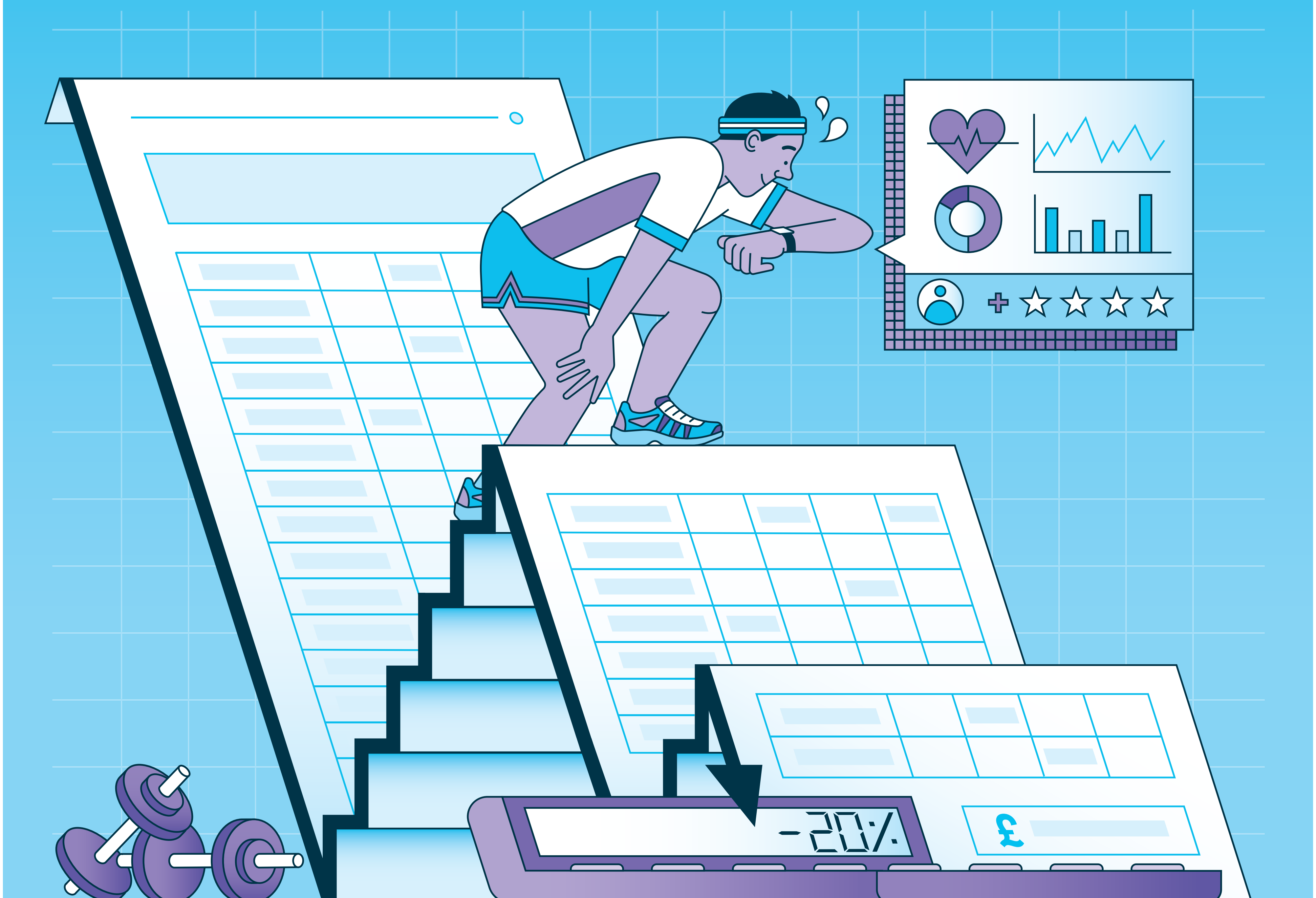
INDEPENDENT PUBLICATION BY

RACONTEUR

RACONTEUR.NET | #0699 | 19/11/2020

FUTURE OF INSURANCE



FUTURE OF INSURANCE

Distributed in THE TIMES

Published in association with CII Insurtech Insights

Contributors

Helen Beckett
Associate editor of *Employee Benefits* magazine, she has held editorships at *Financial Times Business* and Centaur Media.

Mark Frary
Business, technology and science writer with eight published books, speaking regularly on tech and futurology at conferences.

Oliver Pickup
Award-winning journalist, specialising in technology, business and sport, and contributing to a wide range of publications.

Chris Stokel-Walker
Technology and culture journalist and author, with bylines in *The New York Times*, *The Guardian* and *Wired*.

Alex Wright
Business journalist writing for international finance trade publications including *Acuity*, *Insurance Times* and *Risk & Insurance*.

Nick Easen
Award-winning writer and broadcaster, covering science, tech, economics and business, and producing content for *BBC World News*, *CNN* and *Time*.

Rachel Muller-Heyndeyk
Journalist focusing on workplace, culture and activism, with work published in *The Independent*, the *i paper* and *HR magazine*.

Ellen Sheng
Writer with a focus on finance and fintech, and former reporter at *Dow Jones/The Wall Street Journal*, with bylines in *CNBC, Forbes, Quartz* and others.

Jonathan Weinberg
Journalist, writer and media consultant/trainer specialising in technology, business, social impact and the future of work and society.

raconteur reports

Publishing manager
James Studdert-Kennedy

Associate editor
Peter Archer

Acting managing editor
Francesca Cassidy

Digital content executive
Taryn Brickner

Production manager
Hannah Smallman

Design
Sara Gelfgren
Kellie Jerrard
Colm McDermott
Samuele Motta
Jack Woolrich

Art director
Joanna Bird

Design director
Tim Whitlock

Although this publication is funded through advertising and sponsorship, all editorial is without bias and sponsored features are clearly labelled. For an upcoming schedule, partnership inquiries or feedback, please call +44 (0)20 3877 3800 or email info@raconteur.net
Raconteur is a leading publisher of special-interest content and research. Its publications and articles cover a wide range of topics, including business, finance, sustainability, healthcare, lifestyle and technology. Raconteur special reports are published exclusively in *The Times* and *The Sunday Times* as well as online at raconteur.net

@raconteur /raconteur.net @raconteur_london

raconteur.net / future-insurance-2020-nov

DIGITAL TRANSFORMATION

COVID must change insurance for the better

A flurry of insurance claims and quibbles over policy wording thrust the sector into the spotlight, now insurance must use data and technology to regain customer trust

Chris Stokel-Walker

The novel coronavirus has upended all parts of everyday life, including the insurance industry. Thousands of customers called in policies as holidays were cancelled and unforeseen closures were forced upon firms. Insurers have never been busier.

But there have been negative headlines alongside financial reassurance. A recent case over 21 specific wordings of business interruption insurance policies, brought to the High Court by the Financial Conduct Authority, has turned a spotlight on the industry.

"It's a reminder to everyone, both insurers and customers, about the importance of contract wordings," says Huw Evans, director general of the Association of British Insurers. The future of insurance relies on how the industry responds to negative headlines, how it charts a path through the post-coronavirus world and how it chooses to embrace digital transformation in the sector.

"COVID-19 has been a huge operational resilience stress test," says Evans. "Can the systems hold up, can you move hundreds of thousands of people to working from home? Can you issue new claims and pension payments while working correctly?"

So far, the industry has come through with vigour and resolve, maintaining strong customer service and keeping its business model strong. It's also improved transparency, making sure the industry is open about what it does and why it does it, helping maintain customer loyalty and assurance.

But the pandemic has also reassured people of the importance of insurance. "This horrible pandemic, with the terrible loss of life involved has, like all catastrophic events, reminded people things can go wrong in life," says Evans.

Neil Clutterbuck, chief underwriting officer at Allianz UK, adds: "COVID-19 has suddenly created this situation where we thought we lived in a world that had a degree of certainty, but has moved the goal posts considerably."

And, like every other industry out there, the pandemic has sped up the use of digital technologies. Digital transformation in the insurance industry has been building up steam for years, but the rapid shifts that have rocked the world have condensed decades of change into months. The future of insurance is no longer the future; instead it's the present.


Unsplash/Erik Witsoe

"It's been a reminder of how much of our work is digitally enabled," says Evans. It has accelerated the process of insurers thinking about what types of products people want and how they want to interact with their insurance providers. The future of insurance has long been heralded as a world where data analytics is key and digital technologies sweep away legacy systems run by traditional insurers.

At the start of the pandemic, half of Allianz customers using particular insurance products transacted with the firm digitally. "During the COVID-19 period, that's shot up to 80 per cent for certain lines," says Clutterbuck. "Customers are unlikely to go back, having got familiar with transacting in that way."

Much of the data needed to affect digital transformation in the insurance industry already exists and is available to insurers. Whereas, in the past, customers would have to report where they lived and whether it was near a water source that was a flood risk, insurers can now simply look at a map and model the flood risk for any property. "We're living in a world where sources of data are exploding, not just growing," says Evans.

That data explosion helps make insurance more efficient and brings benefits to customers. Clutterbuck explains: "You get greater insight and the ability to use that data to really fine-tune products."

But not everyone wants to hand over their life's data. "How far it will go is partly dependent on how much customers give permission," says Evans, who foresees a market for those who wish to maintain control over more of their data, but perhaps will require a "more risk-reflective policy" and payments.

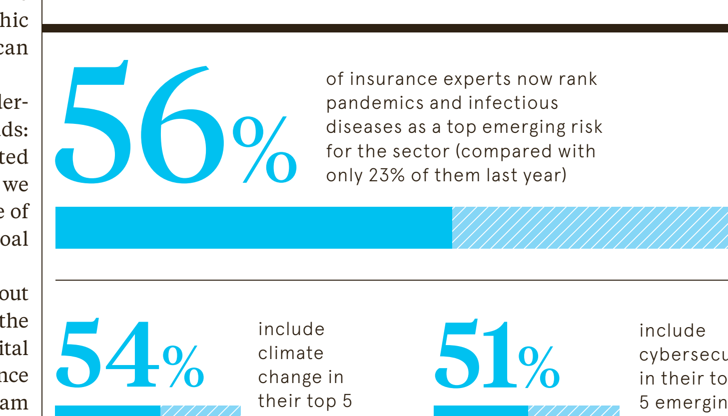
We already see this in the car insurance world. "Some drivers are very happy to have black-box telematics if it means their policy is judged on how they drive and their driving patterns," he says. "Other customers feel that's an intrusion." Such usage-based insurance, however, is important in a world where we're as likely to rent vehicles as we are to buy them outright.

"I think we'll see more single-use insurance, where people pay per mile for car usage," says Evans. Likewise, so-called "parametric" insurance, where customers buy a specific amount of cover for something, is becoming more popular as finances are strained and customers feel better able to judge their own risks.

Younger consumers may also prefer to buy data or cyberinsurance, protecting the information on their phones, laptops and in the cloud. "They want to protect that as much as 20 years ago they wanted to protect a TV," says Evans. But the industry has to work hard to build up trust that it's able to handle data responsibly.

"We need to do more to reassure customers their personal data is safe with us and how we use their data is clear and transparent," he concedes. Partly, this can be done by building better relationships with customers, which is where the raft of new insurtech startups are charting the course for the future of insurance. "They're focused on how we can engage better with the customer," says Evans. "In that perspective, insurtech startups have been a real positive for our sector."

But they're not working alone. Digital transformation in the insurance industry is happening because of collaboration between insurtech startups and the traditional insurers that have spent centuries building up the industry. Together they're mapping out where the insurance industry is headed in a post-coronavirus world and the future looks bright.



Source: AXA 2020

ARTIFICIAL INTELLIGENCE

Using AI to predict black swans

So-called black swan events are, by their nature, almost impossible to foresee, but artificial intelligence may be the key to anticipating them

Alex Wright

The coronavirus pandemic was a major event that no one saw coming. Known as a black swan, after Nassim Nicholas Taleb's theory, it was an unforeseen event with devastating consequences.

In an increasingly uncertain world where pandemics, cyber and terrorist attacks, as well as extreme weather events, are becoming commonplace, businesses are finding it harder to anticipate such risks and, therefore, protect their supply chain and operations.

Traditionally, companies have mitigated against risk by taking out an insurance policy. Underwriters would spend hours poring over reams of historical data to determine the likelihood of the risk occurring before giving a quote.

But that is all changing now with the adoption of artificial intelligence (AI) and machine-learning to try and predict major events, including black swans. The key benefit of AI in insurance is that it can quickly process large data sets and identify significant trends, and every time it becomes smarter at pre-empting these risks. This enables underwriters to assess and price risk much more accurately.

"AI will fundamentally disrupt and transform insurance underwriting," says Ari Libarikian, senior partner at McKinsey & Company. "Carriers are now able to better predict losses, provide advice and help customers prevent risks. AI is allowing that in a much bigger way than was ever possible before."

Heavy investments have already been made in AI in insurance, with 37 per cent more machine-learning patents filed year on year in 2017, according to law firm RPC. At the adoption stage, Accenture found 53 per cent of insurance executives are already using intelligent technologies in one or more of their business processes.

The move towards AI in insurance is being driven by a wider availability of data from multiple sources, facilitated by several factors, including cloud storage, open-source technology and the digitalisation of operations. It's also being used to evaluate newer risks such as cyberattacks.

"AI is used for forecasting the frequency and severity of certain cyber-perils, such as predicting the probability of experiencing a data breach or ransomware attack," says Erin Kenneally, director of cyber-risk analytics at Guidewire. "It can also understand and predict where there are risk concentrations across a portfolio of policies, where multiple insureds may be exposed to common IT suppliers and technologies."

Cyber-risk is further complicated by a general lack of data and the absence of an adequate modelling framework, as well as constantly new and evolving threats. That's where AI comes in, enabling underwriters to infer information where gaps in the data remain.

"AI can generate probability distributions for the frequency and severity of losses companies are likely to suffer, what coverage areas are going to be hit, who the actor will be, what method they will use and what type of data they will target," says John Kelly, chief technology officer at Envelop Risk. "That all comes together to allow you to run a simulation that can give an effective view of what the risk looks like."

Dr Marcus Schmalbach created the VUCA (volatility, uncertainty, complexity and ambiguity) World Risk Index, a parametric index that uses machine-learning to gather data from a range of trusted and verifiable sources, many of which aren't considered in traditional underwriting. That data is then rigorously analysed alongside information the technology has gathered from previous experiences to look for patterns and links between events, and determine the likelihood of a major event occurring.

"This technology has, for example, enabled us to calculate and successfully price the probability of a share price slump in the event of a cyberattack for a client from the high-tech sector," says Schmalbach. "We have also created a product aimed at covering business interruption loss in the event of a pandemic, based on the data we gather."

Risk-modelling companies also use AI to improve their natural catastrophe prediction models. AIR Worldwide, for example, is using AI to simulate how water flows through reservoirs and rivers, and how dams operate, to forecast different flooding scenarios.

"By blending these climate models and machine-learning algorithms in areas such as rainfall and weather patterns to run hundreds of thousands of simulations, we can work out the potential for different outcomes," says Dr Milan Simic, executive vice president at AIR Worldwide's parent Verisk. "We have used this to great effect in the United States and Japan to forecast the extent of hurricanes and tropical cyclones."

As well as more accurately predicting and pricing risk, AI in insurance can reduce paperwork and the time taken to receive a quote or claim. Using parametrics, AI can also establish if an event has happened, thereby triggering payouts and avoiding any disputes.

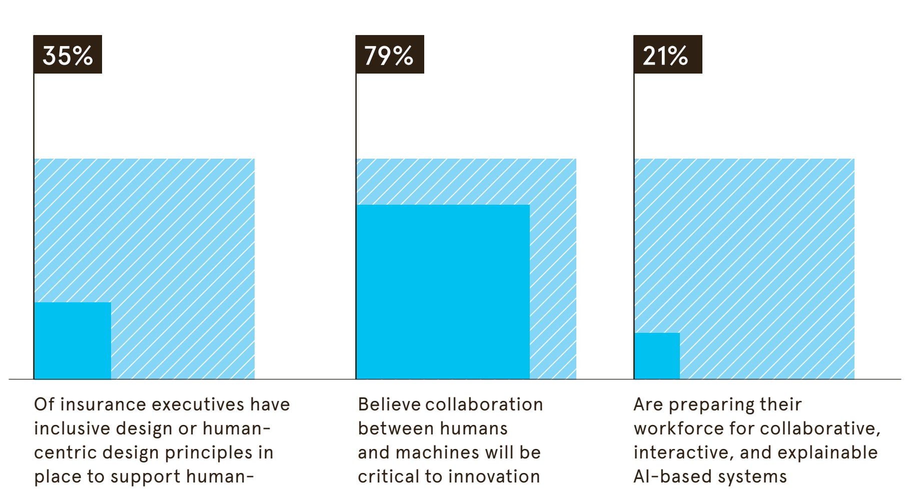
However, AI has its limitations, with human underwriters still required to handle more complex and specialist risks. Those underwriters will have to equip themselves with the data-science skills needed to work effectively with the new technology.

It may not be there just yet, but had AI been able to detect COVID-19 at the outset, countries and organisations may have been better equipped to prepare for it. Without a doubt though, AI in insurance has a vital role in helping to anticipate future events, even black swans.

As Jacopo Credi, vice president of AI at Axyon AI, concludes: "Nobody can predict the unpredictable. However, sophisticated AI models can detect anomalies and this is a powerful way of anticipating future events, which can have a very different impact than anything else we've seen in the past, just like the impact of COVID-19."

GETTING READY TO WORK TOGETHER

Collaboration between human experts and AI systems is still key when responding to black swan events and insurance must be prepared.



Accenture 2020

Commercial feature

Q&A

Age of the next-generation digital insurer

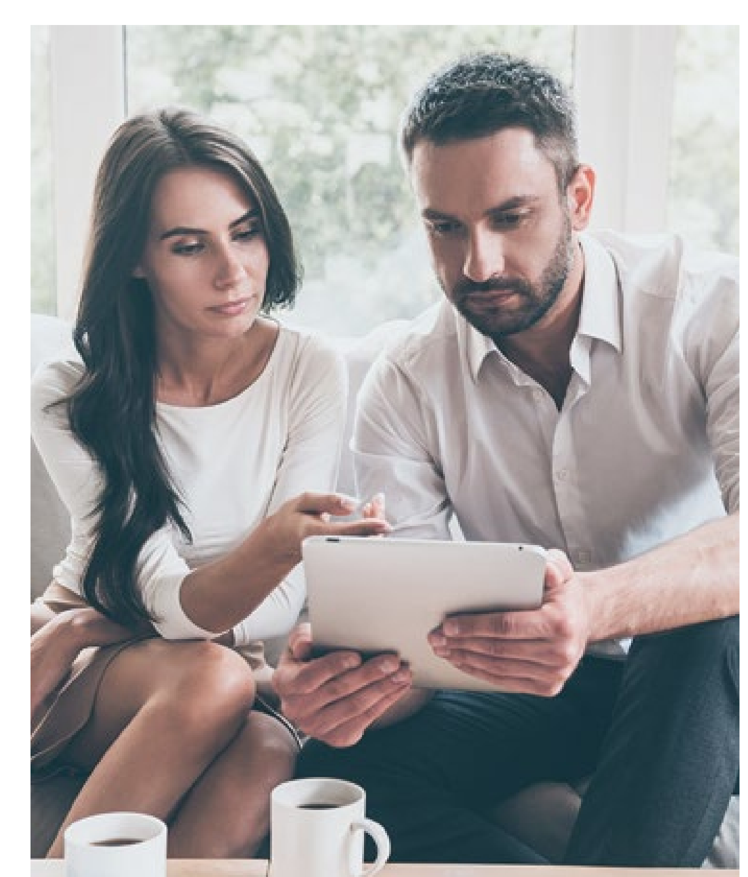
The need for agility and a customer-centric experience is ushering in a new age for insurers, says **Alex Zukerman**, chief marketing officer and chief strategy officer at insurance software firm Sapiens

Q To what extent has the insurance industry evolved in recent years?

A The insurance industry has been embracing digital transformation in varying degrees for a number of years. We've seen alternative business models beginning to emerge and a blurring of the lines between the traditional segmentation of insurers, brokers and managing general agents. The move towards digital self-service has been partly driven by a desire to improve customer service, provide insurance customers with an experience they are used to getting from other industries and partly to take advantage of the opportunities to reduce operating costs. Meanwhile, the traditional industry players have been disrupted by innovative startups, such as Lemonade, Next Insurance and Root, that leverage technology and digitalisation as the key differentiator for the new insurance era.

Q What do customers now expect when purchasing insurance?

A They expect the insurer to know who they are, to be able to make changes themselves and do it all online. We are witnessing early adopters in various markets, for example in the Nordics, whereas other countries are still very policy oriented and reliant on cheques and faxes. Some of our customers stretch and challenge us because their customers do the same to them. In Denmark, for instance, when you want to buy a new policy with a new company, they will send the whole transition to the old company, which will cancel your policy, retrieve the data and pass it to the new insurer. There is no paperwork and it's an entirely seamless experience for the customer. That is what people increasingly expect. We believe this will become a standard approach for more traditional markets in the near future.



"We partner with forward-looking insurers as they seek to provide a more customer-centric service

Q How has the coronavirus pandemic impacted the industry?

A It has accelerated those customer expectations, but also fortunately the shift many insurers are making towards delivering that experience. In the early stages of the pandemic, government lockdowns put a lot of pressure on insurers because they had not planned on employees being confined at home unable to process claims nor run IT systems (since the majority are on-prem solutions). This created an urgent need to embrace digitalisation, but also exposed flaws with those relying heavily on legacy systems. Some companies have struggled with what to do while others have shown real leadership and spotted this fantastic opportunity. In fact, a client of ours has just developed a full digital proposition for motor insurance in just ten months, most of which was built remotely during lockdown. It can be done, and it is being done out there now. Frankly, we see enough forward-looking companies wanting to take the opportunity. On the other hand, those that seek to just hunker down and ride it out are not going to be in very good shape at all by the time this pandemic finally comes to an end.

Q What does it mean to be a next-generation digital insurer?

A It means you embrace agile and open digital systems, on the cloud, to provide a seamless customer-centric experience. If a customer wants a quote for car insurance, for example, they just go online and type in their car registration number and social security number. The automation then gets to work, pulling enough information from the various registries to give an instant quote. That's a much better customer experience than the painful experience everybody's had of answering a whole load of questions, information the company should already have, to get a quote. This needs to come to an end.

Q How can insurers go about delivering a more customer-centric experience?

A The right technology infrastructure needs to be in place to achieve these sorts of enhanced experiences for customers. To provide a true customer-centric experience, insurance companies need to pay attention to the following:

- Provide a frictionless omni-channel approach that can interact with customers across any device at any time
- Offer a personalised approach, where business processes are smartly tailored to the specific characteristics of a specific customer, together with self-service capabilities
- Use application programming interface (API) technology to streamline connectivity between the different components across the value chain and facilitate data enrichment and usage of external data sources
- Build an ecosystem that allows leveraging new and innovative technologies as part of the overall architecture
- Use advanced analytics to drive customer journey and engagement based on data key performance indicators

Another important parameter is the ability of the core insurance systems to provide the necessary data and integration in a granular and effective manner that fits into the new landscape. This requires cloud-based systems for efficiency alongside APIs, which are seen by many as the 'new gold'. Many insurers that have embarked on benefiting from the opportunities digitalisation provides have seen the old legacy mainframes just don't provide that gold. Cloud is vital and not just for its powerful applications and automation, or even cost-savings, but also for the data. Insurers are, naturally, wary of data breaches, so cloud provides crucial security too. Sapiens is cloud agnostic, but Microsoft Azure and Amazon Web Services, for example, are among the biggest investors in cybersecurity.

Q How is Sapiens enabling the transition to next-generation digital insurers?

A We partner with forward-looking insurers as they seek to provide a more customer-centric service, supporting them with a digital ecosystem to take advantage of the most powerful technologies. We provide a comprehensive insurance digital platform, including a smart core system, a data and analytics proposition, and a digital proposition, all delivered in the cloud. That enables insurers to take the necessary steps to succeed at their own pace, with our help. However, we also need input and understanding from the insurance industry to be able to connect the technology. It's one thing to be there when the lights go off in the datacentre, but you also need to be there when the lights come back on. That's what our customers value. It's more about mentality, mindset and approach. We encourage all our customers to take a minimum viable product approach to deliver value quickly without compromising on strategic direction. Insurers are being squeezed out of certain areas, both by disruptive startups and cross-industry entrances, such as Tesla, providing insurance and it's crucial therefore that they are innovating and improving their offerings. We partner with them on that journey to a bold new world of insurance.

For more information please visit sapiens.com

ROUNDTABLE

Digital transformation in insurance

Insurers were already on a digital journey at the start of 2020. A virtual roundtable of six insurance industry experts discuss whether coronavirus has hastened the pace of digitalisation

Ellie Duncan

Roland Scharrer
Chief technology innovation officer, AXA

John Berry
Chief risk officer, Allianz

Dr Matt Connell
Director of policy and public affairs, CII

Gareth Hemming
Managing director, personal lines, Aviva

Conny Kalcher
Chief customer officer, Zurich

Gijsbert Cox
Insurance lead, Appian

Q Now that insurers have recognised digital innovation is a must, how has that begun to transform the customer service journey?

CK We have been a little bit of a laggard industry in this space. I think we were very good at finding excuses for why we are different in insurance, so we didn't really need to change, or we looked at our customer base and thought this was an issue for millennials and not for all our customers. What we learnt through the first phase of COVID-19 was everybody suddenly got very digital and they had to manage their life digitally. Thus they were also expecting to engage with their insurance company via digital channels.

RS In the past, digital was an appendix, an add-on to the distribution channels we have in the industry which are mainly broker and agent driven. Now, on the one side, the insurers themselves rethink how to drive digitalisation forward; so what kind of services you want to provide to end-customers. We have to face the reality and digitalisation is a must. Not only for nice advertising on the website, but also for the full value chain coming from underwriting, customer service, up to how to cope with claims and support the client in challenging times.

GH It made us really focus on what demand we could provide a digital solution for, which therefore meant the people we had on the phone in the early days as we were sorting our remote telephone access. We could focus on those people who needed the telephone support. It is about using the two in combination so you can provide something for all your customers effectively. What's interesting is that digital adoption was across all segments, all age brackets.

JB Certainly in the UK market, vulnerability is a big topic for the regulators. We've had to stand up the capability to deal with vulnerability, not only in the customer base, for the people who can't necessarily afford to meet their premium payments and figure out ways of changing our products and changing payment plans to support the customer. But also be acutely aware of vulnerability in our own workforce to deliver that service.

How have customers shown increased confidence when it comes to using digital channels to communicate with their insurer?

GC Insurers have organised themselves in a siloed way. They need to think from the customer perspective and, to enable that, jump away from the siloed thinking and create end-to-end customer journeys. But that has operational challenges. We have to overcome these because people don't accept poor customer service anymore.

MC We do consumer research, we call it the CII Trust Index. Our customer services institute, which did the work for us, did a lot of in-depth interviews with consumers and came up with nine categories that make up people's opinion of their insurer, and obviously ease of service and speed of claims were two of those elements. In terms of designing digital processes, the operational side and their slickness are very important. But probably an even bigger challenge is that creative challenge to understand how people use these processes and what it looks like from their point of view.

CK It starts with what the customer wants, and taking friction out of the process every step of the way. Sometimes customers don't want to talk to a person, they just want to do something easily, without any hassle. We need to take all that stress and friction out of the system and then be there when they want to talk to a human being. It's also another way of working for us because we need to really understand them and which person goes where for what, and then adapt our systems to that.

Has COVID exposed any areas of customer experience where more investment is needed?

JB Certainly, commercial lines would be an area where with the ongoing test case, with the FCA [Financial Conduct Authority] involved, there's clearly an opportunity to clarify and simplify products to meet customers' needs. I think further investment around product definition, around how those products are developed in conjunction with brokers, and how they are provided and explained to customers, will be a key area of opportunity.

> **"What's interesting is that digital adoption was across all segments, all age brackets**
>
> **Gareth Hemming, Aviva**

GC Insurers have learnt they need to become more agile, more able to adapt to higher claims on the one hand, or lower claims on the other, providing customer service where it's needed and shifting it where it needs to go. Agility, I think, is a key word that insurers need to bring into their DNA, their processes and their IT as well.

Where can we see evidence of digital transformation taking place in underwriting and has COVID hastened it?

JB A lot of this is about data and data science, and how insurers are using data to optimise risk selection and their pricing. I don't think that's a new theme as a consequence of COVID. But insurers are having to become more savvy around data for all kinds of reasons. We've seen an increased use of data science, machine-learning and artificial intelligence techniques, and we're starting to see those techniques come across from the customer experience area for the first time, rather than necessarily being homegrown within the underwriting department.

GH What the restrictions and measures to tackle COVID have done is change the way people behave, and underwriting is a reflection of people's behaviours and risk approach. Some of the historical norms you would probably use to underwrite have changed and they've changed both in the short term and the longer term, and not necessarily in the same way. Machine-learning is brilliant if there's a predictable past, but it's not so great when there are random things going on. The underwriting process at the moment is probably being tested more than it ever has before because people's behaviour is changing.

Do Amazon and Google pose a threat to the insurance underwriting industry because of the volumes of data they hold?

GH I think they potentially have a role in the distribution of insurance and augmenting the understanding of risk and pricing with the data they have. Carrying risk is an extremely different business model though. They certainly have data that could make access to insurance easier for customers. They are the people who are setting the expectations about digital experiences, so we should probably think about how we work with them to understand how they can help us do that.

GC Amazon and Google are enablers, they come up with a lot of good technologies that you can use. But the insurance industry has a lot of knowledge as well and you should make good use of it. You have fantastic underwriters, great claims handlers, and you understand financial dynamics. It's a wake-up call to combine all the data gathered from insurtech, Amazon and Google, and add this into your processes to provide a better experience for your customers.

In terms of a vision of the industry, how will underwriting look in five years' time?

RS The question we really have to face is about the products we are actually providing. The fixed products that are defined in documents and are written down once for the client. Are these still relevant in the future or will they have to be more modular, more itemised, more flexible and adjustable to customers' needs? And how this is inter-related with underwriting, that will be a challenge. So the question is does a fixed defined insurance product exist anymore in the future?

MC Maybe the underwriter of the future is going to be a more public figure, a more visible figure. I think the one thing we've learnt from the pandemic is how little people understood about where the risks could be handled by insurers and how much the taxpayer had to step in. We hear a lot about economists telling us what we need to do for the economy. If we hear more from underwriters about where the risks lie and the nature of risks, I think that would be a real benefit to society.

GC I like the idea of underwriting moving forward and becoming more visible to customers. Together, we can enable technology and people, and by using hyperautomation to get rid of these tedious tasks, and help with augmented data, bring that capability to the underwriter so they can be more customer centric.

> **"It starts with what the customer wants, and taking friction out of the process every step of the way**
>
> **Conny Kalcher, Zurich**

With a change in the nature of claims, how have insurers been able to innovate to adapt to this?

MC Our claims performances on the *CII Trust Index* tend to outperform the performances in setting up insurance and renewing insurance. The good news there is, when it comes to the moment of truth, that's when insurers are at their best. I think they've held up well overall in terms of speed of claims and putting customers in a position where they feel like they can continue with their lives while the claim is being settled.

RS There's a change, a shift in volume. Less motor, more health claims, more business interruption claims. It's the moment of truth for the insurance industry because we now have to play our part in society to do that right, and we also have to cope with a different kind of risk and adjustment of risks.

CK As we entered the first phase of COVID-19, all our business units supported each other and cross-fertilised ideas to speed up the whole process, while still showing empathy, to continue to engage with our customers and come up with creative solutions in the moment. I think as an industry we have had far to go in this moment of truth. We saw that we could do much more to build trust, be much speedier and break down the silos in our own systems to service customers better going forward.

Summary

The experts agreed that where the insurance industry had lagged in terms of digital adoption, COVID-19 has encouraged digitalisation and agility across customer experience, underwriting and the claims process to create a more seamless journey. But the work is not over and the roundtable panel concluded that it is vital insurers continue to innovate in line with the ever-changing needs of their customers.

For more information please visit www.appian.com/industries/solutions/

SELF-EMPLOYED

Saving freelancers from falling through the cracks

Being self-employed has always involved some insecurity, but as the coronavirus pandemic sweeps away potential work, financial support for this vital part of the workforce has never been more urgent

Oliver Pickup

When disaster strikes, who protects the unprotected? Three years ago, LV= calculated that just 4 per cent of self-employed workers in the UK had income protection cover. The insurance firm warned, with eerie prescience, of a "heightened risk of a financial crisis".

At a conservative estimate, more than four million members of the UK's self-employed workforce did not have relevant insurance when the coronavirus pandemic began to suffocate the economy. And now that they are feeling the squeeze, having complained about inadequate financial support from the government, many are so cash strapped, it is hard to justify paying insurance premiums.

The plight of Dani, a Preston-based freelance lighting technician, is all too typical. On March 17, a day after prime minister Boris Johnson announced lockdown plans, she was due to begin her dream job. "Literally ten minutes after that announcement, the email came through from the theatre explaining 'we can't continue'," she says.

The 31 year old has fallen through every financial crack and only receives Jobseeker's Allowance. But at £73 a week, it doesn't cover her bills. With Dani's partner being made redundant, the outlook is bleak. "I don't even feel like we're surviving," she says.

Self-employed musician, composer and sound engineer David, who lives in Perth, Scotland, qualified for the government's COVID-19 Self-Employment Income Support Scheme, but he too is struggling to cope financially.

Unsplash/Marc-Olivier Jodoin

David and his wife, a care worker, haven't bought anything non-essential since March and, to reduce petrol costs, their car has remained stationary. Despite tightening their belts, this has not been enough to prevent having to dip into their savings to pay the bills.

"The events industry folded overnight," says David. "That's my entire income gone. What am I going to do? Have I got any transferable skills?"

It is a particularly challenging time for those in the live events industry, which depends on self-employed workers with niche skills. Conal Dodds, who co-founded Bristol-headquartered Crosstown Concerts in 2016 and had staged more than 300 music events within 18 months, has already written off next year.

"This situation has highlighted that the self-employed, freelancers, zero-hours contract workers have no safety net," he says. "We need to recognise the importance of these workers and look to protect them in the future."

Those self-employed workers whose industries are still open for business feel pressure to keep working regardless, according to Nesta research. Some 22 per cent of self-employed, 29 per cent of sole traders and 30 per cent of gig workers agree that if they caught COVID-19 and had to self-isolate, they fear they'd lose their job.

In mid-October, the Office for National Statistics showed the UK's self-employed workforce had shrunk to 4.56 million, and fallen by 240,000 in the third quarter compared to the same period in 2019.

Derek Cribb, chief executive of the Association of Independent Professionals and the Self-Employed, laments the record drop to 2015 levels. Before the COVID-19 outbreak, the UK had experienced a consistent trend towards higher self-employment. "At the start of this year, there were over five million self-employed people in the UK, up from 3.2 million in 2000, representing 15.3 per cent of all employment," says Cribb.

> The events industry folded overnight. That's my entire income gone. What am I going to do? Have I got any transferable skills?

He argues the new figures are evidence of the "devastating impact of the gaps in government support for the self-employed during the first wave of the pandemic" and reflect the critical need for better solutions. "In times of recession, the self-employed are key to driving recovery," says Cribb, "but the sector is now struggling to save itself, let alone the economy."

Mike Parkes, technical director at GoSimpleTax, worries that the financial pressures facing self-employed workers will soon ratchet up. He predicts a "double bubble" in January, as his organisation's research suggests 56 per cent of people opted to defer payment to HM Revenue & Customs. Many self-employed workers will have to settle tax liabilities for the 2019-20 tax year and the first payment on account due for 2020-21.

"Unless you have your house in order by January 31, and sufficient funds to cover all tax liabilities, a deferral could create a perfect storm," says Parkes. "What's more, once that date passes, HMRC will not hesitate to reimpose the interest charges, penalties and collection procedures usually in place."

Can insurtechs or traditional insurers come to the rescue? Andy Chapman, chief executive of insurance provider The Exeter, acknowledges "the self-employed are among those hardest hit" by COVID-19 fallout. "Despite the perks and flexibility of self-employment, the reality is they are not protected in ways their full-time counterparts are," he says.

The Exeter's research indicates that workers in this sector have a stark lack of savings. Almost a fifth (17 per cent) have no personal savings to fall back on and 35 per cent don't save anything in a typical month. Chapman reports The Exeter's Day 1 cover, permitting policyholders to claim after just three days off work due to illness or injury, has proven popular, with more than 5,000 applications during lockdown.

Now is the time for insurers and governments alike to embrace tech-driven solutions, urges Freddy Macnamara, founder and chief executive of flexible car insurance provider Cuvva. The insurance industry "must modernise its processes and products to better support millions of people's changing needs" and adapt for the on-demand generation, he says.

"More affordable and fair insurance products and services to protect the self-employed community, bolstering the right level of support, will encourage growth in the sector, which is critical in the economic downturn," says Macnamara, pointing out that Cuvva provides car insurance by the hour, week or month. "It's not surprising that insurance providers offering flexibility and a better product market fit are thriving."

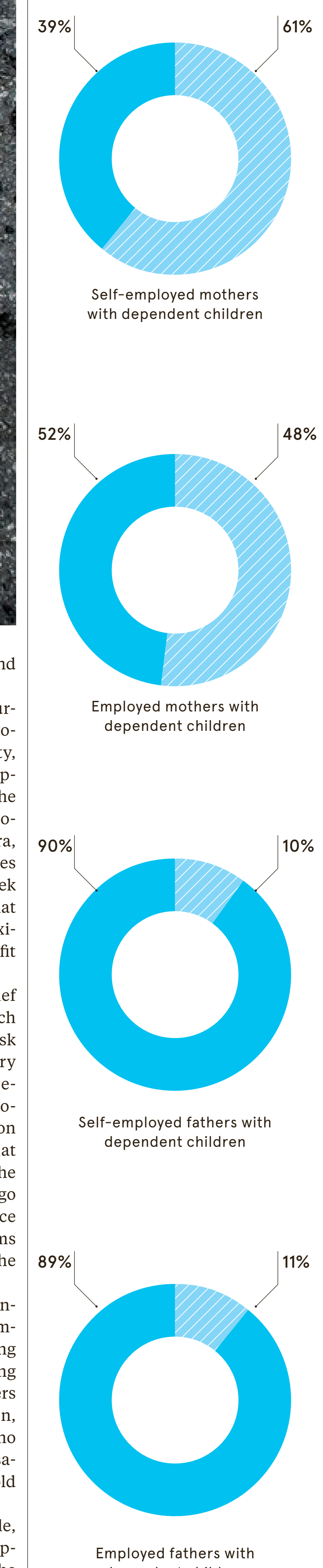
Chris Kaye, co-founder and chief executive of Sherpa, an insurtech organisation offering personal risk management, agrees. "Drewberry has a nice angle focused on freelancers as a more traditional broker and Dinghy has picked up on the need for flexibility in cover that is important to freelancers," he says. "I also really like what Zego has done, embedding insurance into the gig-economy platforms to make it a seamless part of the worker experience."

Collective Benefits, a London-based insurtech startup, is similarly working with leading gig-economy platforms. "Providing benefits and protections for workers is a win-win," says Anthony Beilin, co-founder and chief executive, who reveals the companies his organisation works with have seen a 17-fold increase in engagement.

With the government unable, or unwilling, to offer greater support for self-employed workers, the onus is on organisations and those within the insurance industry to collaborate and provide a lifeline. Otherwise, millions will sink.

THE KNOCK-ON EFFECT OF COVID FOR SELF-EMPLOYED PARENTS

School closures during lockdown added an extra level of complexity for the 40% of self-employed people who have dependent children.



Office for National Statistics 2020

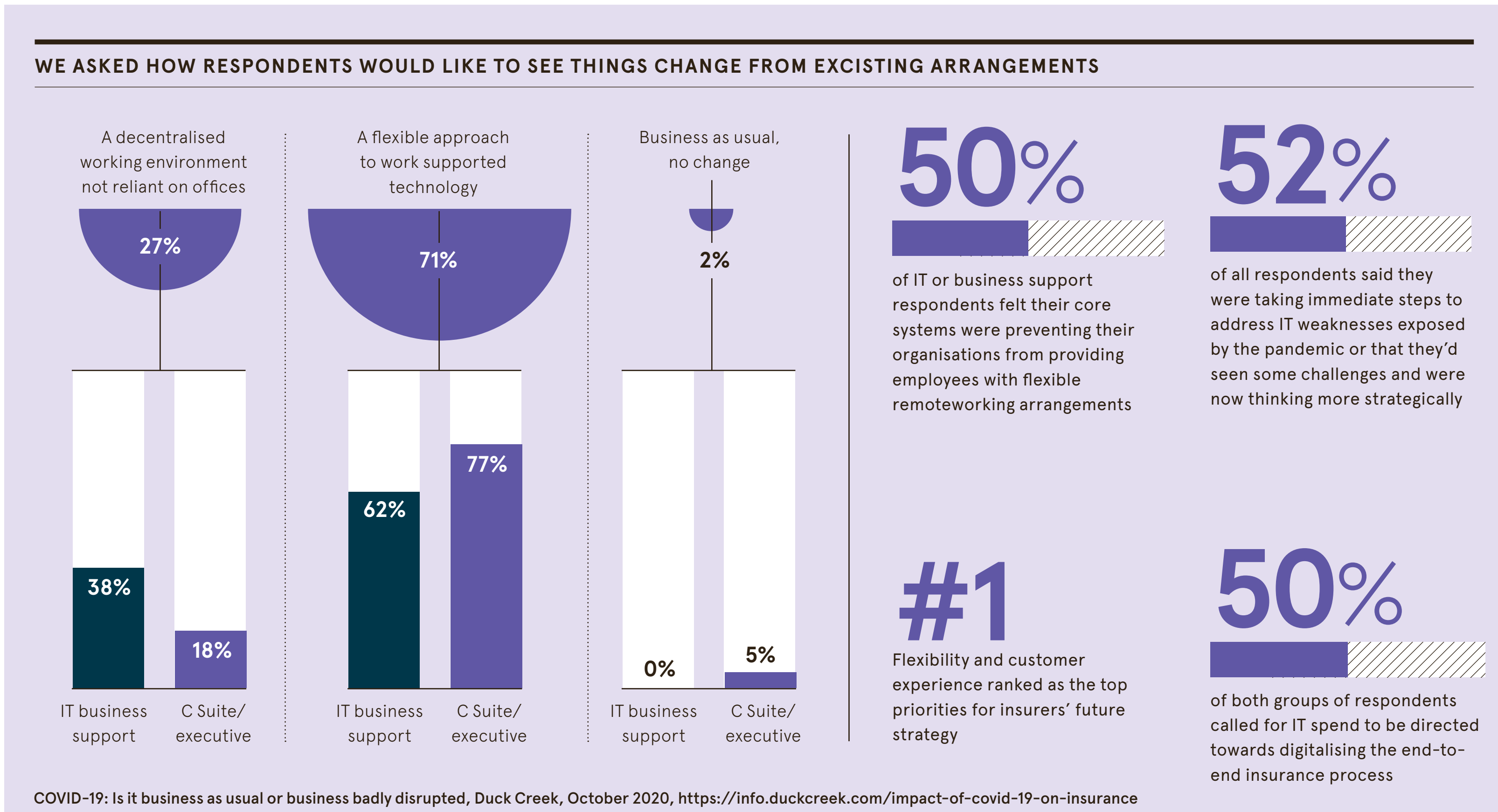
Commercial feature

The evergreen insurance technology revolution

The last six months have highlighted the strategic importance of technology in enabling new operating models and streamlining processes. But too many insurers still spend the majority of their IT budgets just keeping the lights on, when far better solutions are out there, and this has to change, says Bart Patrick, Duck Creek Technologies managing director for Europe

In many ways the pandemic is proving a catalyst for change in our industry, from a cultural shift towards more flexible, home-based working many would like to see continue at least in part in the future once lockdown restrictions are eased, to what has been a real wake-up call for many that their internal systems and processes must be resilient, flexible and future ready.

We conducted a recent independent survey of senior C-suite insurance experts and their IT division counterparts as we sought to hold a mirror up to reflect the impacts insurance businesses had seen internally due to remote working and the wider operational challenges presented by the pandemic, how they had adapted and what lessons they wanted to take forward into the future.



Daunting challenge

It's clear that switching to remote implementations and digital processes has been easier for some insurance business than for others. However, maintaining business as usual, and achieving growth and launching new products in the current environment, may be daunting to some insurers whose systems are not set up to facilitate online negotiations and transactions.

For instance, our survey found that those respondents operating on-premises mainframe systems prior to the pandemic reported some challenges when it came to providing employees with flexible remote-working arrangements. Many respondents noted their companies spent the majority of their IT budget keeping the lights on and acknowledged that trying to mend or enhance their IT system was simply not going to solve future problems.

Supporting flexibility

In this new environment, the right architecture must be in place to support digitalising end-to-end insurance processes, a flexible approach to working and a streamlined virtual customer experience.

The time has come to clear out the old pile of leaves and opt for evergreen technologies, rather than adding to insurers' existing legacy technology pile with new bolt-ons and workarounds that will not solve long-term innovation and flexibility challenges, and will ultimately only add costs and inefficiencies.

End-to-end digital services have been the norm in adjacent industries, such as banking and ecommerce, for over a decade, delivering enhanced client experiences and efficiencies, and providing businesses with the kind of agility they need to adapt to future opportunities and operating models.

Many closed-box, on-premises systems are essentially out of date as soon as they are installed, as procurement processes can last months if not years, leading to the situation of automatically working with less up-to-date systems; in other words, installing legacy from the get-go.

In contrast, cloud-based software-as-a-service systems not only leverage the best available technology right at the point of adoption, but are also continuously delivering new functionality to solve the ever-changing insurance business challenges.

Fundamentally different approach

This on-demand, evolving functionality enables a fundamentally new approach to competing in today's industry, one where technology supports strategy rather than dictating it, where the responsibilities for upgrades and keeping technology future ready lie with the provider and not the insurer, and where carriers are empowered to focus on innovation and delivering excellent customer service in entirely new ways.

These evergreen solutions must be platforms for innovation, designed from the ground up with this in mind: that they will have to change, to pivot with the customer and to support them on their journey. The future is an agile software ecosystem in the cloud and the industry is evolving quickly to get there.

Ecosystem approach

No one technology provider can cater for every specialty and this is where the insurtech ecosystem comes into its own. Cloud architecture allows a myriad of insurtechs to collaborate within an ecosystem to provide additional resources for every insurer and for each insurer to choose the resources that work for their own unique value proposition.

This ecosystem approach reduces friction for insurers by taking advantage of varied services, and replacing manual internal processes. The insurtech ecosystem also provides an enterprise view for significant functions like risk selection, data-driven pricing and superior risk management.

An ecosystem that can incorporate the best technology available, is open and adaptable and has change built into the heart of its architecture is what I mean by evergreen technology. And this technology concept is scalable and can deal with what insurers need to do at a market scale as well as for individual companies.

Our survey results were significant and give us even more confidence that we're heading down the right path. It's an exciting prospect. We are creating something game-changing for insurers and throwing the heap of IT infrastructure they've been hamstrung by in the past out of the window. For good.

> The time has come to clear out the old pile of leaves and opt for evergreen technologies, rather than adding to insurers' existing legacy technology pile

For further information visit www.duckcreek.com

Duck Creek Technologies

OPINION

Kristoffer Lundberg
Chief executive
Insurtech Insights

'The pandemic has created a rupture that means gradual change and five-year plans are no longer viable'

Disruption has been a talking point in business since the turn of the century. Dire warnings about how failure to transform will consign a business to the waste bin of history came thick and fast.

And it happened. Challengers emerged in many sectors and made whole business models redundant across entertainment, retail, travel and more. However, the financial sector, and especially insurance, has remained insulated from the need to change.

The complexity of regional rules and regulations, the sheer size of long-established banks and insurance companies, the trust that financial brands have built up over years and the wish for a point of human contact combined to keep disruptors at bay.

But this could easily change. Now the perfect storm has arrived for the insurance sector, catalysed by the COVID-19 pandemic. The combination of increasing use of mobile for research and transaction, the mounting number of hours we all spend online – according to Ofcom, adults are spending on average four hours a day online compared to 3.5 last year - and the desire to complete an end-to-end customer journey online (especially among younger customers) has put pressure on banks and insurers to undertake wholesale digital transformation.

The seamless customer experience consumers have enjoyed elsewhere, from ordering via Ocado to sitting back to watch Netflix, has heightened expectations of what a superlative service should look and feel like. The formality of a face-to-face meeting and the need for physical documents and endless form-filling to set up a life insurance policy simply does not fit these expectations, with 57 per cent of policyholders telling us they prefer to complete the process online.

The pandemic has put points of friction and frustration firmly in the spotlight and created an abrupt rupture that means gradual change and five-year plans are no longer viable. Customers who wanted to check or alter insurance agreements quickly after lockdown were left adrift. People who wanted instant access to advice and a speedier process as their circumstances changed daily discovered it was not so easy to arrange matters remotely, that's if they could find customer service personnel.

The pure-play insurance providers have signposted the way ahead. Companies like property insurer Lemonade have devised frictionless experiences with easy-to-use digital tools that help get the task done quickly. Even the language is plain and direct - 'Lemonade's coverage protects you and the stuff you own at home.'

Monzo has just launched its premium service which comes with phone and travel insurance. Legacy businesses like Saga, LV= and Post Office already offer such products but the online challenger will bring innovation, a fanatical focus on customer experience and a certain 'cool' factor they can't match.

If legacy insurers are to remain competitive they need to speed up transformation plans to introduce automation and tools and platforms, optimising the customer experience at scale. None of this is easy – it requires a thorough overhaul of process, operations and culture but a trial project can demonstrate the potential returns and build confidence to push forwards. Standing still just isn't an option anymore. ●

' "Traditional" insurance businesses need the ability to harness customer data and to develop new digital products that can scale'

The need to digitise processes, overhaul operations and deliver a frictionless customer experience has come into sharp focus due to the pandemic. Consumers are looking to carry out end-to-end customer journeys online, whether their mission is to buy pet insurance or to identify the right travel insurance package.

Challengers that can offer consumers ease, speed and transparency when they are looking for quotes have emerged. Take Bought By Many, which has leveraged social media and search engine optimisation to group together people with similar insurance needs (for instance homeowners at risk of flooding) and negotiate a better deal with insurers than they could individually.

To compete on a level playing field, 'traditional' insurance and financial services businesses need the ability to harness customer data and to research, develop and test new digital products and tools that can scale. Then bring them to market at speed.

But they face hurdles due to cumbersome processes and creaking on-premise systems which support databases and software that cannot easily be updated or transferred to the cloud.

Technology partners will be needed to assist in upgrading and re-platforming systems with minimum downtime or to provide easily integrated services that deliver the innovative experiences consumers now demand. Budget-holders and decision-makers will need a framework to evaluate whether a solutions provider can deliver at the lowest cost possible, in the fastest time, with the lowest risk profile.

There are some essential points to consider when researching a technology vendor. Top of the list is experience - have they worked on a platforming project with a business at scale before and can they guarantee performance when the systems are under load? What case studies can they show to illustrate success in your field?

Examining the pricing model and if it works for your business is vital - is it a flat fee or a subscription-based model with recurring fees? Establish what analytical tools are provided to track performance and customer behaviour on site.

Costs can mount quickly. Will the vendor expect payment for every future change requested or will they take a longer-term view and see the relationship as a partnership with potential for future growth? It's necessary to understand the ongoing support model for your business once the project is completed. Make sure it's clearly understood which requirements will fall to your IT team and which remain the responsibility of the vendor - and that they are set out in detail in the Service Level Agreement.

The costs of downtime are huge, so is it easy to add apps, plug-ins and integrations without disruption to the core service? Flexibility to meet changing requirements or pivoting business models is also essential, so what is the potential for customisation?

And finally, with security and privacy a priority issue to build trust, can the vendor prove it takes both seriously?

Any insurance business looking to implement change – whether the integration of a plug-in or a wholesale digital transformation - needs a provider experienced at working on tasks of the same technology, scale and sophistication. ●

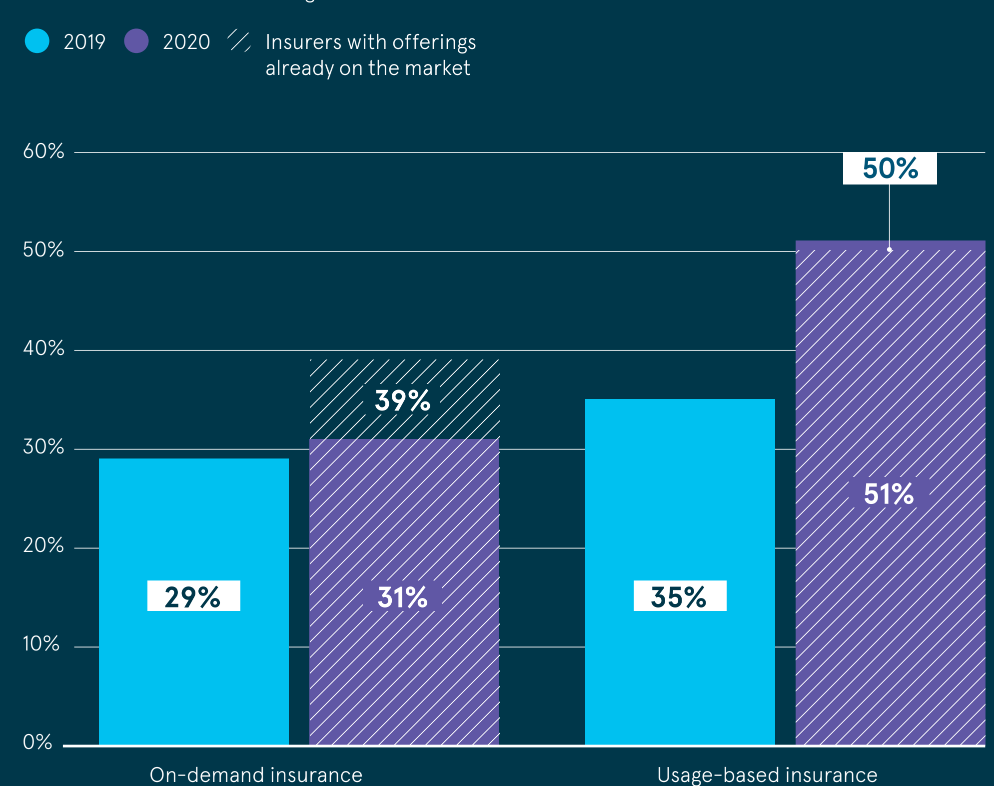
Bradley Collins
Chief commercial officer
Insurtech Insights

TECH DISRUPTION

How artificial intelligence, automation and greater data insights might impact the insurance sector in the not-too-distant future

USAGE-BASED INSURANCE BECOMES MAINSTREAM

Percentage of customers who want new insurance offerings in 2019 and 2020, and share of insurers offering them

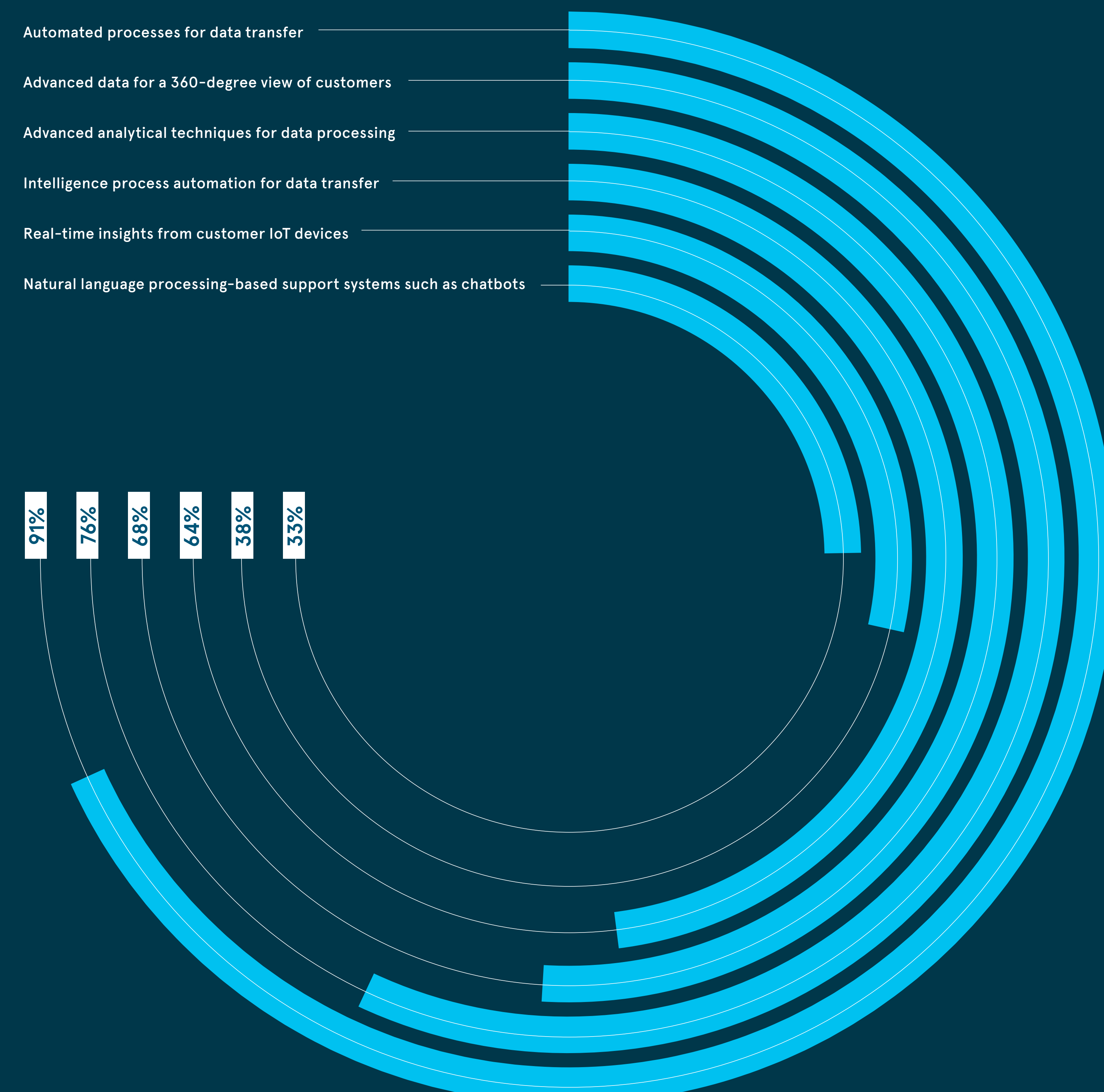


Capgemini 2020

USING TECH TO UNDERSTAND THE CUSTOMER

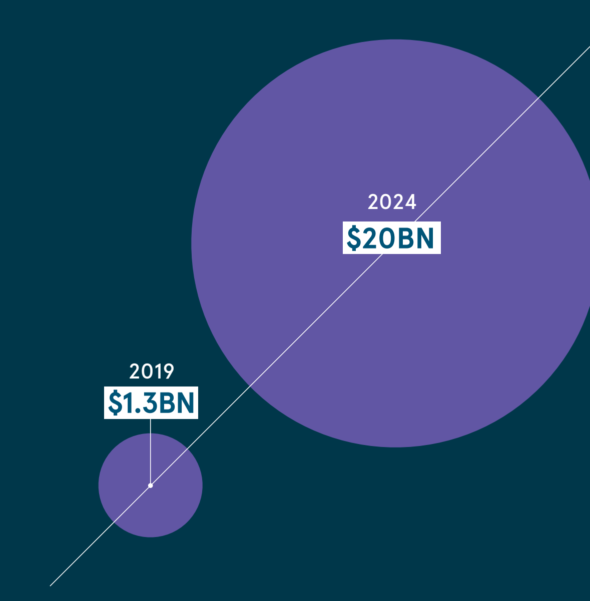
Percentage of insurers that are using the following tools and techniques to capture customer preferences

Capgemini 2020



AUTOMATED UNDERWRITING

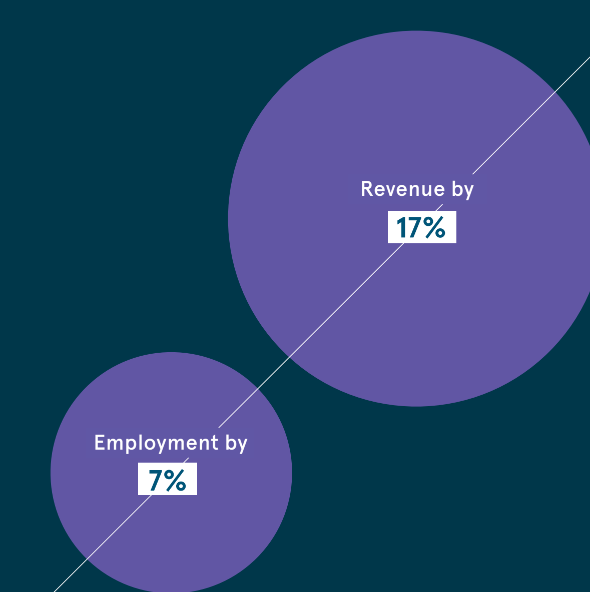
Estimated annual premiums underwritten by artificial intelligence



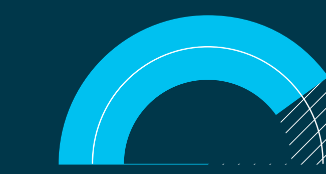
Juniper Research 2019

BUSINESS BENEFITS OF AI ADOPTION

By 2022, insurers that invest in AI and human-machine collaboration at the same rate as top-performance businesses could boost...



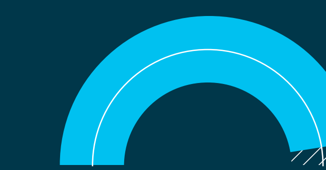
Accenture 2018



80%

of C-suite insurance executives across EMEA believe the insurance industry is moving fast enough to keep up with technological advancement

Deloitte 2020



95%

expect an increase in the use of advanced analytics over the next three years

Deloitte 2020

92%

of C-suites in financial services say the need to invest in big data and AI is urgent

New Vantage Partners 2019

$1.3bn

could be saved each year by 2023 by using AI and chatbots in motor, life, property and health claims management, up from $300 million in 2019

Juniper Research 2019

FROM 'ASSESS AND SERVICE' TO 'PRESCRIBE AND PREVENT'

McKinsey Insurance Practice has set out its prediction of how life insurance policies and services will evolve over the coming decade and beyond; taken from the consultancy's report entitled Insurance 2030 - The impact of AI on the future of insurance

McKinsey 2018

2020

- Customer data is used to assess risks and provide standard products
- Policies are priced, purchased and serviced in a traditional manner

2020-2030

- Data, collected externally or through devices, is used to proactively assess risk and provide personalised wellness products and suggestions
- Algorithmic platforms take care of most financial planning; human agents advise customers directly
- Algorithms match leads to appropriate channel/advisers
- Pricing becomes more tailored as system sophistication increases, and risk pools become smaller
- Data, insights and transactions are tracked through integrated engagement platforms
- Rise of more dynamic, usage-based insurance products, personalised for individuals
- Life, wealth and health policies begin to integrate
- Automated underwriting takes over 90 per cent of policies; manual underwriting stops for most products
- Smart personal assistants help agents optimise tasks and AI bots recommend deals for clients

2030+

- Customer health outcomes can be aided by interventions by agents or digital channels, driven by prescriptive algorithms
- Personalised medicine, tailored to individuals or households, becomes commonplace
- AI-driven engagement channels can show empathy and conversational capabilities, reducing servicing costs and speeding up customer resolutions

DIVERSITY

How working from home is driving diversity in insurance

Perceived as an "old boys' club", insurance has a long way to go when it comes to diversity and inclusion, but the coronavirus pandemic may have handed the industry a golden opportunity

Rachel Muller-Heyndeyk

The insurance sector has long lagged behind on diversity and inclusion (D&I) and historically has been seen by many as inaccessible. But as coronavirus has signalled an end to the physical office space, at least for the time being, it's clear there's only so long the "old boys' club" can survive.

Could remote working now provide a new opportunity to drive D&I in the insurance sector? And what can business leaders do to make it happen?

When allegations of harassment and bullying at Lloyd's of London surfaced last year, the organisation became the centre of a media storm. A survey conducted by the Banking Standards Board on behalf of Lloyd's found the "experience of women is much less positive than it is for men".

Out of the 480 people who had responded to its survey, 8 per cent said they had either encountered sexual harassment themselves or witnessed it. Lloyd's of London chief executive John Neal said he was both "disappointed and upset" by the findings and vowed to enforce diversity quotas to have 30 per cent of top roles taken by women.

The situation highlighted long-standing problems within the sector as a whole. But Susan Vinnicombe, professor of women and leadership at Cranfield University, says while Lloyd's of London has shone a spotlight on harassment in the insurance sector, discrimination tends to be a far bigger issue.

"The overarching problem is largely one of bias. Change is slowly taking place, but when you've only ever been used to seeing the same types of characters, unfortunately this can lead to others behaving differently towards them and making assumptions," she says.

Vinnicombe adds that these problems have been exacerbated by the industry's particular attachment to traditional working patterns. Rather than paying attention to specific results, employees were expected to be in the office, with progression and pay rises awarded to those who were arriving early and working late.

"There's never been an issue with attracting women in the insurance industry, but it could be disastrous for the talent pipeline," she says. "There's a danger of losing people further on in their careers if they want to start families because of an outdated idea that being present equates to being a high performer.

"Of course, the pandemic has caused people from across sectors to question this. Almost all organisations have been forced to start focusing on results rather than working patterns, which most of them started doing a long time ago."

Charlotte Woodworth, gender director at Business in The Community, emphasises there is no chance of returning to the old ways that were prevalent in the insurance industry. "Widespread home working has let the remote-working genie out of the bottle. Many of the sectors like insurance that have previously struggled with home working, even on a relatively limited basis, have been forced to adjust and the signs are we won't go back to a full-time, in-office culture for a long time, if ever," she says.

> **There's a danger of losing people because of an outdated idea that being present equates to being a high performer**

There are signs that the pandemic is already resulting in a push for improved D&I in insurance. Research from Culture Shift found that almost three quarters (73 per cent) of employees surveyed from across the finance and insurance industries said workplace culture had improved since moving to remote working.

More than half (54 per cent) of respondents said remote working had a positive effect on their work-life balance. Vinnicombe comments: "I'd say that if you're taking steps to create a really inclusive workplace through introducing remote working or a less hierarchical way of working, everyone will benefit."

Emma Francis, D&I lead at Zurich Insurance UK, says the organisation has been aware of the ethical and commercial benefits of flexible working policies for some time. The exceptional challenge brought on by COVID-19, however, has increased a sense of trust among Zurich employees.

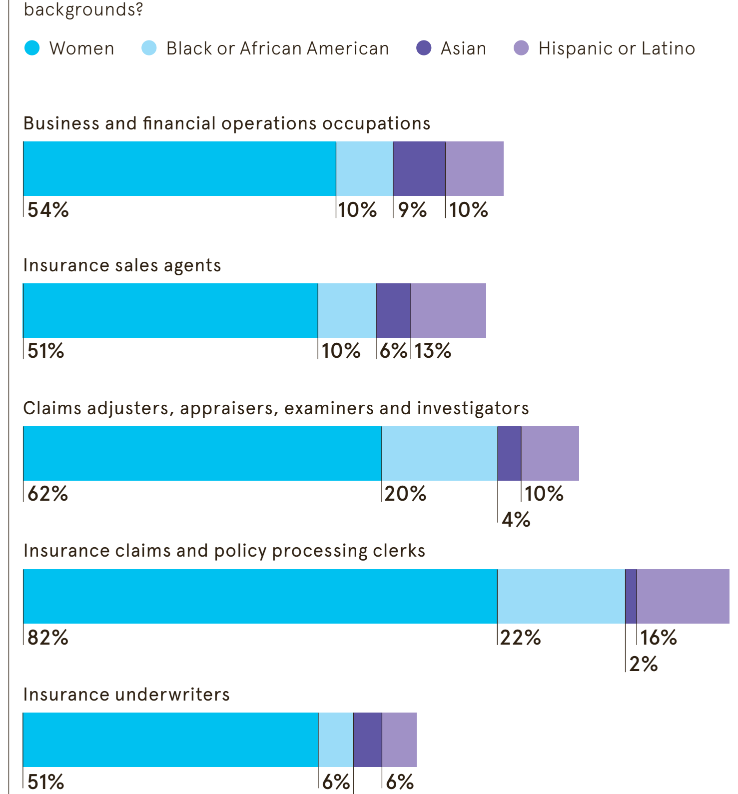
"It has taught us that off-site working is possible in even the scenarios we thought wouldn't be possible – customer meetings, large staff gatherings and so on – and our employees tell us they feel closer to their manager and more empowered and trusted to do their work," says Francis.

In terms of improving the hiring process, the pandemic has accelerated improvements that might have otherwise taken years to implement. Concern over the cost and time associated with changing recruitment has proved unfounded. "Since lockdown we have done a lot of new things using technology, from recruiting all our graduates and apprentices through virtual assessments and interviews, to delivering all employee 'town hall' sessions, involving some 1,500 participants, using Microsoft Teams," she says.

"We think it's made us adopt processes that might have taken five years to embed in the old world, in a matter of months. We are excited about what the increased acceptance of flexible and remote working means for diversity and inclusion, and think we will never go back to the old way of doing things."

SHOULD THE UK BE TAKING THE LEAD FROM THE USA?

The American insurance industry appears to be performing well along gender lines, but is the picture as positive for people from minority ethnic backgrounds?



Bureau of Labor Statistics 2019

Commercial feature

Insurers must lead new ecosystem in changed world

Consumers increasingly demand mobile, flexible and instant access to insurance. Health and life insurers must address heightened demand for reliable digital services since the arrival of coronavirus and provide fully integrated services

The insurance industry is experiencing a sea change more fundamental than any seen in decades, with a PwC study showing three in four insurance companies are convinced that at least some parts of their business are at risk of disruption. Consumers' shifting demands are combining with digital innovation to transform analogue business models, with record funding being allocated towards insurtech developments, even against a backdrop of the coronavirus pandemic.

Just as Amazon has revolutionised retail, the ways in which insurance services function are being completely reimagined, leading to the birth of integrated insurance operators offering consumer-centric, digital health ecosystems that meet new demands and build loyalty. The digitalisation and integration of these services is far from complete at many organisations and, as an Accenture report observes, in the insurance sector "enterprises have not yet re-oriented to just how personal and meaningful technology has become in most people's lives".

"Many insurers have failed to fully grasp the magnitude of the changes that are happening," explains Peter Ohnemus, chief executive at the insurtech firm dacadoo, which provides digital health engagement and health risk assessment systems to insurers. "Few of the current operators were founded recently or are operating based on today's consumer behaviour; they don't reflect the expectations of the mobile-first, digital and flexible generation."

A global survey of more than 300 insurance executives, conducted by dacadoo, shows that while eight in ten recognise COVID-19 as driving a need to add meaningful health and wellbeing propositions, most feel their organisation does not see an innovative digital health strategy as an imperative business commitment.

There are potentially significant risks for insurers in overlooking new expectations among their customers. While insurers have been seeking to cut underwriting and processing costs, given customers' longer life expectancies, newer considerations represent threats to their business models too. A recent cross-industry report by Deloitte points out that smart organisations are moving away from efficiency-first mindsets towards elevating consumer experiences. As customers look for deeper connections with brands, innovation must be built around their experiences.

Contemporary consumers want to buy directly on their smartphones from trusted operators, and they want personalised, easy-to-find and engaging offerings relevant to their lives and their health. They expect fitness and wellbeing to be part of a larger insurance landscape that draws from connected objects, health devices and biological data, and provides offerings based on smart data integration and automation.

Indeed, the dacadoo research reveals that 86 per cent of insurers place a medium or high priority on becoming an integrated insurance operator. The pressures brought by COVID-19 have added further impetus to trends towards integration. Yet only a third of insurance companies currently work with digital health engagement platforms to harness the data they need to deliver more personalised services and gain the trust of their customers.

"The insurers that will grow and define the next ten to twenty years of insurance will be integrated operators. They know how to work with the whole consumer life cycle, integrating distinct but relevant offerings such as health and wealth, and they will drive the disruption from within," Ohnemus explains.

Those failing to innovate could soon see tech giants eroding their share of the market, with the likes of Apple, Facebook and Google going after the $8 trillion spent globally each year on healthcare. Worryingly, only a quarter of insurers surveyed say they are first to market with innovations. The few that are ahead, by contrast, are already collecting data from a range of sources such as wearables, third-party systems, mobile apps and health records to generate actionable analysis.

The COVID-19 crisis has also prompted some reconsideration of the role of businesses and how they might serve a broader range of stakeholders. This could include putting greater emphasis on meeting the needs of not just customers but employees, suppliers, local communities and society at large, according to the World Economic Forum.

> **The integrated insurance operator that orchestrates the ecosystem will derive rapid growth and larger profit margins**

"Insurers need to participate much more meaningfully in the stakeholder economy," argues Ohnemus. "There must be a recognition of what people really need or want when it comes to their health, insurance and digital interactions. Insurers should become the platform operator around healthy living, sports challenges, health concerns, financial coaching, mental wellbeing, telemedicine and beyond."

Rather than building their own technology, insurers should focus on honing expertise while choosing the right data-expert partners and suppliers to work with. Those surveyed by dacadoo recognise the danger, with 70 per cent worried about their internal capabilities in these regards.

Insurers can become the orchestrators of new ecosystems and data lakes, providing platforms integrated with third parties, including healthcare providers, fitness clubs, travel agencies and retailers. This will enable them to profit from scale and automation. Eight in ten expect closer partnerships will be necessary for success and 60 per cent will add more partners. In a world of nano-sensors and shared analytics that assess individuals' health and risks, trust is essential.

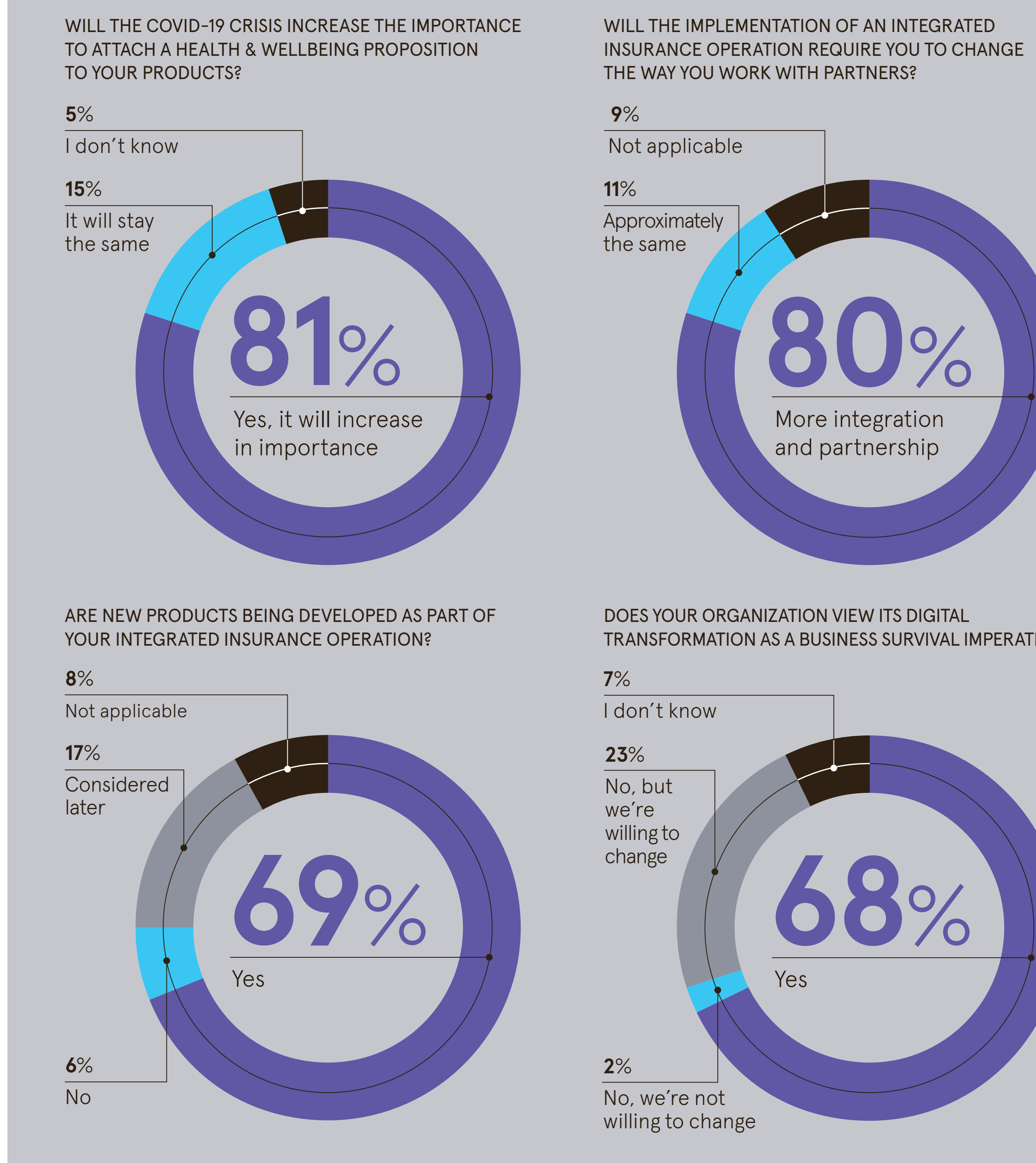
"For the insurer, building and leading such an ecosystem means they will have a unique understanding of a consumer's life, while the consumer gains relevant health scores and personalised lifestyle navigations," says Ohnemus. "Such micro-services and lifestyle-based insurance products will become extremely popular, as long as customer trust and privacy are retained and a good mobile experience is delivered."

The overall goal is to create larger markets and growth opportunities, as happened with smartphones, where the exchange of information and services represents a significantly more profitable opportunity than simply selling handsets.

"There will soon be a multi-trillion-dollar platform economy for insurers," Ohnemus concludes. "The integrated insurance operator that orchestrates the ecosystem will derive rapid growth and larger profit margins."

INSURERS TO IMPLEMENT INTEGRATED DIGITAL ECOSYSTEMS

A business survival imperative for successful life and health insurers seeking to elevate their customer experience.



dacadoo The Integrated Insurance Operator Survey, October 2020. Audience of insurance executives from around the world: 116 surveyed online and 200 personally interviewed.

CIVIL UNREST

Riot insurance trumps terrorism

2 million people protesting in the streets of Hong Kong in June 2019

As it becomes easier than ever for news of a single incident to spark global protest, businesses must think carefully about protecting themselves from the fallout of civil unrest

Nick Easen

Boarded-up stores and angry crowds in Philadelphia, Paris, Hong Kong and Santiago mean one thing: the threat of civil unrest. Incidents such as riots and protests are now challenging terrorism as the main political risk globally. It's leading to more insurance claims and businesses gobbling up policies for so-called strikes, riots and civil commotion (SRCC) insurance.

As the economic fallout from coronavirus mounts, protests look set to multiply. There are millions of newly unemployed, unpaid and unsatisfied people around the world posing new threats. Some 37 countries now face major spikes in unrest, according to global risk analysts Verisk Maplecroft. The outlook is particularly concerning for emerging markets.

The Black Lives Matter protests have also sparked a global chain reaction in civil unrest, as well as issues for the insurance industry. Losses to businesses due to property damage, disruption and slashed revenues in at least 40 urban areas in 20 US states alone may amount to the costliest civil unrest in American history.

"Disorder after the death of George Floyd is expected to have caused losses of more than $1 billion in US cities," says Björn Reusswig, head of global political violence at Allianz. "SRCC is now the number-one contender for being the primary peril to be insured and underwritten."

Civil unrest and its coverage in policies is rapidly topping many a company agenda, with businesses looking closely at the coverage they have. The main challenge lies within policy wording and definitions.

"Within an all-risk property policy, SRCC is not always defined as a named peril, which can result in difficulty in adjusting and even paying claims," says Sandy Warne, international head of political risk at The Hartford.

Insurance firms have offered SRCC cover, either as part of an all-risk property insurance policy or as stand-alone cover for some time, yet because of recent events, sales of policies in the United States covering businesses specifically for civil unrest doubled in October from September levels.

"It's viewed as nice to have for clients and nothing to be overly concerned about by the insurance industry. However, this has changed significantly since 2018 as both the frequency and severity of events has increased," says Reusswig.

Some insurers, notably at Lloyd's of London, have stopped including SRCC cover within general property policies for businesses that have been hit hard by civil unrest. This has forced them to buy separate SRCC insurance.

"A recent example of this is Chile where up until the autumn last year SRCC was a standard coverage within all-risk policies. After the nationwide unrest and subsequent large losses within the property insurance market, SRCC perils were excluded from all-risk policies at renewal," explains Marie Biggas, vice president, terrorism at Arch Insurance.

Since civil unrest in Chile came with a $2-billion price tag, it's no wonder there was concern within the sector. This type of risk category is now under a lot more scrutiny. However, calculating risks associated with civil unrest isn't easy. SRCC incidents resulting in industry-wide insured losses are infrequent.

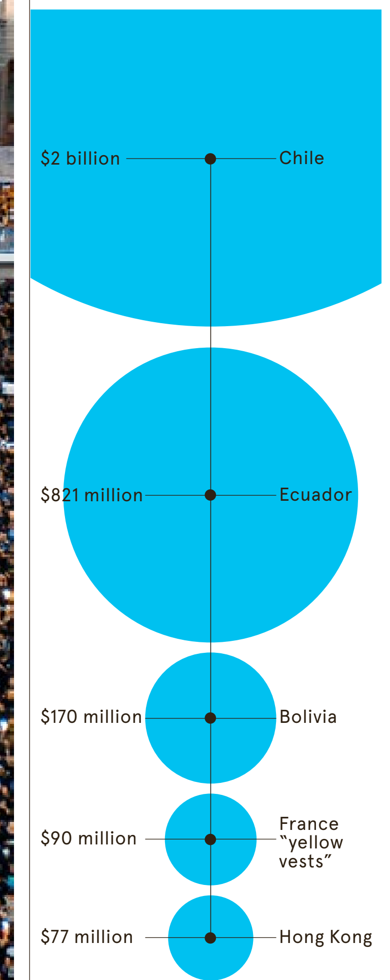
"We've reported on fewer than 15 incidents in the past 70 years, with more than half coming before 1980. Large riots with significant industry impact can be difficult to understand, because historically there haven't been many. The last riot, before Mexico in 2017, of any insurance industry significance was likely to be the Tottenham riot in the UK in 2011," says Tom Johansmeyer, head of property claim services at Verisk.

However, thanks to social media and the speed of the internet, news that sparks events can now travel across continents in seconds. This can accelerate civil commotion in ways that didn't exist a decade ago. Look at how Black Lives Matter protests went global. The socio-economic factors that have led to several instances of unrest throughout 2020 may be around for a while, including the COVID-induced economic recession.

> SRCC insurance has become an essential product for many businesses due to the rapidly changing political landscape

THE COST OF CIVIL UNREST

Insured losses from recent riots and protests around the world.



Insurance Journal 2020

"There's no doubt SRCC insurance has now become an essential product for many businesses due to the rapidly changing political landscape," says Andrew Bauckham, deputy practice head for property and political violence at Chaucer and chairman of the Lloyd's Terrorism and Political Violence Panel.

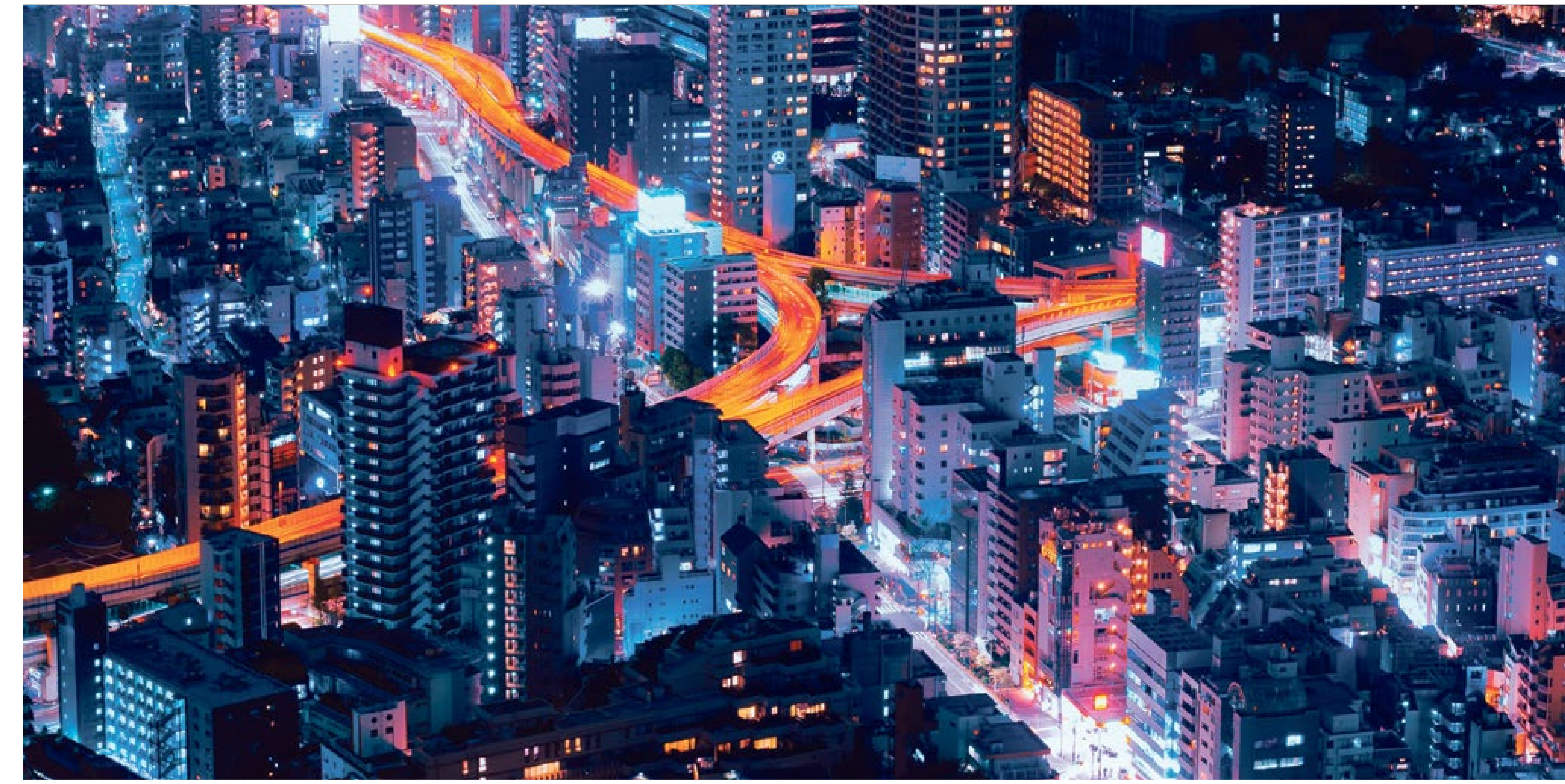
While the timing, location and fallout from civil unrest is very unpredictable, SRCC cover itself is fairly straightforward. Important additional coverage that's also coming to the fore is that of business interruption insurance, which can help in the wake of civil unrest.

"There are also steps a business can take to mitigate risk, which may then reduce the premium for SRCC insurance. For instance, installing protection for storefronts and business windows and doors, and having contingency plans in place. This may reduce premiums for SRCC cover," explains Rich Dodge, partner for commercial litigation at Dentons.

There is no doubt the market for SRCC insurance policies is evolving. The insurance industry is also getting better at gauging this risk category. It certainly will not be a free-of-charge add-on like it was some years ago. Those who insure property are now looking to separately define and limit SRCC cover. This could leave businesses with limited protection.

"The capacity and appetite may now be limited within the terrorism and political violence market, where this insurance sits, and it may prove difficult for clients to be able to afford or even be able to purchase cover at previous levels," Warne at The Hartford concludes.

Commercial feature



Insurance keeps society moving and tech is the enabler

The crucial role the insurance sector plays in society has been intensified during the coronavirus pandemic, which is also acting as a vital accelerant to digitalise the customer experience

As one of the oldest and most traditional industries in the world, steeped in tradition, insurance hasn't historically been known as the fastest to adopt technology. However, coronavirus has acted as a significant impetus for change. A study by Twilio found the pandemic has accelerated companies' digital transformation by a global average of six years and the insurance sector, in particular, has responded to the opportunity by doing a lot more with tech.

COVID-19 has especially exposed the crucial importance of insurance as an enabler both in business and wider society. Simply by managing risk, it allows companies to conduct trade and to grow and enter new markets, particularly during times of uncertainty and turbulence. For example, it allows governments and enterprises to maintain infrastructure projects and construction work to continue.

For insurance, technology plays an important role in changing and better meeting customer expectations. People now expect to be able to buy anything at the click of a button and insurance is no different. A slick and intuitive buying and claims process is fundamental to the sector.

"We should be working towards a vision where the digitalisation of insurance is such that when a claim is made, the majority of the process is as automated as possible, approved claims are paid automatically and complex or fraudulent claims are expedited," says Rob Brown, group chief executive at Charles Taylor, a leading-edge technology provider of solutions to the insurance market.

"There is still a way to go, but there have been major steps forward over the past few years and especially in the last nine months, stimulated by the pandemic. It's really not that long ago that I was walking around the market with a slip case full of papers, and brokers and insurers still sent information and data through in Excel spreadsheets and Word documents.

"Now, if you look at Lloyd's and how they are using technology to enable their clients to trade with them, while maintaining a competitive edge, it's a different story. We have worked in collaboration with Lloyd's to provide a market-wide platform enabling all delegated underwriting data, including risk, premium and claims, to be submitted and standardised in one place. This allows consumption throughout the market and is a major step forward from the manual system it has replaced. This will enable greater insight and allow important decision-making to drive profitable growth in the London market."

Charles Taylor has also played a central role in supporting companies through the pandemic. As the spring and summer COVID-19 lockdowns drew to a close and international travel restrictions started to be lifted, organisations wanted to mobilise their workforce again in a safe and managed way. To fulfil their duty-of-care obligations and minimise further business disruption, employers need to be able to identify people at greater risk of contracting severe symptoms of the virus and support those individuals, at the same time minimising the chances of COVID being introduced into the business.

> Technology will continue to disrupt insurance over the coming years to keep it relevant

To assist companies through this, Charles Taylor has developed a digital risk assessment tool that is able to evaluate an individual's likelihood of developing symptoms of COVID-19 and identify those who have been exposed to the virus. In the form of a user-friendly application, Venture allows employees to enter their health details and then determines their risk profile.

The tool can be configured on a localised basis in accordance with relevant government guidelines, and sensitive personal information is not sent to the employer, only the risk score each employee generates after the assessment. Armed with this data, employers can implement the right measures to protect staff in the workplace.

"Venture helps get people back to the workplace safely," says Brown. "While technology has meant we've all been able to survive very well in this remote world, companies have realised there is still great value in having people interact and collaborate in person. The positive when you interact virtually is you can just bring in whoever you want globally to collaborate on an idea and that's fantastic. The downside is you miss that elevated level of engagement only possible in person. We're trying to help ensure those kind of collaborations can continue with people being able to come back to work safely."

Charles Taylor hasn't just helped companies bring workers back to the office, but also supported insurers in their transition to remote working, something that is now sure to be a prominent part of the "new normal". Charles Taylor's technology solutions have enabled the insurance marketplace to continue operating efficiently, while ensuring risks in complex areas can still be managed effectively.

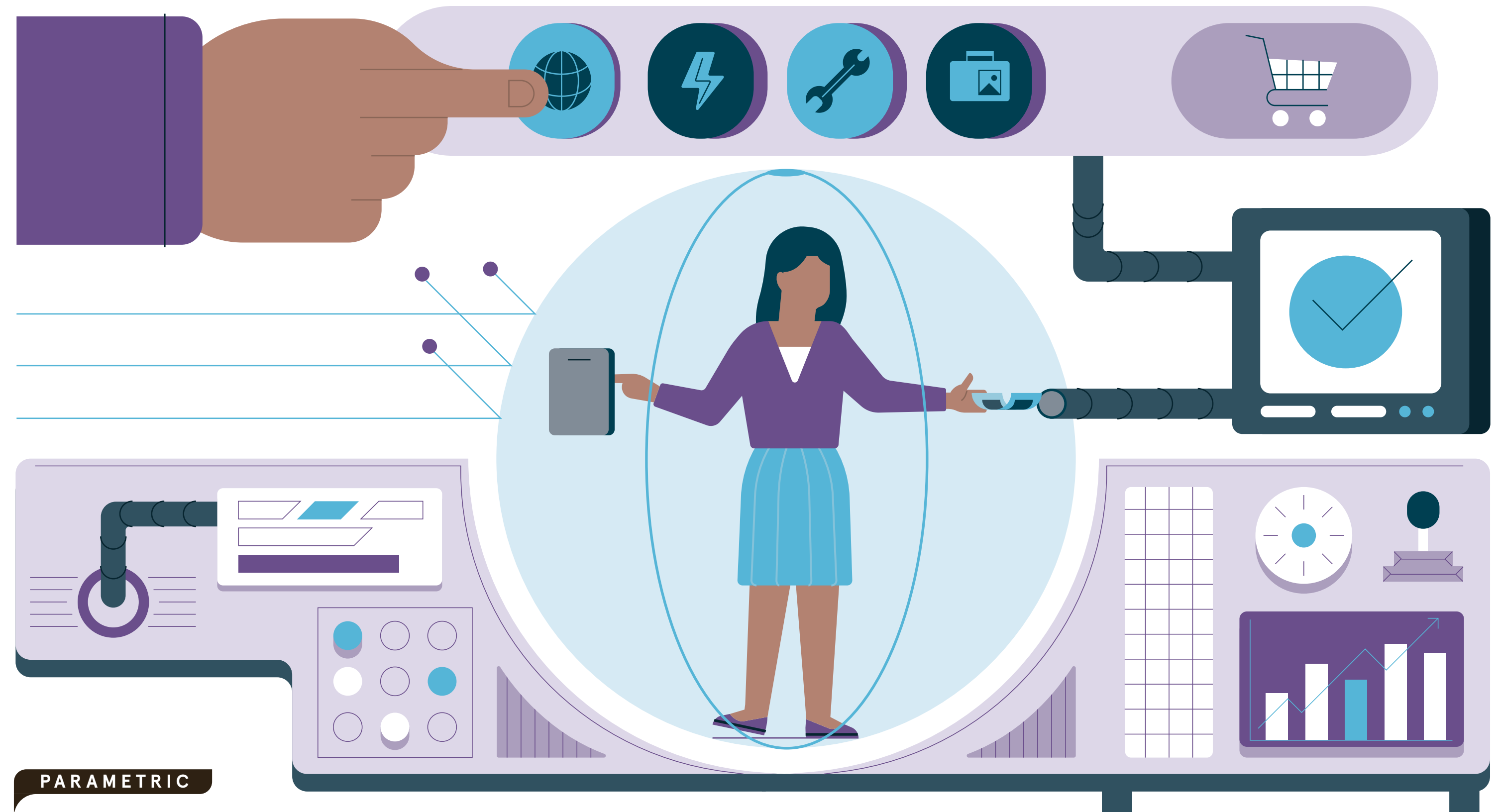
Dating back to 1884, the company supports every stage of the insurance life cycle and every aspect of the insurance operating model. In the area of claims settlement specifically, insurers are constantly striving to reduce the claims life cycle and pay claims quickly to provide the best possible client experience. Charles Taylor InsureTech's claims management solution, Trax, leverages automation throughout the claims lifecycle to accelerate that process and provide a single platform to manage all claims across Lloyd's and other global markets.

"Claims settlement is where the promise of insurance is really evidenced," says Arjun Ramdas, chief executive of Charles Taylor InsureTech. "It's where customers need to see an efficient and easy process, to be paid quickly. At Charles Taylor, we have significant experience and expertise throughout the entire claims lifecycle, through our loss adjusting business and in our third-party administration business. Our solutions assist our clients in taking control and managing claims better.

"Technology will continue to disrupt insurance over the coming years to keep it relevant. Whether it is in terms of new ways to engage customers, settle claims, manage risk or run a more agile operation, it is at the heart of the future operation. Our products make the insurance journey as frictionless as possible, with minimal conflict between the different players."

For more information please visit charlestaylor.com

Charles Taylor



PARAMETRIC

Triggering index-based insurance

Imagine a world where insurance payouts are automated based on data, making form-filling and hours on the phone a thing of the past; parametric insurance is making it possible

Helen Beckett

Parametric insurance is gaining traction as a pragmatic way to cover previously uninsurable risks during times of cataclysmic change. Instead of paying a claim based on the value of the loss incurred, it pays out automatically when an event measured by a pre-agreed trigger occurs.

While not entirely new, parametric or index-based products are gaining relevance in a world beset by frequently-occurring and extreme events, and one which is increasingly measured, monitored and quantified by data.

An improved customer experience, combining speed and certainty, is a big part of its appeal and reflects the digitally connected world we inhabit. The proposition of an immediate and frictionless payout compares well with the cumbersome process administered by adjudicators and litigators in traditional insurance.

Proving the point, digital start-ups are catering for consumers who want to cover the risk of a cancelled flight, or not enough snow on their skiing holiday, and who want compensation now.

Companies such as FloodFlash, Blink, Skyline Partners and Setoo are harnessing the proposition of superior customer experience and developing products covering climate, energy, utilities and travel risk. Letting customers select the protections they want, using objective data sources to crunch premiums in real time, and guaranteeing fast payment through automated contracts, combine to make a winning formula.

"We believe that every time a consumer buys something online there is a concern and this is currently not being dealt with", says Noam Shapira, co-founder of Setoo.

This sentiment could easily apply to other areas of insurance and the model's potential to play a wider role in a data-driven universe is signalled by InsTech London's report *Parametric Insurance: 2021 outlook and the companies to watch*.

"Parametric insurance is starting to offer attractive solutions where conventional insurance has failed," says the report's co-author, Matthew Grant, partner at the InsTech London. "Technology exists to define and deliver insurance coverage based on real-time reporting of accurate data."

Swiss Re estimates of traditional insurance covering only 40 per cent of around $140 billion of economic losses from natural and man-made disasters in 2019 give credence to Grant's viewpoint. And coronavirus has jump-started the debate about the role parametric insurance can play in assessing emerging risk and quantifying loss on a warming planet and volatile world.

"The pandemic demonstrated one of many ways that businesses can be interrupted without direct physical damage. This is relevant because parametric insurance allows for much broader "non-physical damage" business interruption coverage, so long as it is still associated with an objective and measurable event," explains Peter Lacovara, senior vice president and alternative risk transfer leader at Marsh brokerage.

Simon Young, senior director at Willis Towers Watson, points out that video footage from Wuhan in China, epicentre of COVID-19, constituted measurable data that could have been used to indicate risk. "CCTV from last autumn showed Wuhan hospital car parks filling up, an early sign of a medical crisis unfolding," he says.

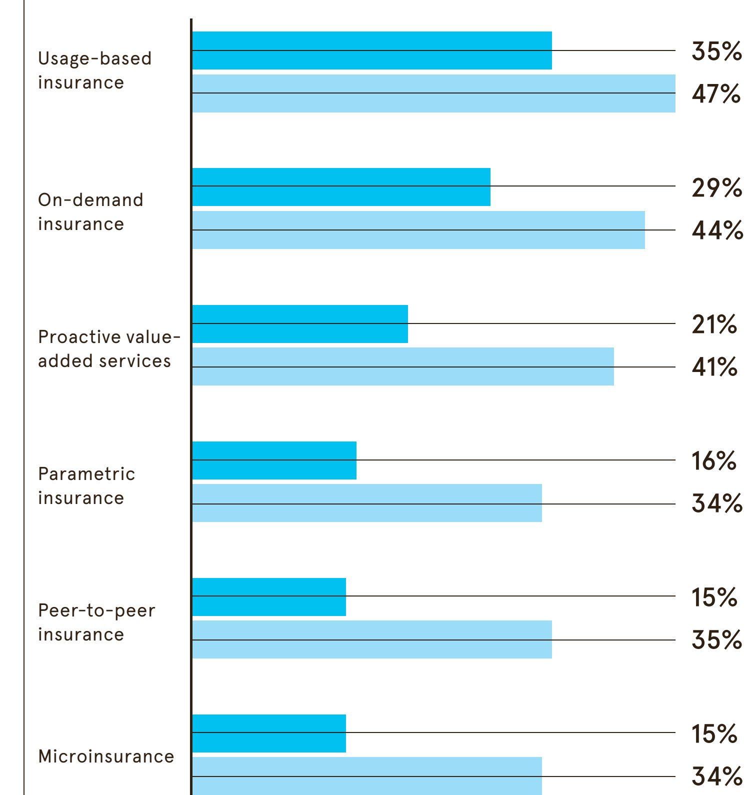
Interestingly, a parametric policy – PathogenRX, developed by Marsh, Munich Re and technology firm Metabiota, and triggered by mortality or infection rates – did provide cover for a pandemic, but no one bought it.

Young says there's poor understanding of parametric insurance and a realignment of expectations is needed to realise its potential. "People confuse it with indemnification," he says. "If you make it clear that it's not equivalent, it could actually raise trust levels."

Lacovara concurs: "Parametrics are complex products, even to professionals, so finding a way to make them accessible to the average buyer will be an important part of the story."

PARAMETRICS HAVE PIQUED BUSINESS'S INTEREST

Out of the various new insurance models available, customers may not have grasped parametrics' potential yet, but businesses are starting to catch on.



Capgemini 2019

For now, parametric insurance is established in agribusiness and catastrophe reinsurance where triggers are relatively easy to define. But the rapid growth of the internet of things and data capture will provide more and novel opportunities to create parameters that are proxies for underlying risk.

"In principle, parametric could play a role, but everything depends on whether it's possible to identify a suitable parameter that describes the risk," says Rainer Hartmann, head of agrisk partners at Munich Re.

More broadly, the insurance value chain is embracing digital technology and verifiable data that speed up transactions and add certainty, shoring up trust and customer experience. Blockchain, a distributed, immutable ledger, is streamlining dispute resolution, which currently costs the sector $9 billion a year.

Proof of Trust's blockchain spins up anonymised adjudication panels, settling disputes faster for clients and releasing capital back to insurers. Applying data analytics to the dispute resolution life cycle also yields valuable insights, which can be shared by all parties, according to Sakhib Waseem, chief innovation officer at Proof of Trust.

Insurance consortia RiskStream and B3i use blockchain's trust properties to reduce friction and strip out cost in transactions between broker, insurer and reinsurer members. Automation lowers the cost of processing and makes possible the insurance of risks that were previously uneconomical.

David Rutter, founder and chief executive of blockchain provider R3, says the distributed ledger technology is particularly apt for parametric insurance and its trust properties improve customer experience. "It provides data provenance and the certainty that data comes from an approved party," he says. "The use of smart contracts assures that appropriate data was added at the right time according to pre-agreed formulae."

Parametric insurance may still be in its infancy, but using measurable parameters twinned with automatic payment is a strong suit in an increasingly data-driven world. As Paul Ridge, head of insurance at SAS UK and Ireland, concludes: "Technology and data have a growing influence on the ability to either price the risk, transfer it or, ultimately, prevent it."

Shutterstock, Syda Productions

Farming: exemplar for parametric practice

Parametric insurance is a good fit with agriculture because the physical nature of the environment and work mean risks like flood and drought are visible and measurable. "By nature, farmers are inherently good risk managers. They applied risk-mitigating strategies before insurance was ever available, using techniques such as crop rotations to spread risk," says Rainer Hartmann, head of agrisk partners at Munich Re.

A parametric solution has relevance for the entire food production value chain, which is impacted by the same risk, but in different ways. The farmer, trading company and logistics firm are all impacted by the same risk – crop shortfall – because of excessive rain or drought and so this impacts the entire value chain. A farmer can't repay loans or buy seed for next season, the logistics company has no transportation custom and the food processor can't fulfil customers' orders.

The growing use of data and digital technology in farming practices puts the sector in a sweet spot for parametric insurance. Farmers are using smart farming and collect data about the performance of their crop and their machinery, and access and share data on crop yields from satellite imaging. "It's a natural step to use this data analytics to structure risk transfer solutions," says Hartmann.

Getty/Olivier Douliery

AMERICA

State of US health insurance

Healthcare provision in the United States has long been a subject which divides opinion along party lines. But could a new president finally spell change for America's complex and confusing health insurance system?

Ellen Sheng

US basketball superstar Michael Jordan recently opened a second medical clinic. Located in a poor part of Charlotte, North Carolina, the clinic aims to provide primary and preventative care for those with little or no health insurance. Jordan, who worked with integrated healthcare provider Novant Health to open the clinic, personally donated $7 million towards the project.

"The impact of the first clinic has been measurable and if COVID-19 has taught us anything, it is the importance of having accessible, safe and quality care in communities that need it most," according to Novant Health's chief executive Carl Armato.

Integrated healthcare models, such as those provided by Novant, are becoming more common in America amid massive industry consolidation. But they're just one potential fix to a system plagued by escalating costs and an uninsured or underinsured population. In the case of Michael Jordan's clinics, Novant provides free or reduced care to patients with household income up to 300 per cent of the federal poverty level of $26,200 for a family of four.

In past decades, numerous presidents, including Roosevelt, Truman, Nixon, Carter and Obama, have tried to reform health insurance in America. Only President Barack Obama, with the Affordable Care Act (ACA), managed to pass legislation to reform insurance and make healthcare more accessible. However, it has come under attack by Republicans and is currently being debated in the Supreme Court for being unconstitutional.

With Democrat Joe Biden as the president-elect, it is likely that many of the things President Donald Trump did to weaken the ACA will be reversed. But beyond that, sweeping change is unlikely.

> The most likely outcome in the next four years is nothing changes

"I've been studying this for 30 years. And the first reference I could find to healthcare costs being a huge problem for many hospitals was in 1961. I'm not saying it will never change, but you know, it just goes on," says Professor Sherry Glied, dean of New York University's Robert F. Wagner Graduate School of Public Service.

One of the many problems with America's complicated patchwork of healthcare and insurance systems is there are few ways to control costs. US drug prices have risen 33 per cent since 2014, according to research by GoodRx, an online platform that helps Americans find the lowest prices of prescription medication. In addition, the cost of all medical services combined have increased 17 per cent since 2014, the company found. Meanwhile, the number of uninsured people increased in 2019, the third year in a row, according to data from the Kaiser Family Foundation.

Nearly half of health insurance in America is provided through an employer. These plans are expensive. Annual family premiums for employer-sponsored health insurance was $21,342 in 2020. Since 2010, average premiums have increased 55 per cent. Not only that, but about 83 per cent of these plans have an average deductible of $1,655.

Industry experts hope more integrated systems, which bind together insurance, hospitals and provider clinics into one, may help put pressure on costs. In recent years, there's been a wave of vertical integrations with health plans buying pharmacy benefit managers or primary care physician groups or a hospital system buying oncology clinics.

This trend is relatively new and it will take a long time to mash some of these giant companies or systems together. But it's been encouraged on the hope integration could lead to better co-ordination across the various parts of the patient's healthcare journey, drive down costs and improve health outcomes, says Chris Sloan, associate principal at Avalere Health, a healthcare consulting firm.

"In theory, you can align the incentives to reduce costs and drive towards better health outcomes, rather than just getting paid on a fee per service basis," he says.

In the last four years, the Trump administration has sought to eliminate or weaken the ACA by cutting marketplace subsidies and allowing "junk health plans" that steer young, healthy people into cheap, short-term policies, which consequently raises costs for everyone else. Many of these actions did not need to go through the legislature, which means everything they did can be reversed, says Glied.

Industry experts expect Biden, along with a Democrat-controlled Congress, to undo or tighten up some of the loosened restrictions Trump put in place. Biden could bulk up subsidies for low-income individuals who otherwise could not afford health insurance. He could also strengthen protections for people with pre-existing conditions by limiting out-of-pocket costs.

Among the president-elect's more controversial proposals is a public insurance option. One potential upside is a public plan would presumably pay prices similar to those Medicare pays.

"The idea would be to create competitive pressure for private insurance to work a little harder and negotiate some better discounts with doctors and hospitals, and pharmaceutical companies," says Karen Pollitz, senior fellow at the Kaiser Family Foundation. However, the likelihood of such a proposal passing with a Republican-dominated Senate in place is extremely unlikely, says Avalere's Sloan.

Meanwhile, some surveys show that dissatisfaction with high healthcare costs is growing. According to a Gallup poll from December 2019, 63 per cent of Americans say the country's healthcare system is in "a state of crisis" or has "major problems". Yet support for a government-run programme remains mixed. The majority of Americans believe the government should be responsible for ensuring everyone has insurance, but most also reject the idea of a government-run healthcare system.

These mixed feelings are playing out in politics. ACA was "a pretty targeted" bill when it passed in 2010, says Sloan, noting it mostly targeted the individual market. Even so, the move "dominated the political discussion for the next six years with voters fighting to repeal it or keep it or support it or bring it down", he says. "The most likely outcome in the next four years is nothing changes." ●

HEALTH COVERAGE DEPENDS ON WHERE YOU WORK

Percentage of US workers covered by self-funded health insurance plans as of 2020 by firm size

3-49 workers	15%
50-199 workers	31%
200-999 workers	59%
1000-4999 workers	85%
5000 or more workers	94%
All firms	67%

Kaiser Family Foundation 2020

OPINION

'Insurers must understand how every communication builds expectations in the minds of their customers'

For too long, we have allowed a cycle of panic and neglect when it comes to pandemics: we ramp up efforts when there is a serious threat, then quickly forget about them when the threat subsides.

These words from the World Health Organization are now all too familiar. And the WHO added: "There is a very real threat of a rapidly moving, highly lethal pandemic of a respiratory pathogen killing 50 to 80 million people and wiping out nearly 5 per cent of the world's economy."

More than a million people have already died of coronavirus and the World Bank has forecast a 5.2 per cent reduction in global GDP for 2020. COVID-19 has produced the worst-case economic impact, with so far only a fraction of the worst-case death toll.

The International Bank for Reconstruction and Development predicted a global pandemic would result in a drop in GDP in Africa, Asia and South America of around 1 to 2 per cent, compared to a drop of only zero to 1 per cent in North America, Europe and Australia. In terms of GDP, coronavirus has had the opposite effect.

This mismatch between what we knew a pandemic could do in terms of mortality and what we thought it would do to the wealthiest economies can be seen in the discourse around insurance.

The kinds of insurance that protect against the physical impact of a pandemic – life and disability insurance – have performed as everyone would expect, but the forms meant to protect against the economic impact of a pandemic, including business interruption insurance, have come under much greater scrutiny.

The issue is not around the financial viability of insurance companies. Lloyd's of London, for example, reported that the first half of 2020 had been "exceptionally challenging" and it expected to pay out £5 billion globally in claims. But it also said it could "withstand the ongoing impacts of COVID-19".

Although the financial impact is manageable, we have seen a mismatch between public expectations of insurance and the products designed and sold by the sector, leading to headlines like the BBC's Coronavirus: We've spent £10,000 on invalid insurance.

On one level, this is being resolved in the courts, but we must also take action to reduce the chances of such a mismatch in future.

First, we must reach a clearer settlement with the government about what the insurance profession can raise in voluntary premiums in a competitive market and what government can raise through taxation.

Second, we must find a way of educating clients about the limitations of insurance. This is not simply a case of tightening up wordings in policy documents, which most people don't read until they make a claim. Nor is it about brokers and insurers delivering a list of stern warnings at the point of sale; who, for example, wants to hear about how their policy doesn't cover the effects of nuclear war?

It is a far more challenging problem that involves insurers understanding how every communication, including the name of the product itself, builds up a set of expectations in the minds of their customers. The solution is likely to be in conversations with clients about all the risks they face, which are covered by insurance, and how they can prepare for risks that are not insurable at an affordable cost.

Third, we must continue to pay valid claims quickly, and in a way that shows respect to our customers and helps them retain as much control over their lives as possible. Our research shows that people who make a claim usually have more trust in insurance than those buying or renewing insurance. We need to make sure this experience is the one people most associate with our profession and not the one that comes from a breakdown in communication between us and our public. ●

Sian Fisher
Chief executive
Chartered Insurance Institute

HOME INSURANCE

Are you covered under the 'new norm'?

As millions in the UK again transition to remote working, many will be unaware this is not covered by their home insurance policy, something it behoves the industry to rectify

Jonathan Weinberg

Getty/10'000 Hours

Since the start of the coronavirus pandemic, working from home has become the norm for millions, but is the home insurance industry still playing catch-up?

Lawyer Dean Dunham, who presents the Consumer Hour on national radio station LBC, has tweeted that some household insurance claims have been rejected, seemingly because policyholders failed to disclose to their insurer they were working from home.

He believes there is a need for greater industry transparency. "After COVID-19, it appears inevitable that more and more people will work from home on a full or part-time basis," says Dunham.

"Providers need to publish clear terms and guidance on what types of work impact a home insurance policy; just saying that admin or clerical work does not need to be notified does not go far enough.

"We have been assured policyholders do not need to notify insurers if they are simply carrying out an admin role at home, but there is no definition of 'admin', which leaves room for interpretation and therefore for insurance providers to deny claims."

This could present a big problem. In July, the Office for National Statistics published a report on home working showing almost 47 per cent of people in employment spent at least some time working at home during April. Some 86 per cent of these people did so because of COVID-19, and the current second national lockdown in England and elsewhere is seeing this happen again.

Guidance from the Association of British Insurers confirms office-based workers who are remote working as a result of the pandemic do not need to update documents or extend cover.

However, Dunham advises those who are running a business from home or receiving visitors at home in a business capacity should notify their provider and ask for written confirmation that their policy will not be affected.

This is not just an issue for employees. Where does it leave employers when it comes to insurance and working from home, for example with risks such as cybercrime, data theft or loss, and professional liability and indemnity?

Ben Mason, employment law partner at Aaron & Partners, explains: "Employers have a duty of care towards their workforce, and their responsibilities towards home workers in terms of protecting their health and safety are the same regardless of whether they are working from home or in the workplace.

"Ideally, employers should carry out a risk assessment of their employees' workspaces to ensure they are adequate and safe. Employers should check they have a remote-working policy and existing employers' liability insurance policies should be reviewed to ensure they cover home working and that cover is adequate.

"Without the necessary insurance cover in place, employers could be found liable in the event an employee is injured during the course of their work at home."

The potential for such risks with home working has led to some challengers in business insurance doing things differently.

> Many employers will have to talk to their insurer to ensure their policies are extended to their employees' home offices

Ben Rose, co-founder and chief underwriting officer at Superscript, says the company provides automatic cover for employees anywhere in the UK, including when they work from home, as well as cover for computer equipment anywhere in the country, including at employees' homes, as standard.

He says: "It's unlikely company-owned property will be covered by an employees' home insurance. It's vital employers check sums insured, particularly if you have purchased additional equipment for people working from home."

Home insurance may focus on buildings cover, personal possessions and accidental damage, but when it comes to insurance and working from home, the risk of cybercrime is also important to consider.

A survey of 2,500 UK employees from insurance broker and risk adviser Marsh Commercial found more than a third (38 per cent) had not received any communication from their employer on the additional cybersecurity risks of working from home.

Sabine VanderLinden, formerly founder of InsurTech, an insurance accelerator, agrees this poses a risk. Now managing partner of the Alchemy Crew, a new venture validation firm for the insurance and financial services sectors, she says: "As the pandemic becomes a trigger for more permanent change, it is likely insurers will see this as a catalyst to design, build and deliver new insurance products.

"Many employers will have to talk to their insurer to ensure their policies are extended to their employees' home offices.

"They also need to sign up for remote-working digital cyberattack protections to wipe laptops clean in case of a breach and have to work directly with their insurers to map, visualise and assess the likelihood of total losses, to be able to estimate the aggregate financial value of future remote-working claims beyond agreed deductibles.

"One other emerging area receiving high interest is mental health insurance, particularly for lone workers with no remote supervision."

VanderLinden predicts we may now see further growth in on-demand and usage-based insurance, which she says is "gradually becoming the way to mitigate risk for some smaller business markets".

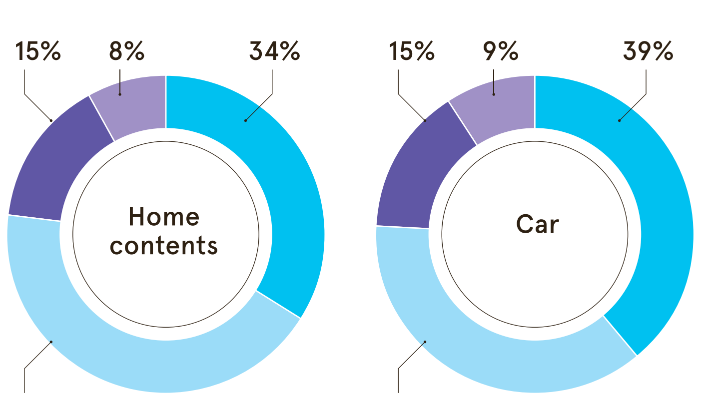
Janthana Kaenprakhamroy, founder and chief executive of insurance startup Tapoly, also sees COVID-19 as ushering in a new era for insurers concerning remote working.

"Existing packages were not created with the current situation in mind, so insurance needs to adapt to ensure it is fit for purpose and does not leave people working from home exposed unwittingly," she says.

CUSTOMER VIEWS ON INSURERS' LOCKDOWN MESSAGING

When it comes to insurance in the new normal, car insurers seem to be performing better than their home counterparts

- Information I received was clear
- Information I received was not clear
- Didn't hear from insurer. Unsure if policy/premium affected
- Didn't hear from insurer but know if policy/premium affected



Finder 2020

USAGE-BASED INSURANCE

Insurance that suits your lifestyle

As the coronavirus pandemic continues to alter the way we live our lives, insurers have responded with highly personalised, usage-based insurance policies. Usage-based insurance (UBI) is quite the thing these days. As telematics technology has become smarter and people have demanded more personalisation from the insurance industry, insurers recognise they could win more business. Car policies aimed at different types of driver are the most developed form of UBI, but other sectors are showing interest, especially now coronavirus means we are using our cars less.

Mark Frary

The low miler

Research from By Miles shows the more someone drives, the more likely they are to make an insurance claim. Yet the insurance premium for low-mileage drivers is likely to be higher than for those who drive further. The company says motorists who drive under the UK average of 7,000 miles annually are paying £180 a year more than those driving more.

By Miles users install a matchbox-sized tracking device under the bonnet or connect an app directly to the milometer in newer cars. The insurance premium is then made up of a fixed annual fee that covers the car when it's not being driven, plus a rate of a few pence per mile.

For example, one new By Miles customer drives 2,500 miles a year in central London. She says: "When I went to renew [with my old insurer], I was quoted over £400, which seemed really high to me, particularly as I drive so little. My quote with By Miles was £269. Pay-by-mile car insurance just feels fair and it's worked out really well for me during lockdown; my monthly statement for March was only £1.59."

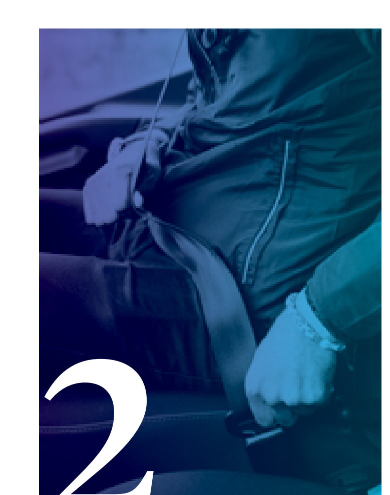
The safe driver

While many insurance companies have sprung up offering pay-as-you-go, mileage-based policies, some have gone further by offering pay-how-you-go policies.

One such insurer is UBI company Insurethebox. It relies on telematics technology installed in the vehicle which monitors driving habits: the time of day, the type of road and how the car is being driven, for example how the accelerator and brakes are used.

Drivers pay for a comprehensive policy covering 6,000, 8,000 or 10,000 miles, but can reduce their insurance premium through good behaviour. Users can see their driving data on a customer portal and, after an initial information-gathering period, they can earn up to 100 free miles a month, just by driving safely. If you regularly drive too fast for the road you are on, this can translate into a higher insurance premium.

The company says customers save an average 28 per cent on their policy after the first year of no-claims driving, increasing to 36 per cent in year two.



The fleet driver

Concirrus, a data provider to the insurance industry, has launched Quest Automotive Fleet, a platform that uses data from installed telematics technology to manage individual driver risk and detect collisions in real time for fleet managers.

The platform enables insurers to develop UBI programmes for managers of corporate car fleets. It is already being used by insurance companies Acorn and Antilo.

It can provide fleet managers with notifications of risky driving habits, such as exceeding the speed limit by a specified amount and excess mileage including whether the car is being driven excessively at night when the risk of an accident is higher. Managers can also specify the areas of operation for a vehicle and restrict other areas. They are then able to take proactive action and actively manage drivers' behaviour.

It can also inform fleet managers in real time if an accident has occurred. The company says that earlier identification of accidents can lead to cost-savings of £3,000.

In addition, the platform can help identify the best drivers so fleet managers can use this knowledge to reinforce and encourage positive behaviour.

The delivery driver

If one thing has emerged during lockdown, it is the invaluable role played by delivery drivers. With many of them on zero-hours contracts, the idea that they would pay an annual insurance premium to protect themselves while working for the likes of Deliveroo or Uber Eats makes little sense.

Estonian-founded and London-based Zego was set up in 2016 by two former Deliveroo directors Sten Saar and Harry Franks, with technical co-founder Stuart Kelly, to provide flexible UBI for the gig economy. The company's first policy sold for just £2.30. Four years on, users can buy a range of flexible policies via app, web and phone.

The company offers insurance policies from as little as an hour's cover for cars, vans and scooters, and will soon launch policies for electric kick scooters.

Van drivers insured through Zego can track their journeys automatically through the app which helps build a personal score based on driver habits. The app offers tips on being a safer driver and also shows where the driver ranks on a leaderboard.

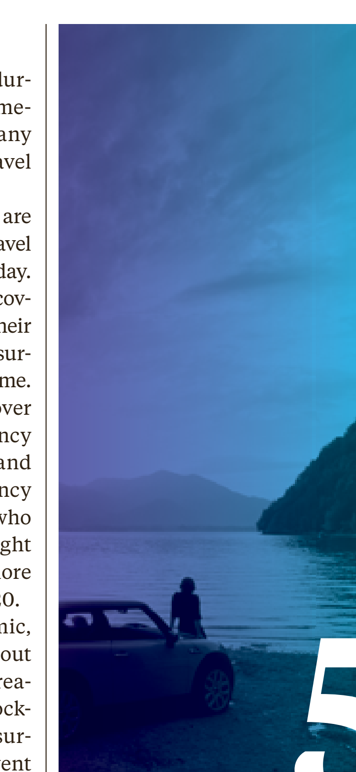
The traveller

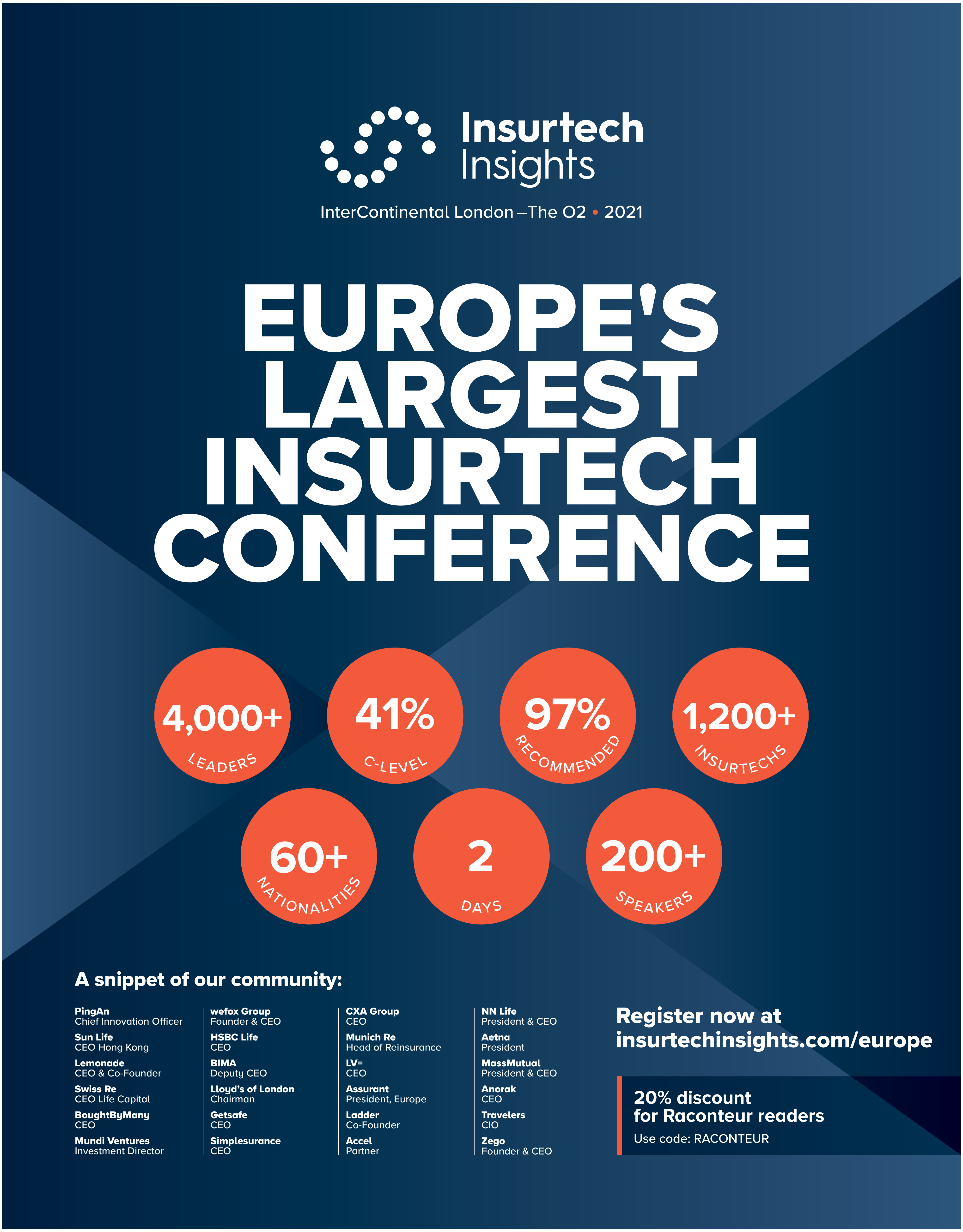
Buying an annual travel policy during the pandemic has been something of a waste of money for many people. Revolut's UBI for travel could be a smarter choice.

It uses geolocation so customers are covered just for the days they travel abroad and cover starts from £1 a day. Those with an active policy are covered from the time they leave their home to the end-date on their insurance policy or when they return home.

The insurance policy provides cover of up to £15 million for emergency overseas medical assistance and expenses, plus £300 for emergency dental treatment. Travellers who experience an international flight delay or delayed baggage for more than four hours receive up to £320.

Revolut says: "Due to the pandemic, we saw a drop in people taking out travel insurance for obvious reasons, however after the first lockdown we started to see travel insurance picking back up as people went abroad in the summer."




Insurtech Insights
InterContinental London – The O2 • 2021
EUROPE'S LARGEST INSURTECH CONFERENCE
4,000+ LEADERS
41% C-LEVEL
97% RECOMMENDED
1,200+ INSURTECHS
60+ NATIONALITIES
2 DAYS
200+ SPEAKERS
A snippet of our community:
PingAn Chief Innovation Officer
Sun Life CEO Hong Kong
Lemonade CEO & Co-Founder
Swiss Re CEO Life Capital
BoughtByMany CEO
Mundi Ventures Investment Director
wefox Group Founder & CEO
HSBC Life CEO
BIMA Deputy CEO
Lloyd's of London Chairman
Getsafe CEO
Simplesurance CEO
CXA Group CEO
Munich Re Head of Reinsurance
LV= CEO
Assurant President, Europe
Ladder Co-Founder
Accel Partner
NN Life President & CEO
Aetna President
MassMutual President & CEO
Anorak CEO
Travelers CIO
Zego Founder & CEO
Register now at insurtechinsights.com/europe
20% discount for Raconteur readers
Use code: RACONTEUR