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Cyber risk continues to challenge conventional approaches to modeling, pricing and portfolio management

Adapting to a fast-moving marketplace

THE (RE)INSURANCE INDUSTRY IS PRIMED FOR A PARADIGM SHIFT AS MULTIPLE POTENTIALLY MARKET-CHANGING DEVELOPMENTS CONVERGE ON EVERY FRONT, FROM THE RISK ENVIRONMENT AND EXPOSURE DATA TO PRODUCT DEVELOPMENT, REGULATION, TECHNOLOGY AND CLIENT RELATIONSHIPS, SAYS BENEDICT BURKE

Earlier this year, John Ludlow, CEO of the UK risk managers' association AIRMIC, said the insurance industry was in the very early stages of a technological revolution which would result in unforeseen and unintended consequences, creating many losers and only a few winners. It was a powerful and thought-provoking statement. The rate of change, particularly in technology, is a huge opportunity for the (re)insurance industry, but it is also a threat to those who do not adapt quickly enough.

For (re)insurance companies to stay ahead in this fast-evolving environment they must understand the levers that are driving this market shift. On October 17, a panel of leading industry figures joined the Crawford® Advisory Council meeting in Chicago to identify and discuss five principle levers, outlined below.

Risk

The risk remit of the (re)insurance industry continues to expand, driven by emerging perils and the evolution of established exposures. Risk factors such as declining

global resources, the rise of intangible risk, social inflation, the threat of systemic cyber-attacks, the countdown to the next global pandemic, the growing complexity of supply chains, the rise of new technologies and the decline in control levels are dramatically altering the global risk profile and putting the industry's ability to underwrite accurately to the test.

Cyber risk in particular continues to challenge conventional approaches to modeling, pricing and portfolio management. Yet even highly-modeled peak perils are generating shock losses as demonstrated by recent examples of extreme loss creep from hurricane events, while secondary perils such as wildfire and convective storms are weighing heavy on company balance sheets.

Such dynamics demand a much granular data-driven risk understanding and a reassessment of industry approaches to risk. The industry must not only capitalize on its own and third-party datasets, but also continually test and reevaluate prevailing models.



Benedict Burke,
chief client officer,
Global Client
Development

IN THIS ISSUE:

Adapting to a fast-moving marketplace – the industry is primed for a paradigm shift as multiple potentially market-changing developments converge; **TPA: When regulation meets innovation** – why a consistent approach to claims matters more than ever in the sharing economy

Customer relationships

In a world of instant access, automated processing, bespoke solutions and increasing self-service, customer interactions are fundamentally changing. As mega organizations like Amazon and Google explore opportunities to apply their huge datasets and complex algorithms to insurance, the (re)insurance market must take steps to elevate the customer experience, from initial policy through to claim payment.

The new generation of customers want insurance to enable lifestyles as much as protect property. They want to buy insurance the same way they buy goods – online. Auto and some other personal lines are leading the transition to digitalization, with quote binding completed online in seconds, and this approach will over time increasingly be adopted in commercial lines.

High volume risks will increasingly become automated and commoditized. In fact, KPMG suggests that only 20-30 percent of all claims need human intervention to address questions over coverage or quantum of loss. Against this backdrop, specialization and loss prevention will move to the forefront, with predicting and preventing claims adding value to client relationships and large and complex risks increasingly addressed at C-suite level rather than by risk managers.

Data & technology

Rapidly evolving tech offers the potential for enhanced speed, efficiency and responsiveness at every stage of the value chain. The huge expansion in available data and advances in analytics can elevate exposure insights to new heights. The industry has already invested heavily in slick front-end portals designed to enhance customer experience, but many back-end systems have a lot of catching up to do.

It is essential that companies move away from the old siloed approach in which claims, underwriting and actuarial departments all work separately. Embracing a holistic approach is key, with vertical integration creating valuable feedback loops across organizations, driving better outcomes every stage of a policy. However, transitioning from legacy systems is a complex and expensive process.

Today's major risks have more to do with intangibles such as intellectual property, data and reputation, which are increasingly seen as primary assets

If the claims process was designed from scratch today, it would probably look quite different. Crawford has invested over \$1 billion in new technology in the past seven years, but there is still a long way to go as we strive to make claims as efficient and digitized as possible.

Products

The changing risk environment also calls for a reevaluation of the product base. Today's major risks have more to do with intangibles such as intellectual property, data and reputation, which are increasingly seen as primary assets. The industry must find ways to more accurately assess loss potential from these intangible risks and innovate to design profitable new products to cover them. The increasing prominence of solutions based around specific industry verticals is also impacting the underwriting and the claims process, driving up the need for highly specialized expertise.

The advent of parametric solutions is a potential game-changer, introducing a new dynamic to both underwriting and the assessment and payment of claims. By providing fast payouts for clearly defined product triggers, parametrics allow coverage to be tailored and removes any confusion for the insured over whether they are

covered or not, eliminating potential pain points in the claims process.

Better articulating the differences between parametrics and traditional coverages is important, as there is still a misconception that the two solutions are mutually exclusive when in fact they complement each other well if used in combination. We are yet to see larger parametric policies tested with claims, however, there is no doubt these products have huge potential.

Regulation

Meanwhile, the regulatory and compliance burden on (re)insurers continues to grow, with regulations in areas such as cyber security and data privacy, customer best practice and fraud prevention evolving all the time, and the need to demonstrate capital adequacy heightened by increasing loss severities and frequencies in addition to socio-economic and climate uncertainty.

Responding to regulatory change could distract some from the task of re-engineering underwriting, claims handling and customer service, but for others it may present an opportunity to differentiate and gain a competitive advantage. However, it is vital that the industry as a whole works together to better communicate the societal benefits that (re)insurance brings at a time when public confidence in the sector is low.

Picking up the pace

The (re)insurance industry does indeed have much to address – from acquiring the talent and technology to evolving value propositions and enhancing service. The transition from legacy processes to faster, more efficient underwriting and claims is under way, but must accelerate. Our industry has been slow to react in the past but cannot afford to do so this time or it risks being left behind.

There are clear signs that (re)insurance carriers are heeding the warnings of previous missed opportunities to keep pace with change and momentum is building across the market on multiple fronts. We can, as an industry, make huge forward steps if we have the courage, the commitment and the foresight to take them. Failure to do so will result in severe and deserved repercussions. 🚫

TPA: When regulation meets innovation

WHY A CONSISTENT APPROACH TO CLAIMS MATTERS MORE THAN EVER IN THE SHARING ECONOMY



Niels de Kock, country manager, Benelux at Crawford & Company

Ten years since Uber launched its ride-hailing platform, the sharing economy has come of age, with the two public sharing economy brands — Uber and Lyft — valued at \$120 billion and \$15 billion respectively. Research by the European Commission estimates the sector is currently worth 0.2% of GDP in the EU as a whole (varying from 0.04% in Belgium to nearly 1% in Estonia).

The sharing, or collaborative economy, describes any business model where goods and services are provided, often by private individuals, through collaborative platforms that place them in contact with customers. They include well-known and disruptive brands such as Airbnb, Booking.com, Blablacar, Zipcar, Couchsurfing and Uber.

Such organizations are increasingly turning to third-party claims administration (TPA) as they recognize the importance of a globally consistent and excellent claims delivery. “It doesn’t matter if you’re a Spanish person renting an Airbnb apartment in the U.K., or an American renting a house in Latin

America, the way that you interact with them is the same,” says Niels de Kock, country manager, Benelux at Crawford.

Broadspire®, Crawford’s global TPA provider works for a number of sharing economy clients. “Many of these are firms that provide home rentals or taxi services throughout the world, and generally their approach — no matter where you are in the world — is that they are offering the same app and the same user experience,” says de Kock. “They’re asking us to have that same approach, so that whenever we deal with claims for the hosts or the guests, they have that consistency in service delivery across all those territories.”

Consistency has always been a big part of the Broadspire offering, with its global network of claims handlers and single claims platform being two of its major strengths. TPA employees are expected to meet the same exacting SLA standards to ensure consistency of service. Technology is an important facilitator, as is culture and training. “We emphasize the fact that these are the requirements that our global client has for us, and this is what we need to deliver,” he adds.

Stepping up the scrutiny

The new business models presented by the sharing economy are leveraging these advantages at a time when there is growing scrutiny of their business practices, explains de Kock. Challenges around employment practices and compliance with laws and regulations generated as many negative headlines as they have positive. There is growing pressure on sharing-economy brands to improve transparency and business practices.

The same pressures extend through to their TPA providers, with the growth of Broadspire’s accident and health business linked back to these companies and their remit, according to de Kock. “Travel, medical, personal accident and health are classes we are seeing more and more interest in,” he explains. “Sharing-economy companies increasingly need to offer their workers some sort of basic medical and sickness cover. It’s a niche area, but one we can step into because again, the requirement is there for us to handle those claims consistently, every time.”



Broadspire Europe hires Alexander Schneevoigt



Crawford has appointed Alexander Schneevoigt as senior vice president, Business Development, Broadspire Europe with effect from October 1.

Schneevoigt has nearly 20 years' experience, the majority of which was spent in the TPA sector with responsibility for sales strategy and business development.

"This is an exciting time for our TPA business and we have ambitious plans for the future," said Danielle Lisenbey, global president, TPA Solutions, Broadspire. "Alexander's strategic and innovative thinking will be invaluable as we explore new markets, broaden our offerings, and expand our client base."

Women to Watch: Charlotte von Krogh

Congratulations to Charlotte von Krogh who is an honouree at this year's Business Insurance's Women to Watch EMEA. Charlotte's impressive track record with Crawford and diversity of skills has seen her easily adapt to different cultures, embrace changing market conditions and adopt new skills. Charlotte believes that this adaptability helps you become a better leader.

Contractor Connection® – Continued Growth in Germany

Launched two years ago, Contractor Connection in Germany now has a national restoration network of 80 contractors to deliver a complete managed repair service, supporting policyholders from the first notification of loss right through every step of the repair and restoration process out of

the Dusseldorf office. Crawford has taken the incredibly successful global operational model and tailored it to meet the needs of the German market. Available to clients in the U.K., Canada, the U.S., Australia and Germany, Crawford Contractor Connection only works with industry-leading general and specialty contractors. Its network of contractors provides emergency response, general contractor restoration and specialty contractor services for commercial and personal property.



Spain launches U-adjust

Crawford Spain has launched U-adjust, a new intelligent claims management solution which provides claims tracking and access to data in real time. The four key components of U-adjust are:

1. Web Mobile U-Survey (tool for loss adjusters)
2. Backend U-Adjust (Bot with intelligence)
3. Web Mobile U-Customer Service (customer service)
4. Web Mobile U-Repairer (tool for repairers)

These tools combined have the potential to improve clients' businesses, and the lives of customers and policyholders everywhere.



Crawford®

For over 75 years, Crawford has solved the world's claims handling challenges and helped businesses keep their focus where it belongs — on people.

We bring together thoughtful people from around the world to offer comprehensive, intelligent solutions to our customers.

- Loss Adjusting
- Third Party Administration
- Managed Repair
- Medical Management
- On Demand Services
- Catastrophe Response

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