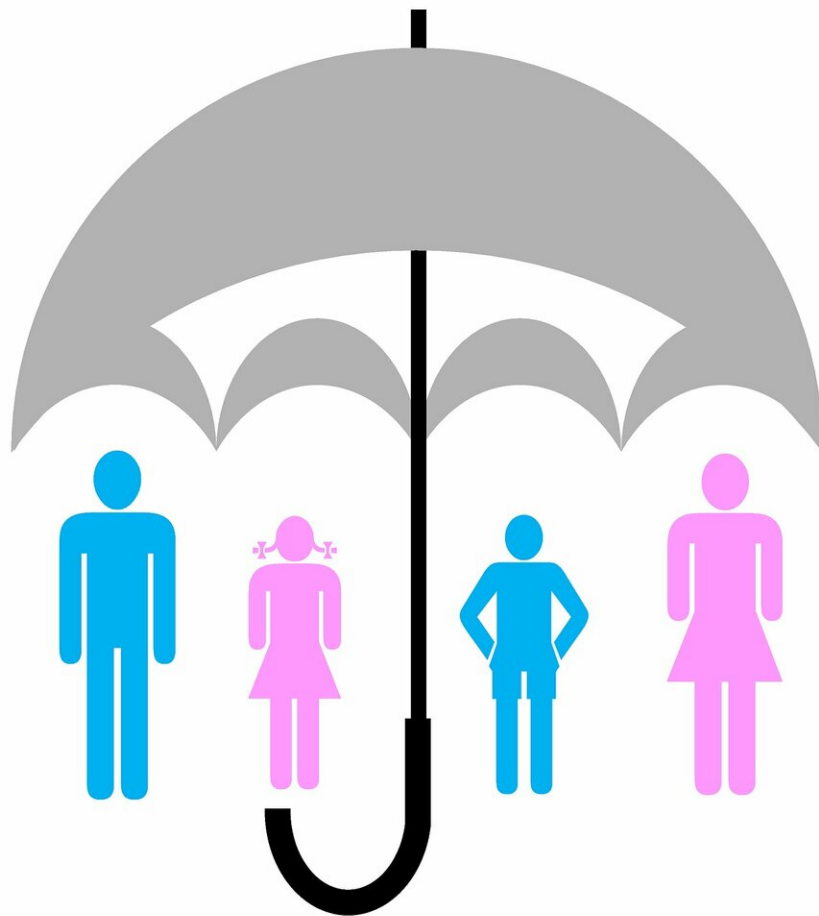


Insurtech in a pandemic: Creating opportunities from threats

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Researchers from Cass Business School suggest that Covid-19 will act as a catalyst for the industry-wide adoption of new digital initiatives in the insurance industry. They also suggest that the pandemic has uncovered the value to firms of having a Chief Risk Officer (CRO) to navigate strategy and identify opportunities.

The study, authored by Cass alumna Sarah Ruberry MSc, FCA, ACII and Dr. Cormac Bryce, Senior Lecturer in Insurance at Cass, found that [insurance](#) organizations often prioritize inward-facing, prescriptive digital strategies, often to the detriment of an outward-facing integrated strategy to target upside risk.

The rapid acceleration of Covid-19 to a global pandemic has triggered business continuity plans across the world and has brought about a wholesale change in working practices for insurers. With a 'new normal' yet to be defined amidst the challenges of evaluating an evolving cornerstone within the [insurance industry](#), speed and efficacy of data has become increasingly important.

A survey and interviews across nine insurance companies of different sizes found that one in three Chief Risk Officers (CROs) were either not looking at Digi-change—the implementation of insurtech and other data-oriented digital initiatives—or not implementing it.

'Risk Intelligence' through Skills, Knowledge, Experience, Education and Training (RI-SKeet) was also found to be largely lacking from board level downwards, emphasizing resource limitations and unsatisfactory board engagement.

The research makes the following recommendations:

- Insurance and reinsurance firms should focus on transforming the traditional perception of risk as the 'second line of defense'

into a value-identifying 'second line of opportunity'.

- The role of a CRO is more important now than ever, and companies must have an active individual to navigate the difficulties while seeking opportunities in a timely manner. CROs can also support areas of the business where delivery on strategic objectives has been suboptimal.
- There should be a greater focus on realistic stress test and scenario planning that considers the possibility of a potential second COVID-19 outbreak and our susceptibility to future pandemics. However, firms should not lose sight of other emerging risks—such as cyber-crime and climate change—that are evolving simultaneously.
- Commercial insurers cannot afford a 'wait and see' policy on technological modernisation, especially when forward looking competitors are already adapting and adopting.

Lead researcher Sarah Ruberry said:

"This research has implications for the future development of Insurtech and Fintech more generally.

"In a hardening market, chasing down frictional cost drops down the agenda. However, investing in the right Digi-change solutions can building a lasting strategic advantage.

"Insurers who can facilitate adequately priced risks through the efficient mining and analysis of data will be better positioned than their peers moving forward.

"A year ago, the insurance industry would have dismissed the idea of a wholesale working-from-home model and new business not needing to be conducted in person.

"Covid-19 has created an opportunity and a [paradigm shift](#) and similarly, insurers should refocus their Digi-change lens."

More information: Risk, Strategy, Digi-Change and the Role of the CRO. June 2020 [DOI: 10.13140/RG.2.2.26268.51844](https://doi.org/10.13140/RG.2.2.26268.51844)

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