

# Safeguarding Capital Amidst Business Disruption

Willis Towers Watson Webcast

July 7, 2020



## Today's discussion



Evolution of capital management throughout the pandemic



Common cost optimization objectives



Practical and tactical levers to meet objectives



Stakeholder management



Questions and answers

# Key stages of action




## Safeguarding capital

We need to fully and quickly redesign tactics that deliver resilience as our strategies change, accounting for current financial realities

How do we **Deliver Resilience** in an environment of compound crisis?



 We urgently need to completely re-engineer our tactics to deliver resilience in a changing strategy tuned to current financial realities.

# Common cost optimization objectives

We'll explore each one today



**Avoid financial surprises**



**Free up capital**



**Align costs with new ways of working**



**Manage stakeholder expectations**

## Today's speakers



**Janet Pane**  
Risk



**Rob Yellen**  
D&O Fiduciary Liability



**Sean Rider**  
Risk



**Ben Fidlow**  
Risk



**Catherine Hartman**  
Talent and Rewards



**Beth Ashmore**  
Retirement Benefits



**Jane Jensen**  
Health and Benefits

# Practical approach to insurable risks

## Avoid Financial Surprises

### Step 1:



**Identify and re-assess potentially insurable risks on an ongoing basis with a focus on premium drivers.**

### Step 2:



**Update strategies to mitigate and manage risks**

- Analytics can help you to assess the value of adjusting retained risk/attachment.
- Selling assets? Consider transactional insurance as a deal facilitator and value enhancer.
- Bankruptcy potentially on the horizon? Get expert help early.

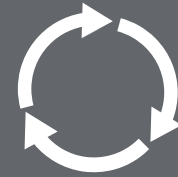
### Step 3:



**Implement Strategies**

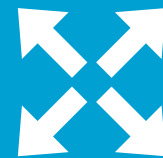
- Many markets are hard: Start early.
- Changing market conditions make outcomes harder to predict. Be conservative when managing expectations.

### Optimizing the solutions, structure



- Update your understanding of insurers' premium drivers. They may have changed.
- Explore alternative solutions to reduce exposure. Example - increase retentions.
- Assess value vs. cost of self-insuring a portion of your risk.
- Explore options that fit your organization's risk tolerance and today's new risks.

### Hard Market Challenges



- Capacity and coverage may change.
- Broad, soft-market wording may limit the capacity an insurer is willing to deploy.
- Additional lead time helps.
- Understand the impact of policy form changes.
- Assess value vs. cost savings - continuity
- Understand the key benefits between various insurer forms especially on single insurer accounts



## Decisions cannot happen in a vacuum

The touchpoint for decision-making now must be organizational financial priorities

### Measure decisions on how effective they are in contributing resilience to financial priorities

- **Understand** what you are trying to protect against... how bad is bad?
- **Know** your financial priorities for recovery
- **Harness** your tolerance, appetite, and capacity for risk

#### Ability

Maximum an organization can possibly take

#### Willingness

Culture for taking on risk

#### Tolerance

Pain increase at each event level


#### Define Acceptable Deviations

For each metric below, define the metric values you deem acceptable. As you define metric values one by one, the graphic above will populate.

##### Areas of Interest

General

##### General

Metric Name	Current Value	Comparisons	Acceptable Deviations
EPS	4.36		Metric Value

The minimum change in expenses required to keep this metric from falling more than 1.40% to a metric value of 4.30 is **10,523,369**

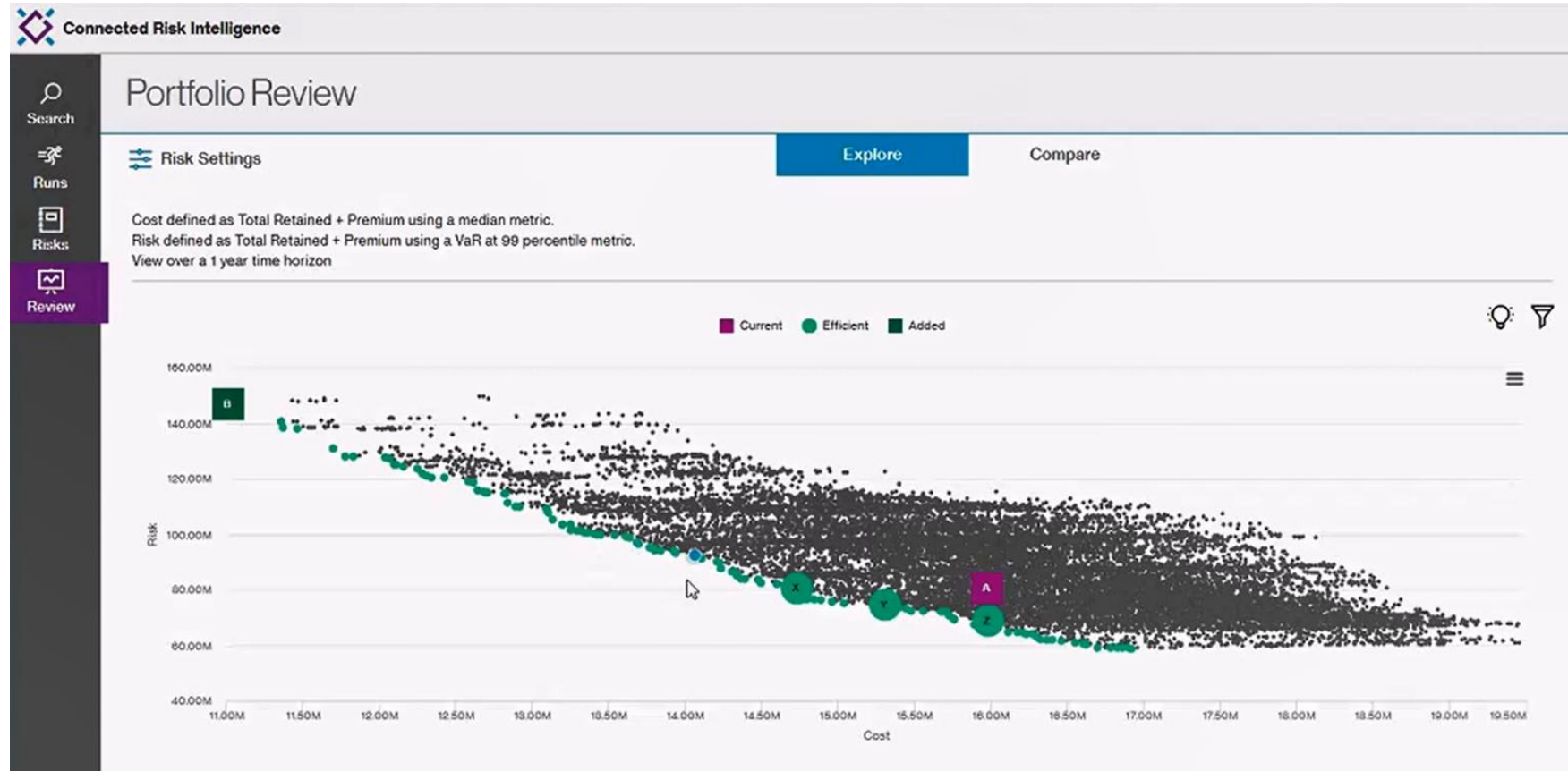


# Making decisions



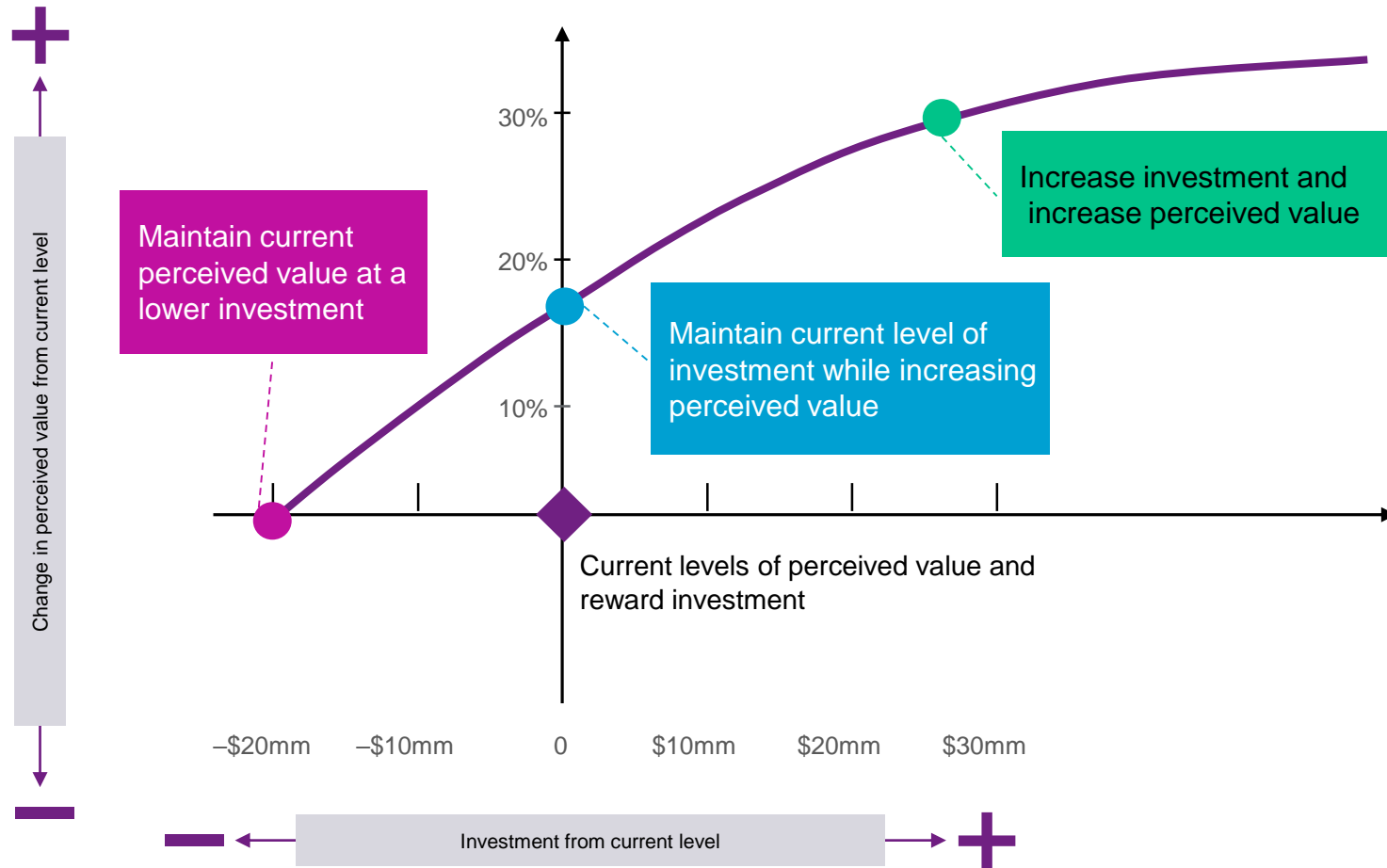
Powerful decisions require powerful analytics

- Harness the power of **Portfolio**
- Navigate **Arbitrage** between mitigation, transfer, and retention levers
- Tune activities to achieve on **Financial Priorities** for the business while in recovery



# Re-balancing rewards to manage cost, flexibility and perceived value

Increase in indicated perceived value from current level



What is the best level of investment in employees?



What is the best allocation of that investment to maximize the desired employee behavior?



Do the answers vary by age, tenure other segments (like position)?



# How capital management evolves over the pandemic

New ways of working, employee safety, and capital allocation drive resilience and performance

Areas of Action	Pre-Pandemic	Stage 1: Managing through the Crisis	Stage 2: Restoring Stability (Pre-cure/vaccine/immunity)		Stage 3: Operating Post-Crisis (Post-cure/vaccine/immunity)
	Business as Usual	Reactive measures	Reopening workspaces	Operating in uncertain environment	Sustained growth
Remote Work (% remote workers)	11%	65%	50% (illustrative estimate)		30% (illustrative estimate)
Financial Capital	By program	Cash preservation and liquidity	Cash budgeting / reserving to navigate uncertainty	Budgeting and managing cost volatility, maintain flexibility	Cost optimization across all human capital programs Efficient financing / risk transfer for benefit programs
Human Capital	Performance-based rewards  Harmonized total rewards with varied wellbeing programs	Temporary adjustments to pay / benefits Focus on physical and emotional wellbeing	Alignment of performance metrics with demand/outlook  Manage ongoing benefits, focus on physical safety and emotional wellbeing	Investing in critical talent and programs (e.g. reskilling)  Recalibration of variable pay (STI/LTI) and salary increases	Rewards redesign aligned with new ways of working  Flexibility and choice in programs to meet physical, emotional, and financial wellbeing needs
Employee Experience and Culture	Inclusion and diversity	Protection, safety, and flexibility/agility	Protection from stigma and discrimination	Promotion of safety, agility, inclusion and diversity, dignity	High-performing EX, culture of safety, inclusion and dignity




# Re-calibrating for a new reality while repositioning for future growth

Workforce Analysis		Workforce Strategy		Work and Rewards Planning and Design	
<b>How do we identify immediate cost savings opportunities?</b>	<b>Given our new economic reality, what areas do we need to be great at vs good at?</b>	<b>Which roles will have the most significant impact on these areas?</b>	<b>What is the impact of alternative decisions on our financials and the employee experience?</b>	<b>How do we reinvent jobs to access the best work options (AI, gig talent) at the right cost for each role?</b>	<b>How do we make this work a part of HR's core capabilities and toolset?</b>
<b>Sprint 0</b> Articulate business case for change	<b>Sprint 1</b> Clarify work, talent and rewards priorities	<b>Sprint 2</b> Evaluate impact on workforce	<b>Sprint 3</b> Analyze financial and EX impact	<b>Sprint 4</b> Reinvent jobs to address defined priorities	<b>Sprint 5</b> Build HR capability to enable the business
Return on Investment					
Identified cost saving opportunities	Clear definition of where great performance matters	Roles critical to driving great and good performance	Optimization of cost to meet near and long-term goals while balancing the impact on EX	Redeployment of work to achieve a step change in cost and capability	Upskilled HR that can realize these gains at scale


## What's different today when re-aligning reward program costs?

**Evaluate Financing**




- Focus employer subsidy on most valued programs
- Reconsider approaches to financing benefit programs

**Emphasize Employee Value**




- Ensure affordability and financial stability for employees
- Support employees with decision-making when costs have to be shifted

**Segment by Workforce**




- Recognize varying employee experiences throughout the crisis
- Stay mindful of most valued programs by future workforce

**Ensure Flexibility**




- Understand financial objectives and workforce in flux
- Be willing to test options
- Consider mid-year changes

**Manage Stakeholder Expectations**



- Understand change for plan members and pressure on company image
- Plan for organizational survival

**Automate**



- Leverage virtual and digital acceleration
- Redeploy and reskill the workforce

## Actions to consider now and going forward

### Minimize the effect on employees

Reduce health plan choice – eliminate high cost plan options

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Revisit broad healthcare networks and steer to quality

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Strengthen wellbeing programs – but eliminate many incentives

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Consider purchasing more insurance or reinsurance for health plan; self-fund valued high-cost voluntary programs

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Revisit retirement plan financing and cost management options

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Reduce legacy plan operational costs and streamline operations

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Use variable pay reduction to fund protection of other elements

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### More significant actions (Shift or eliminate)

Validate that employee pay-all programs are appropriately priced; eliminate less-valued voluntary programs

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Reduce basic life insurance to \$50k

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Reevaluate paid time off

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Alter financial support for postretirement benefits

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Alter retirement program design (suspend match, DB to DC, add employee contributions)

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Integrate savings programs to support employees' balance between short and long-term financial needs

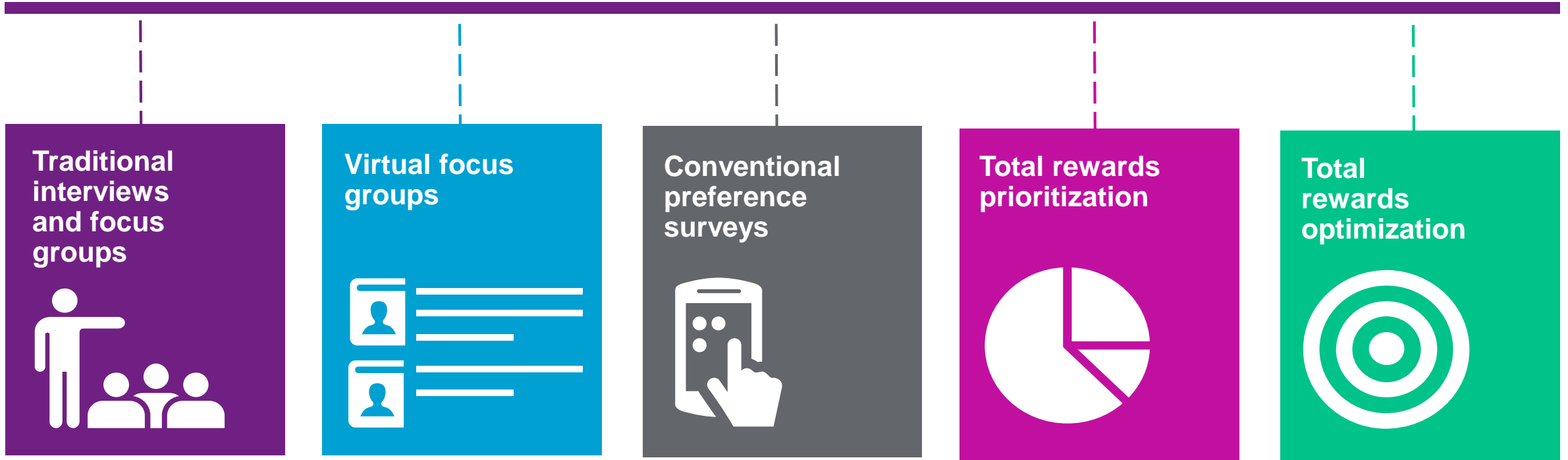
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Delayed or cancelled merit increases

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# Re-engaging the workforce with effective listening strategies

## Core Listening Tools



✓ Communication and Change Management is critical to program success.



## Managing stakeholder expectations

### A panel discussion



## Boldness leads to greatness

Navigate compounded crises by making decisions empowered by analytics

### Be prepared to make decisions that contradict prior dogma



Nothing is off the table



Delivering financial resilience to safeguard capital is the first and last priority



Think strategically; act tactically

### Make calculated decisions



## Questions



### Upcoming events:

**July 9:** Dealing with a difficult umbrella market

### A sampling of past events:

**May 15:** Restoring Stability: Emerging Principles and Priorities

**May 29:** Leveraging Opportunities for a Sustainable Reset

**June 5:** Re-imagining your property insurance during COVID-19 and afterward

**June 12:** Prioritizing Employee Wellbeing

**June 30:** Distressed organizations

[Register for future events and access past recordings on willistowerswatson.com](https://www.willistowerswatson.com)