

How 2020 reshaped the insurance industry

The COVID crisis shows once again that necessity can be the mother of invention



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Insurers and brokers have responded throughout the pandemic, harnessing digital capabilities and innovating to offer new products.

As they prove they are no longer laggards in the technology arena, there is an opportunity to rebuild reputations.

Against the backdrop of the global pandemic, insurance companies have had a unique opportunity to show their mettle – to demonstrate how they can adapt to a global crisis and support the technological change that is underway.

Last year proved that the industry can operate remotely, using online placement tools and virtual interaction.

Some carriers are now considering the longer-term need for expensive office space in central city locations, when new, more flexible ways of working are proving such a success. Now instead, they are increasing their allocations in technology amid a rapidly-changing business and risk landscape. 95% of commercial insurers also believe that emerging technologies have the potential to transform commercial lines¹.

Overleaf we look at just three themes that have accelerated during the crisis.

Hg and insurance

Hg has been an investor in Insuretech and insurance service companies for the last decade, through investments in:

Howden Group Holdings

Howden Group Holdings, the international insurance intermediary

APG A-PLAN GROUP

A-Plan Group: a distributor of motor and household insurance policies

EUCON

Eucon: Hg sold Eucon Group to VHV Group, a leading German insurance group in 2020

sequel

Sequel: a specialist insurance and reinsurance software platform

RELAY

Relay: a leading provider of software to insurance companies in Ireland



1 Shift to a virtual market

During lockdown carriers have seized the opportunity to embrace e-placement, speed up the claims process and harness real-time data at the point of underwriting. Even Lloyd's, with its traditions, has shown that it can adopt a virtual marketplace with little to no disruption felt by customers².

Some of the more popular technology platforms in this space, such as Whitespace, are emphasising the importance of the user experience with impressive results³.

Through collaboration, the pandemic has proved a catalyst for the increased adoption of software and technologies to automate the distribution, underwriting and claims process. And market practitioners have discovered that these new ways of working need not be at the expense of creativity or relationships.

The sudden leap to remote working shows how quickly change can happen and the ability of the industry to adapt.

All of this spells opportunity long after the crisis has passed, especially for those incumbents who are willing to continue along this journey, as the opportunities presented by enriched data and real-time insights offer more precise ways of pricing the risk and differentiating their offering.



2 Next generation cyber

Increased remote working brings with it new and emerging risks, cyber vulnerabilities amongst the most obvious.

Phishing has risen substantially, with malicious actors exploiting natural fears during the early period of lockdown and slacker security controls as companies made a rapid shift towards remote working. One study estimates a third of UK SME workers have fallen victim to phishing emails since the start of the coronavirus lockdown⁴.

Attackers have also turned their attention to exploiting VPN/remote access vulnerabilities, using these as a way of accessing company systems.

It is clear that a more holistic approach to cyber risk is needed for a virtual workplace, including an appreciation of how cyber risk impacts brand, reputation and customer confidence.

Cyber insurance solutions can help firms adapt. With models based upon loss mitigation and risk transfer, the product is becoming broader and more mature.

The analytics driving profitable cyber insurance growth is becoming more precise, with firms such as CyberCube⁵ offering a better understanding of individual risks using tools such as cyber security scanning.



3 Downtime insurance

The pandemic has highlighted a business interruption (BI) 'protection gap'. Businesses are realising that many sources of disruption are not catered to by traditional physical-damage BI insurance products.

In an increasingly esoteric world, disruptions and revenue loss are more often caused by network and power outages, supply chain interruption, loss of attraction and even pandemic lockdowns.

As businesses become more virtual – relying less on physical assets (office space) and more on people and systems – products that cater to sources of non-damage business interruption will continue to grow in importance.

Discussions are underway between the insurance industry and governments to find solutions for future pandemics, such as state-backed pandemic risk pools.

Meanwhile, insurers and brokers are innovating to provide parametric (index-based) insurance for non-damage BI, which is creating triggers around detectable changes in income flow through collaborations with third parties such as Mastercard⁶.

By taking out the claims adjustment processes, parametric insurance offers instant payments and facilitates business continuity.

The world post 2020

These are just three examples of how the insurance industry is evolving as a result of the changed business landscape.

It is a seismic shift in which digital transformation has gained pace across the wider insurance industry with a growing cultural acceptance that new

ways of transacting the business are here to stay.

Beyond the obvious benefits of being a digital native, there is also an opportunity to offer customers a better experience and build trust.

It is fair to say the insurance industry has not come through the COVID-crisis

unblemished, with business interruption lawsuits continuing to rumble on through the courts.

By offering products that are fit-for-purpose and respond as expected, there is an opportunity to rebuild some of the insurance industry's reputation.

¹Intelligent Insurer: <https://pages.services/intelligentinsurer.com/com-lines-usa-2021-infographic/?ts=1608200010664>

²<https://placingplatformlimited.com/news/market-usage-of-ppl-reaches-all-time-high-through-july-renewals/>

³<https://www.whitespace.co.uk/news-1/video-functionality-now-live-in-the-whitespace-platform>

⁴<https://www.theactuary.com/2020/05/21/third-sme-workers-fall-victim-phishing-emails-during-lockdown>

⁵<https://www.cybcube.com/>

⁶<https://medium.com/@AXALab/enhancing-business-interruption-cover-for-smes-with-parametric-solutions-3c6798ce5d90>

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