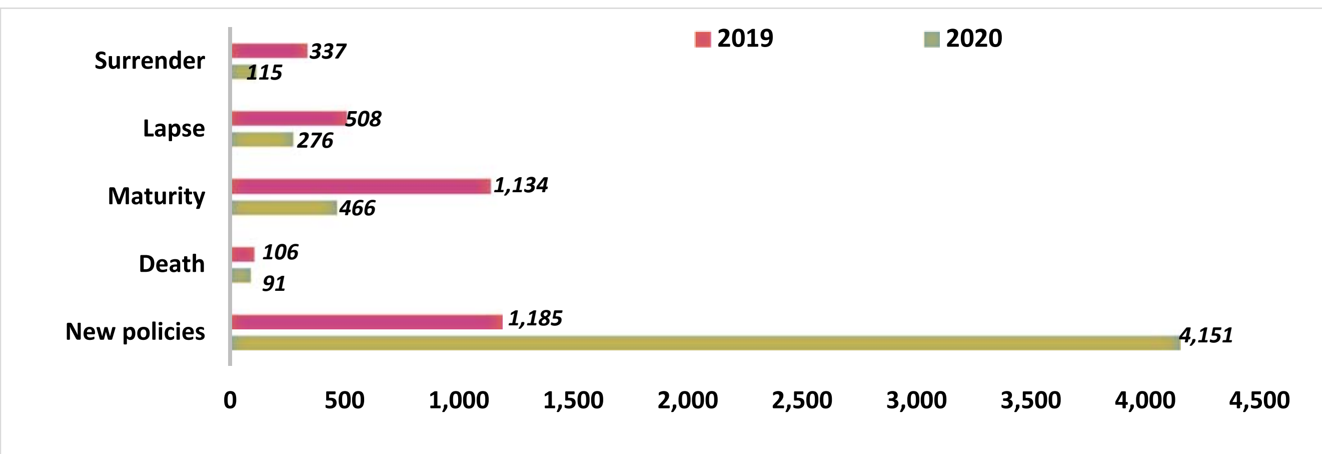
Graph 18: Comparative analysis of General insurance business for 2020 and 2019



	Accident & health policy	Motor	Property	Liability	Marine, Aviation, In-Land Transit & goods in transit	Engineering	Guarantee	Miscellaneous
2019	1,739	8,628	747	194	547	146	1,184	237
2020	754	6,696	1,393	491	3,012	420	646	1,247

Compared to 2019 for general insurance, there was in fact a 9% increase in the number of new policies procured by consumers with as previously mentioned, motor insurance policies being the lead insurance cover paid for by policyholders followed by Marine, Aviation, In-Land transit and goods in transit insurance. In terms of life insurance, it was seen that there was a significant increase in terms of new life insurance policies bought in 2020 compared to 2019 but a considerable decrease in lapse, maturity and surrender of policies for 2020.

Graph 19: Comparative analysis of Life insurance business for 2020 and 2019



Furthermore, it is to be pointed out that the licensees forecasted that they believe that the impact of COVID-19 will reflect on their company's profits by decreases of 10% and 0-10% at a range of 36.36%. 9.09% of the respondents to the questionnaire highlighted that their business experience would increase by 0-10% and 10% respectively. On a neutral note, another 9.09% confirmed that their business level would possibly stay constant.

This is further supported by the confirmation of the licensees that they witnessed insurance packages received the largest amount of withdrawals during January 2020 to December 2020 specifically in the tourism sector, e.g. Public Liability/Car Hire Policies/Travel insurance policies/Life insurance. This is understandable given the fact that the country was on lockdown and the borders were closed to international visitors.

Given the economic constraints that this dilemma that is the uncertainty of the COVID-19 situation presents the respondents (with the exception of the brokers) are in agreement that they have to some extent anticipate to revise their investment strategy depending how the COVID-19 situation is in another six (6) months. They indicated that their investment strategies are continuously being appraised to incorporate a greater degree of flexibility in their business models in terms of our products (e.g. Marine Hull) and investment opportunities so as to be able to adapt and seize each and every opportunity.

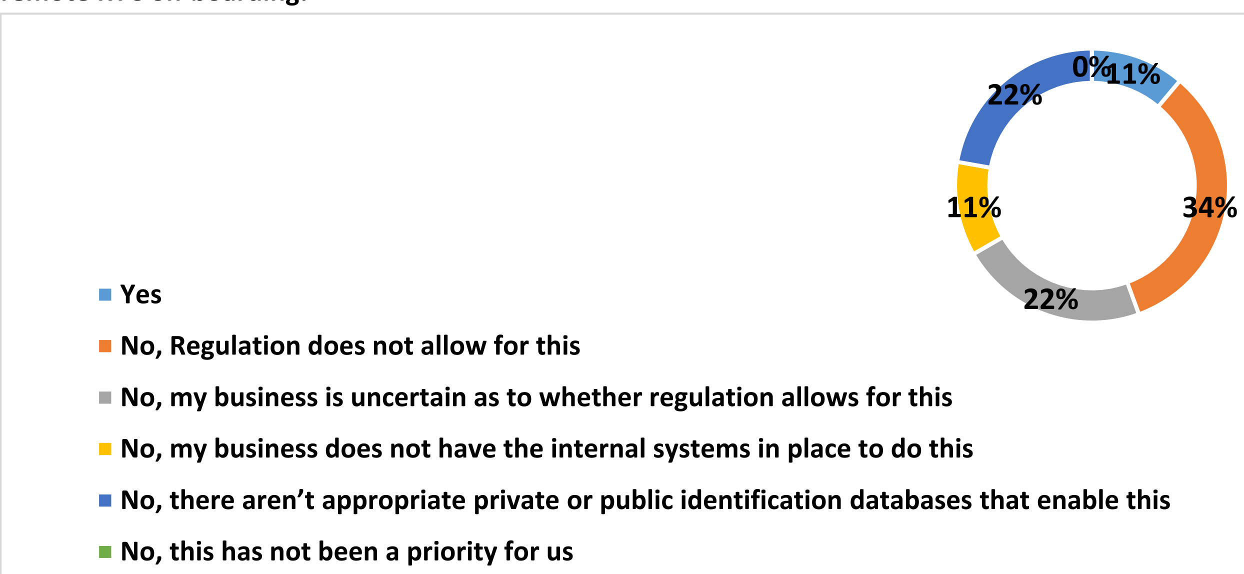
6.0 REGULATORY AND POLICY ENGAGEMENT

Digitalization is the conversion of written and oral communication to electronic messaging that everyone understands. The outcome of digitalization is higher process efficiency, lower transaction costs and better control. In the current world landscape whereby face-to-face business transactions and relationships is no longer safe, there is a need for businesses to adopt digitalization processes and systems to be able to survive.

This concept is not one that is lost on the insurance industry, notably the local Seychelles insurance sector. The Financial Services Authority advocates for dynamic and innovative developments in the field of insurance involving digitalization as it creates more opportunities and growth. Additionally, digitalization enables business recovery and continuity.

33.33%	*22.22%*	*11.11%*
respondents noted that they do not make use digital/electronic signatures to conclude the sale of insurance contracts for any of their policies as they do not see it as a priority	**confirmed that they had systems in place**	**mentioned that they do not have the internal control systems in place to carry out such an activity**

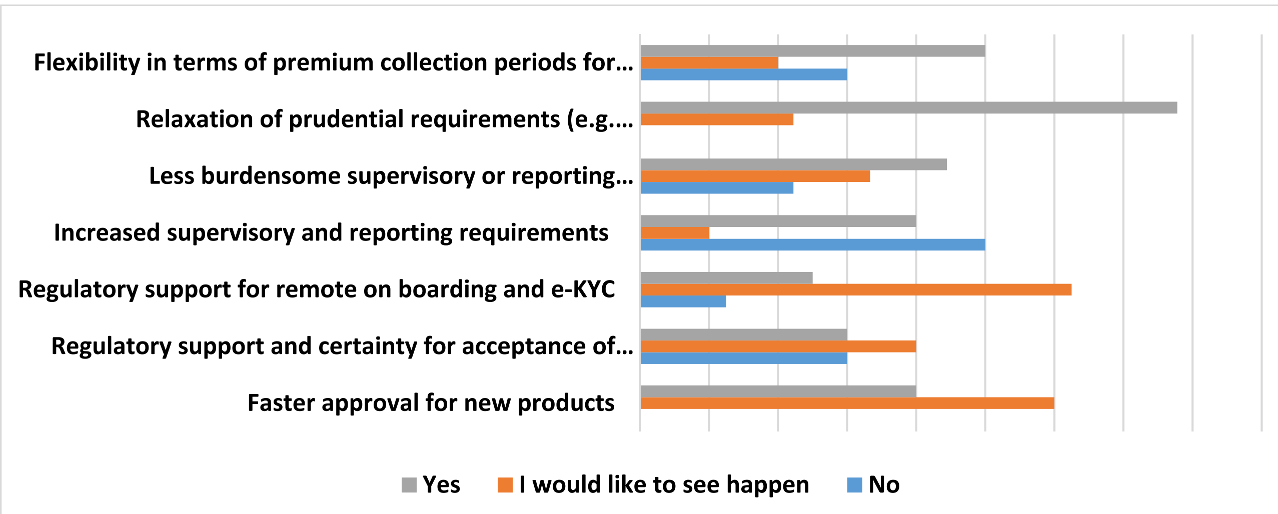
Graph 20: In regards to internal control systems, when asked about whether they were currently using remote KYC on-boarding:



It is important to reiterate the benefits of digitalization. Whilst agreeably there are certain disadvantages to relying on digitalized systems, there is the need to have a good balance between both the former and paper-based processes. It was observed also that the respondents noted regulations provision for remote onboarding, it is to corrected that same is provided in regulations in relation to insurance business. It is the decision and responsibility of the licensees to undertake measures to facilitate their business growth and viability with proper consideration of the laws and relevant regulations that govern the insurance industry.

Proactive engagement is important between all stakeholders within the Seychelles insurance industry especially between the regulator and licensees. It was with that spirit that the licensees were asked about their opinion of regulatory responses was seen in insurance market in response to COVID-19.

Graph 21: Regulatory responses respondents believe would support their businesses:



Moreover, licensees expressed their desire for COVID-19 related government fiscal interventions necessary to support their business. These would be in the form of inclusion of the insurance sector in a fiscal stimulus package, tax relief, sector-wide recapitalization or equity injection scheme, government loan guarantee scheme for the insurance sector or credit facility. As representatives of the insurance market they believe that the greatest risks to the insurance sector and their businesses arising from COVID-19 are that clients still have to have compulsory insurance renewed despite their financial constraint. As a result the insurance will be renewed but not paid on time or at all for some clients. Loss of business was another point made and seen as a result of reduction of new policies and cancellation or amendment of existing policies. These decreases in renewal could also be attributed to loss of jobs brought in by the pandemic.

Also they noted that fraudulent claims costs increase foreign exchange rates uncertainty. Similarly, requirements to abide to the necessary health measures to ensure staff and clients' safety increases operating costs. The biggest fear emanating from all the responses is the possible future closure of borders and lockdown impacting the hospitality industry and therefore their clients. On their part, brokers expressed that one of the greatest risks are that clients are losing their trust in insurance business in view that they are less compassionate and becoming stricter with their covers and the attitude of regarding premium rate, credit period, extent of cover provided, claim payments are not directed at achieving consumer satisfaction and protection. From another point of view, one respondent commented that they do not foresee any negative effect in the long term. In fact, they noted that COVID-19 could possibly have a positive impact provided that the insurance providers were dynamic to adapt and evolve and not reluctant to make changes with the changing aspects of the pandemic.

Furthermore, multiple opportunities in respect of new products thus stimulating economy was mentioned as positive takeaways from the COVID-19 according to the licensees. They see a potential increase of customers in the medium to long term as people become more aware of the importance of having insurance policies as a means of investment and mitigating risks. Clients considering the alternative insurance proposals and the pandemic covers may lead to the practice of attaching additional pandemic related covers with existing products at additional premiums.

Some of the respondents also noted that they saw the opportunity risks of introducing more health or death products as people are becoming more aware and concerned about their health, leading them to opt for health insurance and funeral cost preparedness. Others saw that they had the strategic chance of upgrading their business model to a fully digitized platform. Insurance companies have been forced to consider how they operate and to focus on becoming more agile and digital. Working from home has led to a realization, that many operations can be effectively undertaken away from the office with employees working virtually while maintaining productivity. From a Broker perspective, the awareness and marketing opportunity need for businesses and people in general to understand why having a Broker is beneficial. Moreover, it was put forward that insurers who have not covered the pandemic under their polices should consider doing so and adopt a more open -minded attitude notably in regards to efficient and effective operations and consumer satisfaction and protection.

7.0 ACTUARIAL RESPONSE

It is ideal for insurance companies to create policies that bear minimal risk and can generate stable returns. Estimating risk and return from each proposal also in turn aids in assuring policyholders that their claims will be settled.

The actuaries for the domestic insurance market noted that there had not been adverse impact to date, likely due to their lack of exposure to older segments of the population. Measures are in place to monitor claims and lapse experience regularly. Actuaries noted that although Seychelles is experiencing high COVID-19 incident rates, in terms of recovery rate Seychelles is at about African's average. Additionally, it was noted that underwriting measure for new policy application, if any, had been put in place in view of COVID-19 through clear exclusions to the COVID-19 pandemic in the policies.

Another reassurance for the actuaries is that Seychelles' vaccination is at least 70% of its population over the age of 18, and on its way to achieve 'herd immunity', thus in their opinion not necessitating specific margins to cater for the risks of COVID-19 pandemic at this point. However, with the rise in new possible life threatening variants hitting the shores of Seychelles, this view is therefore questionable. When conducting actuarial analysis, actuaries undertakes reviews of the detailed modelling is performed by the reinsurer, thus they are comfortable that since the reinsurers take on the majority of the risks then there is no need to panic and precipitate raising mortality levels and premiums rates.

On another note, they noted that internal models were developed that project excess deaths for different geographical jurisdictions and sub-segments of the population in terms of age, socio-economic class and co-morbidities which would encompass COVID-19 impact.

Second-order impacts envisaged would be probably due to the expected reduction in certain insurance policies, for example motor and travel insurance policies being renewed or life insurance policies becoming lapsed or surrendered thus causing a decrease in income, technical reserves and claims payment capacity.

It was further commented that there is flexibility to adjust rates for certain existing products but these could be done in relation to opportunity risks both Covid-19 and non-COVID-19 related thus potentially boosting new business rates.

Additionally, reinsurance diversification or alternative strategies that can be considered as COVID-19 places unexpected stress on a single reinsurer is to spread the risks to a co-insurer. This would be also beneficial to also protect the local insurer's assets against any impact that they may face in this era of COVID-19 pandemic.

Conclusion

To conclude, the COVID-19 pandemic has had varying impact on the licensees and their business partners within the Seychelles insurance industry. More than ever, the industry needs to become more resilient and dynamic in response to fast paced consequences that the pandemic causes.

Based on the survey responses it is suggested that going forward both the licensees and the insurers have set priorities that they must work towards in order to keep abreast in the global crisis that is the COVID-19 pandemic.

Insurers and Brokers Priorities

As previously highlighted, there is the need for licensees to ensure that the speed to get their respective companies and client bases on board the changes and adapt to the new way business of carrying business in terms of technology, cybersecurity, and governance and people working remotely. In Seychelles, it is common knowledge that the internet connectivity system and ease of access is a constant issue and likely to prove a challenge if the whole industry was to shift to remote working and operations.

Digitization of core business processes is vitally important in the current economic and evolving world we live in. In sum, Digitalization has already become so intimately woven within the fabric of society, losing control of it would have potentially far-reaching if not disastrous consequences. Technology and new data sources are changing our economy and society fundamentally, and promise to transform the insurance industry as well. Digitalization is changing the role of insurance, from pure risk protection towards predicting and preventing risks. The risks insurers cover and the ways they underwrite, distribute, and manage claims are also changing. In an increasingly digitalized world some risks will become less frequent, while others, like cyber, will gain in importance, and again others may cease to exist. Although it carries the weight of heavy investment, in the long run it proves beneficial to both the financial and operational aspect of the business.

Unlike current customers, people shopping around for insurance policies are less loyal and rely on ease more than ever. In this saturated insurance market, insurance providers are competing for the attention of these prospective policyholders. Yet fancy advertising campaigns, word of mouth, and even reputation is not enough if the insurance onboarding process is too cumbersome, or proves to be challenging especially in the face of the COVID-19 pandemic situation which will lead customers to easily take their business elsewhere.

Therefore, it’s critical that insurance companies invest in intuitive, fully remote onboarding techniques and or systems. By adopting the following capabilities, insurance providers can increase their insurance application completion rates during these remote times directly boosting sales. They will also benefit from faster deal turnaround time, greater agent productivity, and higher returns.

FSA’s Priorities

The Financial Services Authority on its part is cognizant of these developments brought about in the onset of the COVID-19 pandemic within the local insurance sector and remains committed to ensure that its mandate to maintain stable, efficient markets and consumer protection. If the insurance industry is to survive the harrowing effects of the COVID-19 pandemic, then all stakeholders must work together towards the unified goal of sustaining the continued viability of the industry.

As such, as the regulator for insurance activities, the FSA must continue to proactively identify and monitor the most vulnerable insurers and brokers to ensure the reputational and ongoing trust in the sector. This is because some licensees were already making underwriting and operating losses respectively prior to the outbreak of COVID-19, some may be at risk of becoming insolvent.

The FSA must also continue its effort to encourage and enable innovation. This in turn may be facilitated by reforming certain processes internally.

Coordinate with the local insurers to explore alternative avenues for coverage of large risks like pandemic which clearly is in demand on the local market.

Appendix

FINANCIAL SERVICES AUTHORITY

The impact of COVID19 on the insurance sector in Seychelles

This survey is an initiative of the Financial Services Authority to assess the impact of COVID-19 on the insurance sector in Seychelles and understand how businesses have responded to the pandemic. We will compile this information in a report, highlighting key trends and opportunities for the sector that arise out of the pandemic. The data will solely be used for the purpose of the research and will remain confidential.

1. For how many years have you been purchasing insurance?
   - Less than a year ☐
   - 1- 5years ☐
   - 6-10 years ☐
   - Over 10 years ☐

2. Which insurance company are you a client of?
   - SACOS Group Limited ☐
   - SACOS Life Assurance Company ☐
   - HSAVY Insurance Company ☐
   - MUA (Seychelles) Company ☐
   - Falcon Insurance Company ☐
   - Alliance Insurance Company ☐

3. How many years have you been a client to this company?
   - Less than a year ☐
   - 1-2 years ☐
   - 3-4 years ☐
   - 5 years or more ☐

FINANCIAL SERVICES AUTHORITY

The impact of COVID19 on the insurance sector in Seychelles

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Profile of company

1. Company name:

2. Country of your business operation (your location):

3. Other countries in which your business operates:

4. In which of these sectors do you have the highest volume of clients?
    - Agriculture ☐
    - Construction ☐
    - Corporate ☐
    - Manufacturing ☐
    - Hospitality ☐
    - SME ☐
    - Technology ☐
    - Personal Lines ☐

    If other, please state:

5. Select the licensing category(ies) which reflect your business? **(Please select all that apply)**
    - Life insurer ☐
    - General insurer ☐
    - Composite insurer ☐
    - Reinsurer ☐
    - Broker ☐

6. Was your business, or aspects of it, required to work remotely as a result of COVID-19 restrictions measures?
    - Yes ☐
    - No ☐

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1. What methodology or procedure is being used with regards to the use of planned margins to cater for the risk of a pandemic? **(Open response question)**

2. As an appointed actuary, what measures have you put in place to allow for this risk? **(Open response question)**

3. What modeling have you done to adjust to this pandemic? **(Open response question)**

4. Do you think that there will be any second-order effects such as higher claims cost due to poor productivity, a smaller policy book, higher management cost, and business interruption in the insurance industry? **(Open response question)**

5. Do you think there is the flexibility to adjust rates for existing products? **(Open response question)**
    a. If there is, is it necessary?

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