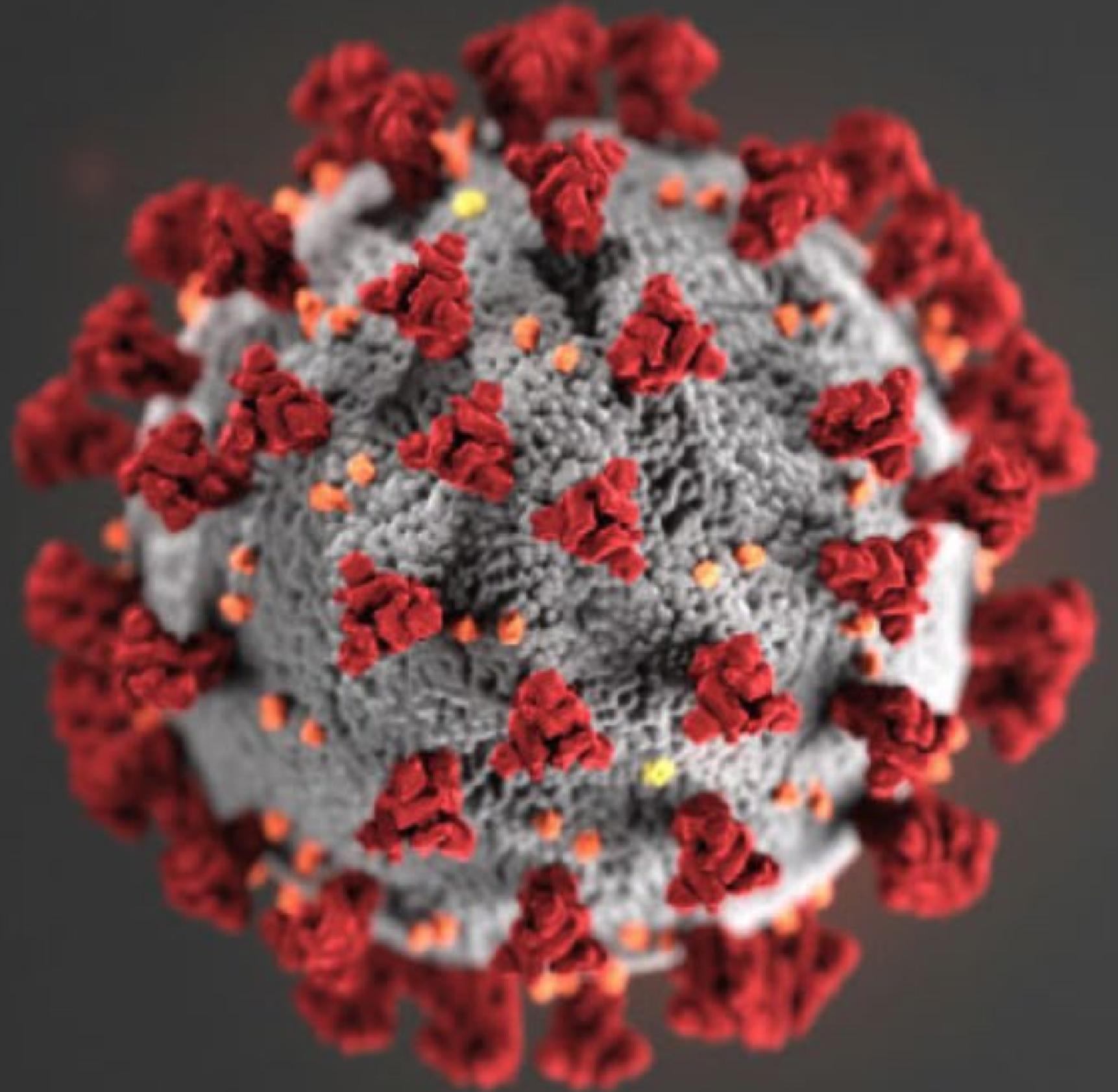




# Corona virus – Impact Assessment – Procurement & Finance

---

April 2020



# Impact Assessment : Banking, Procurement and Finance Outsourcing

## Banking Advisory Insights:

- Liquidity problems hamper credit intermediation and investments for banks across the world
- Healthy corporates are also facing severe cash flow problems, weaker balance sheets, reduced access to capital and credit channels , resulting in hampered investments and growth
- Central banks of several countries have mimicked China’s financial response. Nearly 60 countries including US, UK cut interest rates in an attempt to increase cash flow in the economy
- Several countries have also announced monetary intervention plans such as (a) liquidity injection into markets through purchase of government/treasury backed securities (b) a stay on bank account closures due to bounced checks and credit extension to companies with payroll tax arrears, (c) credit guarantees for banks’ lending to micro, small and medium enterprises (SMEs) (d) lower reserve requirements on bank lending to households and SMEs; (e) regulations that limit banks’ holdings of central bank paper to provide space for SME lending; and (f) temporary easing of bank provisioning needs and of bank loan classification rules (i.e. extra 60 days to be classified as non-performing)
- Drop in consumer and business spending has resulted in increased number of corporate bankruptcies
- As credit lines dry up cost of capital might increase over the coming months, and any liquidation measures to improve cash flow would probably yield more palatable results now than in coming months , since prices are expected to drop significantly once recession sets in
- Adoption of digital payment methods have risen sharply, and change in consumer payment behaviors have driven e-commerce payments across the globe. However payment companies such as MasterCard and Visa expect to witness a drop in revenue due to decline in cross border **payments**

Commodity / Category	Impact Assessment
Increasing cost of Business Payments	 <p>A horizontal color scale from green (Low) to red (High) with a black triangle marker pointing to the 'Medium' level.</p>
Procurement Outsourcing	 <p>A horizontal color scale from green (Low) to red (High) with a black triangle marker pointing to the 'Medium' level.</p>
Finance Outsourcing	 <p>A horizontal color scale from green (Low) to red (High) with a black triangle marker pointing to the 'Medium' level.</p>



# Impact Assessment : Insurance

## Insurance Advisory Insights

### LIFE AND HEALTH INSURANCE –

**Americas** : It has been observed that according to AM Best and Fitch Ratings has marked US life and health insurance industry to negative (due to the hike in COVID 19 cases and economic impact due to decline in interest rates and equity valuation) due to the following factors. Health insurers face risk from three major types claims economic and operational and the credit implications will be experienced by the segment of the market that that focuses at risk individuals and medical stop loss

- Significant increase in global economic slowdown that may last for extended period with declines in both equity and interest rates
- Impact on life insurers earnings reserves and capital associated with variable and indexed annuities, pressure on net investment yields and interest margins
- Significant decline in earnings throughout 2020 for both spread and fee driven business and increase in the number of claims

**EMEA** : It has been observed that rating agencies have predicted that European Insurers have solid capital buffers to withstand stresses from COVID 19 related claims, even though ultimate losses are yet quantifiable. The life and health insurance sector is equipped to manage the exposures, either by use of reinsurance or other mechanisms. The credit agencies quote that low interest rates paired with increased market volatility as key stressors on insurers solvency ratios. It is well managed and capitalized in the short run, but it is expected to suffer from prolonged stress. All major insurance carriers have started to include COVID 19 related cases in their policies. Due to the inclusion number of claims is expected to significantly increase

**APAC** : Life and health insurance penetration levels have significantly increased in APAC and credit agencies expect that policy exclusions and governmental financial support will mitigate potential losses to life and health insurance industries across APAC. The insurers are expected to material challenges brought by the economic slowdown and pressures from the credit and equity markets and it is expected have a negative impact on the new business and hike in the number of claims.

Commodity / Category Impacted	Impact Assessment
Life Insurance	 Low Medium High
Health Insurance	 Low Medium High



# Impact Assessment : Insurance

## Insurance Advisory Insights :

### Non- Life and Reinsurance

It has been observed that rating agencies have predicted less impact from claims activity on earnings and capital for non – life insurers than life insurers. Losses may arise from business interruption, event cancellations and travel restrictions. It has been observed that most the non – life policies exclude epidemics and pandemics from standard policies. Line of non - life insurance businesses that are most vulnerable to higher claims are aviation, travel, credit and contingency/ event cancellation insurance. The impact on commercial lines insurers will be limited. Trade credit insurers may experience an increase in claims linked to the economic slowdown driven by decrease in consumer spending.

Global reinsurers are expected to be significantly stable, barring the high severity levels. Potential losses are expected to be significant, but the event would be manageable relative to regulatory capital for large American and European reinsurers

Commodity / Category Impacted	Impact Assessment
Business Interruption	
Contingency	
Liability Insurance	
Reinsurance	
Travel Insurance	



# Impact Assessment : Banking, Procurement and Finance Outsourcing

## Procurement and Finance Outsourcing Advisory Insights:

- Most of the FAO and PO services providers are struggling to deliver services seamlessly as they were not prepared with a strong Business Continuity Plan in times of pandemic situation. Adding to this, Local country regulations and prolonged lockdown across the world are making it more complex to deliver services.
- India and Philippines are the largest delivering locations for FAO and PO services. 60-80% of the service providers are challenged with laptop shortages.
- Major challenges in the interim: Inability to meet SLAs

Commodity / Category	Global Impact Assessment
Procurement Outsourcing	 A horizontal scale from Low (green) to High (red) with a black triangle pointing to the High end.
Finance Outsourcing	 A horizontal scale from Low (green) to High (red) with a black triangle pointing to the High end.





شركة المعرفة  
K•CORP

