

Aon's COVID-19 Risk Management and Insurance Survey

# Reprioritizing Risk and Resilience for a Post-COVID-19 Future

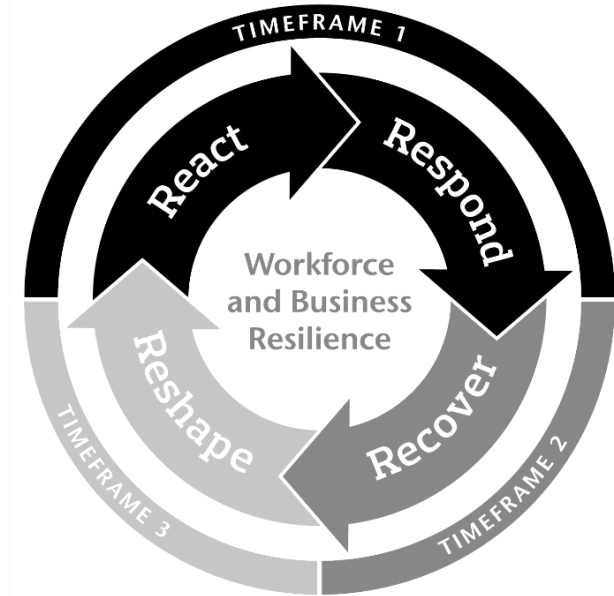
Key Findings

**AON**

# Aon's COVID-19 Risk Management and Insurance Survey

## How organizations approach and elevate risk management today will help them build resilience and agility, and create value

- Our COVID-19 Risk Management and Insurance Survey was conducted in Q4 2020
- Completed by over 500 participants from 41 countries
- Designed to evaluate how companies have managed the pandemic through three key timeframes of crisis response:
  - React and respond
  - Recover
  - Reshape
- Identifying ongoing and longer-term priorities for reshaping, including the role of risk and insurance



*Aon's COVID-19 Crisis Management Model*

# Key Findings

## Aon's COVID-19 Risk Management and Insurance Survey

**82%** 

**of organizations** didn't consider pandemics or other major health crises a top 10 risk

**14%** 

**of organizations** expect the impact of COVID-19 on their business to extend beyond two years

**31%** 

**of respondents** didn't have a pandemic plan in place

Only **7%** 

**of respondents** described themselves as thriving as a result of the pandemic

Only **16%** 

**of organizations** felt they were very prepared for future events

Only **1/3** 

**of organizations** believed their existing ERM program was sufficient to cope with the impact of the pandemic

The three most prevalent major shocks expected by respondents are

- 1. Economic disruption**
- 2. Another health crisis**
- 3. Geopolitical tension**

**#1** 

**All sectors and geographies** were unanimous that protecting people and assets was their top priority

# Key Findings



Even prior to COVID-19 the **risk readiness** of global corporates was the **lowest it had been for 12 years\***



COVID-19 has triggered a global crisis, which has also acted as a catalyst to accelerate many other risks, including a **volatile geopolitical / regulatory environment, cyber attacks** and large-scale disruption



**82% of companies** failed to identify a **global health crisis** as a principal risk



**Insurance was not considered a core solution for the pandemic**, indicating a clear need for **risk transfer solutions** to support corporate mitigation efforts



...but **75% have been impacted by the pandemic**, 8% in a severe way

# Key Findings



**Only 1/3 of companies believed their existing ERM program was sufficient to cope with the impact of the pandemic**



**As companies recover, the role and focus of risk and insurance will evolve**

- 79% of companies will be more dependent on risk management to reduce volatility of performance in the future
- 65% of companies will be looking at new risk financing and/or coverage solutions
- 49% of companies will be reviewing the ongoing performance of their captive
- 68% of companies will revisit business continuity
- 39% of companies are focusing on reducing their total cost of risk; we see that number increasing as the pandemic recedes and the macroeconomic circumstances begin to stabilize
- Many acknowledge the need to better integrate corporate risk and insurance activities

# Reshape



Many of the **short-term measures** that companies **have been forced into taking during COVID-19** may **develop into longer-term strategies**. This includes changes to operating models, workforce strategies, products, portfolios and more.



As companies look to reshape, **the top three priorities for companies are:**

1. Protecting people and assets
2. Maintaining or increasing revenue
3. Balance sheet protection



This **pivot** in business strategy creates **new sources of risk and opportunity** for companies.



- Priorities for **protecting people and assets** are employee wellbeing, operational resilience and retention of staff



- Priorities for **maintaining/increasing revenue** are new/accelerated use of technology, new product development and asset investment opportunities



- Priorities for **protecting balance sheets** are expense rationalization, liquidity planning and contingent capital

# Reshape



Considering **protecting people and assets**, what are your company's priorities in reshaping your business? (Ranked in order of importance from 1-10, with 1 being the most important)

1.9	Wellbeing
3.6	Operational resilience
4.0	Retaining key employees
6.1	Reputation risk
6.1	Rightsizing
6.2	Reviewing supply chain
6.4	Cyber
6.7	Reviewing assets/real estate
6.8	Policy adaption on compensation, rewards and investment
7.2	Redeployment



Considering **maintaining/increasing revenue**, what are your priorities in reshaping your business? (Ranked in order of importance from 1-7, with 1 being the most important)

2.8	New/accelerated use of technology
3.1	New product/proposition development
3.1	Asset investment opportunities/risks
3.6	Digitizing the workforce
4.7	Rebalancing asset liability management
5.1	Monetization of intangible assets
5.4	Recapitalization



Considering **balance sheet protection**, what are your priorities in reshaping your business? (Ranked in order of importance from 1-7, with 1 being the most important)

2.6	Expense rationalization
2.8	Liquidity planning
3.9	Contingent capital
3.9	Capital raising
3.9	Credit protection
4.5	Counterparty risk
6.0	Pension plans

# Reshape



**Only 16% of companies feel confident about their preparation for future shock events**, the most prevalent of which are:

1. Economic disruption
2. Another health crisis
3. Geopolitical tension

As a consequence, **76% of companies will review their ERM** as a result of COVID-19



**Future shocks** (Ranked in order of likelihood from 1-10, with 1 being the most likely and 10 being the least likely)

1	Economic disruption
2	Another health crisis/pandemic
3	Geopolitical tension
4	Technological disruption
5	Business model disruption
6	A major cyber event
7	Climate change
8	Terrorism
9	Bioterrorism
10	A nuclear/chemical incident





COVID-19 has **alerted business leaders to gaps in their risk readiness** and will lead to a **reprioritization of enterprise risk and resilience** including:



## Expanding risk assessments to **encompass long-tail and emerging risks**

- Identifying future threats and shocks to strategy
- Ensuring company-wide resilience



## **Building a more resilient workforce**

- The importance of workforce stability and engagement
- A focus on wellbeing, talent retention, operational improvements and new working models



## **Rethinking access to capital**

- The need for new and innovative solutions that address a changing risk environment
- A focus on Total Cost Of Risk

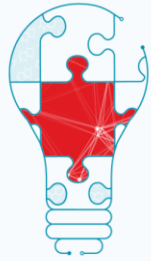
# Tackling Cyber Crime

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- Heighten Cyber risk
- A effective Cyber Security system should reflect:
  - **The first step:** Try and stop people getting in. It's about protecting your perimeter, the perimeter of your network and your environment.
  - **Second:** Slow people down should they have managed to get through.
  - **Third:** If you haven't been successful in the first two, make sure what an intruder finds isn't particularly useful.
- Underlying principles to achieving results in changing environment – innovation, speed, risk strategy, collaboration
  - Prepare for All Threats
  - Watch the Competition
  - Don't Overreact

# Solving the Cyber Puzzle

## The Unexpected Ways Cyber Risk Impacts Your Business



01.

### Intellectual Property

Intangible assets make up 80% of the value of S&P 500 companies. But less than one-third of companies protect trade secrets. It is critical that organizations identify, protect and understand the value of their IP.

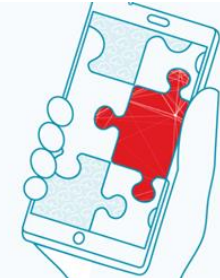
(Sources.)

04.

### Executives

For attackers seeking a substantial payday, the C-suite is the bullseye on the target. C-level executives are 9x more likely to be victimized. This team needs to be secured inside and outside of the organization's digital and physical walls.

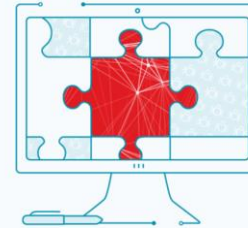
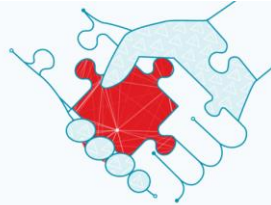
(Sources.)



02.

### Mergers and Acquisitions

Leave nothing to chance when pursuing a merger, acquisition or divestment. Pre-deal, cyber security due diligence is essential. Without it, a company may unintentionally inherit cyber risks and vulnerabilities.

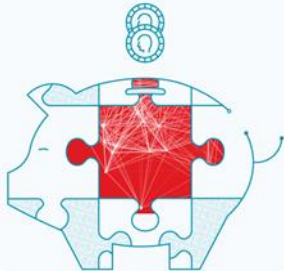


05.

### Computer Crime

Internet-enabled theft, fraud and exploitation were responsible for \$2.7 billion in financial losses in 2018. For companies that work with suppliers and vendors, business email compromise is a serious risk. Solving the computer crime puzzle is critical.

(Sources.)



03.

### Retirement

Organizations commonly hold false confidence in the security of retirement plans. Given the amount of data and money at stake, it is imperative to see the whole cyber picture and understand the organization's fiduciary responsibility.

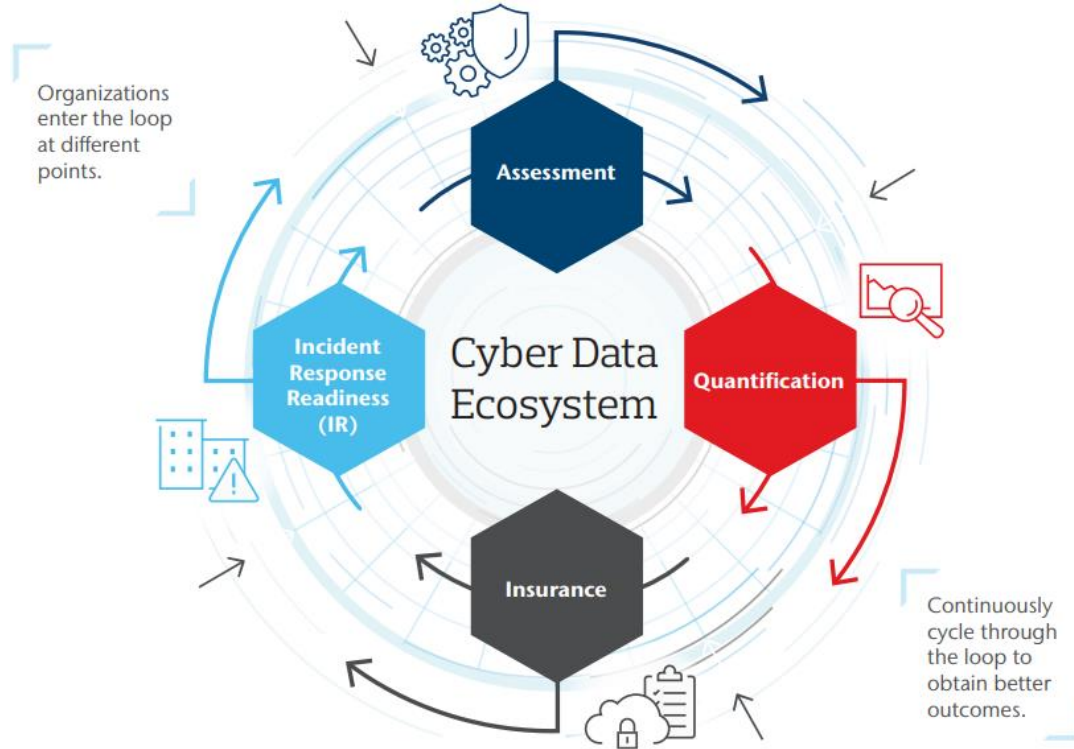
06.

### The Corporation

The cyber threat to the corporation is real and comes from many angles: class actions, regulatory fines and ratings downgrades. Public companies are accountable to timely disclosure of cyber incidents, and disclosure of risk. Solidifying the organization's cyber security posture is essential.



# The Cyber Loop



By 2021, cyber events are expected to annually cost **\$6 TRILLION**

# The Cyber Loop

## Managing cyber risk requires a circular strategy

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### **1 Avoid the Risk.**

Choose to not take the action that introduces the risk.



### **2 Mitigate the Risk.**

Assess and test the risk, and put compensating controls, technologies, processes and governance in place to reduce exposure, while working to minimize impact on the business growth strategy.



### **3 Accept the Risk.**

Assess the risk, and choose to accept the risk as is, if mitigation reduces the business benefit the organization set out to achieve.



### **4 Transfer the Risk.**

Seek cyber insurance policies to move the risk off the balance sheet.

# How Prepared Are You

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- Forced change
- The pandemic will continue to force new decision-making choices

**How prepared is your organisation**