

## 5. Global collaboration: recommendations for fast-tracking





## 5. Global collaboration: recommendations for fast-tracking action

The global insurance industry has responded to customers' needs in the immediate aftermath of COVID-19 by paying claims, donating funds, and offering flexible terms and conditions.

However, the pandemic has exposed the limitations of existing risk transfer structures for systemic risks of this scale. As thoughts turn to restart and recovery, society needs solutions that can offer protection in the new risk landscape and, in the short term, from a second wave of the pandemic.

The insurance industry must take this opportunity to redesign its products, services and structures so it can deliver this outcome for its customers and build a more resilient society.

To inform the industry's response to customers' changing needs, Lloyd's interviewed executives and experts from key industries around the world to identify their concerns and the emerging risks they are facing.

### Our customers told us they have four primary short-term needs:

- Ensuring business resilience to a second wave of the pandemic
- Safeguarding employees as they return to work
- Providing a safe environment as their businesses reopen
- Clarity of cover

#### How the insurance industry must respond:

Create new risk transfer mechanisms, such as *ReStart*, that give customers the confidence of protection from a second wave of the pandemic or from future pandemics.

### In the medium term, customers said they were looking for:

- More flexible insurance cover for a more volatile business environment
- Ways to increase the resilience of their global supply chains
- In-depth assessment and protection from new or evolving risk exposures e.g. cyber
- Protection from digital economy liabilities

#### How the insurance industry must respond:

Accelerate product development, supporting data and underwriting capabilities to align to customers' new needs following the impacts of COVID-19 on business models and operations.

### In the longer term, customers said they wanted:

- Risk prevention and mitigation support
- Help in preparing for the next systemic risk

#### How the insurance industry must respond:

Provide the expertise required to assess and better manage systemic risks, and work with governments to build risk transfer mechanisms, such as *Black Swan Re* and *Recover Re*, that provide society with greater resilience to systemic risks over the longer term.

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### Lloyd's next steps to accelerate the industry's response

Delivering these initiatives at the pace and scale needed to help customers and wider society will require close collaboration between the insurance industry, governments, customers, and, in some cases, the capital markets and non-governmental organisations. They will also take time to develop (i.e. *ReStart* 2-3 months; *Recover Re* 3-6 months; *Black Swan Re* 6-12 months) so will require the industry working independently, and with governments, to get started immediately.

For its part, Lloyd's will provide seed funding of up to £15m to support this process, and use its marketplace to act as a convenor and incubator to develop some of these initiatives. Lloyd's will co-design and pilot initiatives in the London market and across the UK, with the support of its Advisory Committee members. Actions include:

- Facilitating the launch of new solutions from the Lloyd's market to support business recovery following the current pandemic, including business interruption coverage for future waves of COVID-19 and effective cover for supply chains for vaccine distribution to developing economies
- Working with Lloyd's Product Innovation Facility through a series of 'sprints' to accelerate product development to meet customers' changing needs better following COVID-19
- Piloting initial components of a Centre of Excellence for systemic risk, including working with the Chartered Insurance Institute, the Lloyd's Market Association and other industry bodies to launch a training and education programme to develop the skills and capabilities that will be to protect customers better against systemic risk
- Refining the open source frameworks for *Black Swan Re* and *Recover Re* in collaboration with the insurance industry, and selected governments and regulators around the world
- Working with Lloyd's London and Global Advisory Committees to establish a technical working group to guide the development of these initiatives

### Lloyd's request of its stakeholders

- Share your feedback on the ideas in this paper, or suggest new solutions
- Where desirable, provide support for the initiatives and actions proposed in this document
- Work with Lloyd's and the wider insurance industry to develop these ideas further
- Support discussion, development and implementation of these proposals around the world

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