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Leading Through Crisis: From Surviving to Thriving

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The current global health pandemic, financial recession, and social crises have disrupted life for us all. For a newly initiated Investor Relations (IR) professional, this has presented both new challenges and new opportunities. It has heightened the importance of the Investor Relations role in effectively communicating with the investment community. Within a matter of days, we went from traveling to industry conferences, mingling amongst large crowds and hosting meetings in packed small rooms, to an isolation lockdown. It seems naïve and almost reckless in hindsight not knowing what was to come. Overnight we were thrust into a new virtual-only world, having to respond to rapidly deteriorating market conditions while protecting the health and safety of our families from COVID-19, all amidst the backdrop of sweeping social change. While crisis creates disruption, it also creates clarity and perspective on what matters most. As such, I would like to share my learnings from leading through the current crisis and the long-term implications it will have on the insurance industry.

An Evolving Crisis

As insurers quickly pivoted to a fully-remote workforce, it posed operational, technological, and logistical challenges for companies. In spite of these challenges, most companies found their business continuity plans and technological capabilities supported a relatively seamless transition. Without a commute, employees are working longer hours, logging in earlier, staying on later, and taking fewer breaks. Further, with travel restricted many are not taking vacation time. Without a clear physical separation, the lines have become blurred between work and home, creating an unforeseen strain on employees' wellbeing. As a result, companies developed holistic wellness support for employees, recognizing many are working full-time while concurrently serving as full-time caregivers and teachers, and struggling with isolation, depression and burnout.

No one was truly prepared for the emotional toll COVID-19 would take. We have all been personally impacted by the virus, if not directly, then through the family, friends, and colleagues who have been afflicted in some manner. As of June 12, approximately 114,000 in the U.S. and another almost 308,000 globally have perished from the virus. This sobering reality has forced us to acknowledge the fragility of life and consider our own mortality, leaving an indelible mark of loss with lasting implications for generations to come. After months of extreme social distracting measures, we have seen steady declines in infection and death rates in hots spots such as New York City. Such encouraging results have prompted phased-in reopenings. However, there will be continued public health risks until therapeutics and vaccines can be effectively developed, as we are now witnessing with the emergence of new hot spots threatening a second wave. For the insurance industry it is still too early to definitively quantify the impacts, but it is largely believed to be a one-time shock versus an ongoing structural shift in mortality experience.

The countrywide shutdown proved to be an effective public health tool to contain the spread of the virus, but also took a toll on the U.S. economy. In response, we have seen sweeping government stimulus with the CARES Act and expanded fiscal powers delegated to the Federal Reserve to stabilize capital markets. However, government intervention comes at a cost: the Congressional Budget Office currently projects the U.S. deficit to approach $4 billion by yearend, with debt to GDP rising to 101%, the highest level since World War II. Potential long-term implications could result higher corporate and individual taxes, sluggish GDP growth, and inflation. While insurers are in a much stronger position than during the Great Recession, the macroeconomic environment poses a direct threat to the insurance industry: near zero interest rates, sharp equity declines and volatility, and deteriorating credit quality. Although new business activity has significantly slowed, it is expected to be a short-term impact as companies and clients adapt to a digital engagement model while we await the reopening of the economy.

The epidemic and financial crisis has also spurred a humanitarian crisis. At 14.7%, unemployment reached the highest level since the Great Depression and four times the 3.5% unemployment rate pre-crisis. Unfortunately, this has largely affected the most marginalized socioeconomic classes, largely minorities, who are now struggling with food and shelter insecurity. For those who remain employed, there is again a division between those with who can safely work from home and essential workers on the front lines in minimum wage jobs who risk COVID-19 exposure to support their families. Sadly, these socioeconomic inequities have had an amplifying effect with African Americans and Latino Americans experiencing COVID mortality rates twice the national average. This crisis has clearly highlighted that while we have seen tremendous economic growth since the last financial crisis, it has not been equally shared across socioeconomic and ethnic communities.

Further, with the senseless death of George Floyd amidst an inexhaustive list of African Americans before him, we are forced to confront the realities of racism in our country. Core to our American values, we have seen the mobilization of peaceful demonstrations calling for racial equality and justice on a scale not seen in over a generation. We are now at an inflection point: how we choose to collectively respond will be a testament to our commitment to secure freedom for all. Many of us are only now starting to understand institutionalized racism and just how little social progress has been made for African Americans. Through open and honest conversations with African Americans, we as individuals and as corporations need to acknowledge, need to listen, and need to commit to make the real change required to achieve true racial equity and justice. In the words of Langston Hughes, we need to “Let America Be America Again”.

Lessons from managing through crisis

In reflecting on the events of the past few months, there are three key learnings that helped me to effectively manage through the current crisis: (i) create a plan with defined key objectives; (ii) communicate early and often; and (iii) adapt to evolving conditions. However, I also discovered that successful execution is also measured by how you respond, requiring composure under pressure, agility, and determination.

Create a plan

While we cannot predict when a crisis will strike, we can be better prepared to respond with some planning. To start, assess the current situation. Identify the specific challenges and how they impact the industry and your company. Consider the drivers of the crisis: is it macroeconomic conditions, regulatory changes, industry disruption, or company specific factors such as a security breach or shareholder activism? Understanding the nature of the crisis and all of the related impacts will help to determine the appropriate response and communication plan. Secondly, know your audience. Closely evaluate the specific implications to your key stakeholders, including employees, clients, and the investment community. Invest the time to consider and understand their primary concerns to help inform your response plan. Thirdly, outline your response plan and define your key objectives and desired outcomes. Engage your team and internal stakeholders in the planning processes to infuse diversity of thought and to eliminate blind spots and gaps. Finally, leverage your assessment and response plan as inputs to develop your strategic messaging. Defining your messaging architecture will ensure you have a clear, consistent message for internal alignment and external communication. Though advanced preparation will help provide precious time during a crisis, it is never too late to create a plan. Dedicating the time to assess the situation, understand the impact to your stakeholders, outline your action plan, and develop your strategic messaging will provide a solid foundational plan to confidently move forward.

Communicate early and often

Every minute counts during a crisis making it necessary to communicate early and often to instill confidence with your stakeholders. Early outreach helps to quell initial concerns, but it is important to maintain consistent contact throughout the crisis. As we have recently observed, market conditions can quickly change, and unforeseen crises can quickly emerge. Often companies feel they need to wait until they have new information to communicate before reaching out to external stakeholders or even employees. Yet, simply reinforcing your key messages helps to make sure your message is actually heard.

In periods of non-crisis, investor engagement activity typically includes top investor one-on-ones following earnings, conferences, and sell-side hosted calls. However, during a crisis increased communication throughout can demonstrate management credibility, transparency, and leadership. To accomplish this, consider layering additional touch points specifically tailored to each audience. For example, consider hosting two to three meetings for top 20 investors with management at the beginning, middle, and end of a quarter, supplemented by IR follow-ups via email and phone. This is also an ideal time to review your targeting strategy. Partner with the sell-side on strategic outreach to investors with investment capacity to increase their positions, as well as non-holders with meaningful peer investments. Proactive outreach to investors beyond your top 20 during a crisis can powerfully demonstrate your commitment to cultivating these relationships, magnifying the effect.

A crisis affects each stakeholder in different ways, making it necessary to consider not just the message to be communicated, but modes, forums, and tone. In the present case, there are three concurrent crisis – health, financial, and social – impacting stakeholders individually and collectively. For employees, the health crisis demands holistic wellness support and new ways to connect with one another, whereas the social crisis requires active listening, dialogue, and meaningful action around diversity and inclusion. However, client communications have largely centered on financial advice, access to accounts, and relief measures available.

The current crisis also presents an opportunity to enhance communication outreach leveraging technology. While in-person meetings have long been viewed as the most effective way to build and deepen relationships supplemented by email and audio conference calls, the current crisis allows us to reimagine our engagement strategy. The widespread availability of video conferencing solutions can now largely replicate the “in-person” experience. While it may take some practice and participant encouragement, video can be a powerful tool to deepen your relationships and enhance your communication impact.

Adapt to evolving conditions

No two crises are the same. Therefore, the game plan that worked previously may not be best suited for the current environment and challenges. Even in the midst of a crisis, conditions can quickly evolve requiring you to adapt. Take the time to reassess your action plan in light of current realities and refine your key messaging and engagement strategy accordingly. Review what worked well and what to change going forward. There is no perfect plan, but thoughtful planning and ongoing reflection will enable you to quickly learn, adapt, and respond in the most impactful manner.

There will also be circumstances for which there is no clear answer and you need to have confidence in taking responsible risks. For our first quarter earnings, we considered releasing preliminary earnings to reassure the market of our resilient balance sheet and strong capital position amidst the market turmoil. Yet, there was no precedence of a company pre-releasing earnings due to positive news and worse still, it had a negative connotation that elicited concern from the investment community. After careful consideration of our approach, we determined the benefits outweighed the risk and disclosed preliminary results 10 days in advance of our full earning release. Was there risk in pursuing this course of action? Of course, but there was also risk with inaction given we were reporting after most peers and were uncertain how their results would impact the valuation of the life sector. Ultimately, we believe we arrived at the right decision for our specific circumstances, further evidenced by the feedback from the investment community and one day stock price return that outperformed the S&P500 by 10% and peers by 6%. The lesson: don't be afraid to wade into uncharted territories; just because it hasn't been done before, doesn't mean it's not the right decision.

Industry trends and implications

The weaknesses exposed by the current crisis is challenging investors to reevaluate their investment portfolios, de-risk, and seek out companies that offer differentiated value. While a challenging economic environment, companies will need to demonstrate both balance sheet strength and growth potential. Therefore, consider the following industry trends and the long-term impacts to your business model: (i) digital engagement is here to stay; (ii) crises are inevitable, unpredictable, and unforgiving; and (iii) plan for growth in the new normal.

Digital engagement is here to stay

Even after effective COVID-19 therapeutics and vaccines are developed, no one knows the lasting psychological impact the pandemic will have on people's willingness to gather in large groups or travel. While not a complete replacement for in-person meetings, virtual roadshows, conferences, and one-on-one meetings – especially via video – have proven to be effective. We need to continue to embrace and leverage technology as part of a robust investor engagement strategy. No longer constrained by physical geographical locations or travel time, video-enabled virtual roadshows also support more focused targeting and increased management accessibility.

Out of necessity, the current crisis has transformed the way business is conducted and how we engage with clients. The mandatory shutdowns have definitively proved that the majority of insurance roles can effectively work fully remotely. It has changed our view of the purpose and need for physical office space, opening the possibility for a more permanent remote working arrangement. It has also accelerated the adoption of digital tools, overcoming previous objections including clients' receptivity to using video conferencing for virtual face-to-face meetings. Coming out of the crisis, these tools and capabilities will complement rather than replace the need for physical in-person interactions.

Crises are inevitable, unpredictable, and unforgiving

Your company is only as strong as the next crisis will expose. Managing for long-term value creation means that you need to ensure your company is solidly positioned to withstand a variety of economic conditions and shocks. In robust market cycles it may be tempting to raise your risk tolerance to maximize short-term returns, but it can also pose undue risk to your balance sheet. This may take the form of increasing your investment portfolio exposure to riskier asset classes to achieve higher yields. Yet during a crisis these are the very assets at greatest risk of credit downgrades and migration. To find the appropriate risk/reward balance, you need to have robust and prudent risk framework to effectively protect your balance sheet, even in periods of severe market corrections. Further, as you consider various management actions, it is important to have clearly defined processes that encourage healthy debate, challenge your thinking while preserving your risk philosophy, and serve as an effective check and balance for decision-making.

The fundamental goal of a company is to generate and optimize value creation for its stakeholders. For public companies, investors would like to see shareholder value unlocked in the most efficient and expeditious manner. The current crisis has led to record low industry valuations, with life insurance price to earnings multiples at the trough averaging between 2.9-4.3x. Once industry capitalization levels and markets stabilize there may be mounting investor pressure for management to prioritize actions that result in more immediate price gains, such as share buybacks. However, strictly managing to the short-term may be at the expense of actions that will ultimately yield greater shareholder value creation realized over a longer period of time. In order to garner investor support for long-term value creation, you need to attract a solid base of investors with longer-term investment horizons. To cultivate such long-only investors you need to articulate a compelling investment thesis, including a clear vision and strategy for how your company will deliver meaningful growth over three to five years.

Strong capital and liquidity remain key indicators of financial strength and ability to deliver on obligations to employees, clients, and shareholders. Being defensively positioned may not be popular when markets are strong, but it places companies in a position of strength and ensures business continuity. This may even create opportunities to take advantage of market dislocations during a crisis, such as widened credit spreads, to improve investment yields without sacrificing quality or increasing your risk exposure. In managing for long-term growth, you have an opportunity to differentiate your company by demonstrating it’s not just about short-term results, but sustainable value creation.

Plan for growth in the “new normal”

Crises present an opportunity to reflect, reassess, and refine your business to emerge stronger. Companies that will be positioned for success will adapt their businesses to reflect the needs of today. Key areas of focus for insurers coming out of this crisis will include:

- **Product portfolios:** How are you shifting product designs in light of low interest rates and equity volatility to ensure profitable, sustainable products that deliver meaningful value for clients? How are you addressing the growing retirement gap?
- **Inforce management:** How has the current environment changed your view of the risk/return optimization? Can your balance sheet withstand another severe equity market decline and interest rates at current levels? What hedging changes are necessary to further protect your balance sheet?
- **Expense levers:** How does the current crisis impact the future of work and your real estate footprint? If market conditions deteriorate, have you identified productivity levers to offset revenue losses and is this evaluated against reinvestment?
- **Policyholder behavior:** Will clients be able to resume their premium payments once grace periods have expired? If we experience a protracted recession, will clients take withdrawals from their retirement accounts or surrender policies for liquidity needs?
- **ESG:** What is the role and responsibility of companies to bring about social change? How will companies leverage their power to address racial inequality?

Rather than succumbing to the impacts of the crisis, companies can leverage the urgency it creates to undergo transformative change. Those who capitalize on the crisis to identify new solutions while protecting their balance sheet against future crises will ultimately differentiate through meaningful long-term value creation.

Measuring success

Defining success in terms of crisis management can be difficult to quantify, especially when conditions are fluid and the outlook is uncertain. By identifying your key objectives upfront, it will provide clarity and context around the efficacy of your crisis management plan. To have a comprehensive view of success, consider the following qualitative and quantitative indicators:

- **Investor base:** Monitor changes in top investors' positions (your company vs. peers) and mix of active investors (long-only vs. hedge funds, core vs. new investors).

- **Valuation:** Track any significant changes in your company valuation compared to peers throughout the crisis.
- **Feedback:** Leverage surveys and perception studies to garner unfiltered feedback from employees, clients, and investors.
- **Industry benchmarking:** Review peer financial performance, sell-side research, and media coverage as compared to your own and glean any learnings.
- **Self-reflection:** Qualitatively review whether the action plan resulted in the intended outcomes; refine the action plan and key objectives accordingly.

Crisis management is a dynamic process that when supported by data insights and reflection can empower you to make more informed and timely decisions.

From surviving to thriving

Every crisis introduces elements not previously experienced in the same fashion, frequency, or force. This is especially true today: no one was prepared for the convergence of a global health pandemic, economic recession, and racial justice movement all at once. Yet the only way to survive a crisis is to directly confront the challenges faced and mobilize a crisis management action plan. The present crisis has offered invaluable lessons on how to effectively lead through a crisis: invest the time to create a plan with defined key objectives, proactively communicate early and often with stakeholders, and adapt to evolving conditions. However, to move from surviving to thriving post-crisis means reevaluating your company in light of the new realities, considering the long-term implications, and leveraging the crisis to make bold transformational change. Ultimately, success is to emerge from the crisis stronger and wiser than when you entered.

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Joining Equitable in 2011, Jessica has held several positions during her tenure including within the Strategic Initiatives Group, Finance, and Funds Management Group, LLC. She most recently served as the COO for the Life & Employee Benefits businesses where she oversaw strategy, new business development, and communications.

Prior to Equitable, Jessica started her career in international development and specialized in bank regulatory and supervisory issues. Jessica holds an MBA in Finance and BA in International Studies from Fairfield University.