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ISSUE 5,758

Canopius weighs up £2bn stock market flotation

p3

ID Comment: ESG pressures return

p2

Face-to-face interaction is still critical to Lloyd's success as a digital market

p4-5

NEWS

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First published in 1995, *Insurance Day* has become the favourite publication for the London market, which relies on its mix of news, analysis and data to keep in touch with this fast-moving and vitally important sector. Its experienced and highly skilled insurance writers are well known and respected in the market and their insight is both compelling and valuable.

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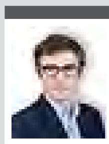
ID Comment: ESG pressures return

Carriers dealing with Brexit and Covid-19 need to start thinking about sustainability as well



Lorenzo Spoerry
Deputy editor

At this time of global crisis, carriers could be forgiven for putting environmental, social and corporate governance (ESG) criteria to the back of their minds.

But across the industry, carriers are doing more and more in this direction and those left behind will continue to feel the heat from pressure groups and investors.

Graham Coutts, an analyst with Fitch Ratings, warns ESG is "increasingly becoming one of the biggest talking points in the industry", a trend driven in part by increasing natural catastrophe activity.

"Hurricanes are getting stronger and wetter, wildfires more intense and more frequent," he says, adding: "Even insurer behaviour is coming under scrutiny. There is increasing focus on ethical underwriting, ethical investment, most notably in coal, but oil and gas is another sector that's come under scrutiny."

Munich Re says 2020 continued the series of very warm years and was just 0.01°C shy of 2016, the warmest year on record. It warns climate change will play an increasing role in natural hazards, rates for which are on the up as a result.

Some carriers are forging ahead with reform, despite the trials and tribulations caused by the Covid-19 pandemic and by the new trading arrangements required by Brexit.

Lloyd's, long the butt of criticism from climate change activists, shortly before Christmas set a new target to end all involvement in coal and oil sands projects over the next decade.

From January 1, 2022 Lloyd's managing agents will be asked to cease underwriting new coverages or invest in thermal coal-fired power plants, thermal coal mines, oil sands or new Arctic energy exploration activities. By 2030, they will be required to phase out all existing coverages.

The same deadline will apply for companies that derive more than 30% of revenues from coal-related activities.

Earlier this month, Axis became the first North American carrier to curb or cease insuring oil, gas and coal projects.

RenaissanceRe, meanwhile, has created a website to explain its environmental, social and governance (ESG) strategy.

The company says the website will concentrate on three strategic focus areas as part of its ESG strategy: promoting climate resilience; closing the protection gap; and inducing positive societal change.

Brokers, too, are playing their part. Marsh & McLennan Companies, which owns broking businesses Marsh and Guy Carpenter, has pledged to become carbon neutral in 2021.

Within individual lines, the pressures are also becoming more intense. Mike Lea, head of management liability at Lockton, warns ESG claims "are going to be the next new normal" in the directors' and officers' liability insurance space.

"Boards are going to have to pay particular attention to climate change and their effect on the environment," he said, adding: "We're also seeing insurance underwriters and investors superimposing these ethical values on their own businesses and seeing some insurers turn away from, for example, fossil fuel-related risks."

Activists are actively targeting firms that fall short. Insure Our Future, a group of climate change activists, has singled out Brit and Convex, demanding they rule out insuring the controversial Adani Carmichael coal project.

Insure Our Future also criticised Lloyd's for setting a 2030 deadline to phase out existing coverages, arguing such a long deadline "is not justified by climate science and the urgent need for action".

Insurers could be forgiven for thinking an unprecedented pandemic and Britain's separation from the EU single market would justify a more lackadaisical approach to ESG risks such as climate change.

But taking such an approach could see them caught on the wrong side of history. ■

Demotech warns of punitive view of property insurers' reinsurance programmes

Property insurers have been encouraged to "rethink" their rating agencies of choice amid warnings carriers could be punished for their reinsurance expenditures, *writes David Freitas*.

While rating agencies should recognise reinsurance programmes as "prudent practice", some may instead view them "negatively and characterise [them] as a dependency on reinsurance", financial analysis firm Demotech said.

This has led rating agencies to adopt a "short-sighted, quarterly earnings perspective" towards property insurance companies, Demotech said.

Property insurers spend heavily on reinsurance to protect themselves against catastrophes and, therefore, securing vertical coverage (meaning the appropriate level of reinsurance for an event) is essential, Demotech said.

Insurers must equally account for heavy spending on their horizontal programmes, which account for the number of events during a season.

"Rather than applaud these insurers for having reinsurance programmes that facilitated their ability to pay claims and simultaneously protect their financial stability, other rating agencies seemed to be surprised insurers could not earn an operating profit while addressing the undue number of claims emerging from the catastrophe events," Joseph Petrelli, president and co-founder of Demotech, said.

NEWS

Canopius weighs up £2bn stock market flotation

Valuation represents ‘remarkable’ return on investment and shows healthy sector backdrop, lawyers say

David Freitas
Reporter

Canopius is exploring the possibility of an IPO on the London Stock Exchange in the coming months
Willy Barton/Shutterstock.com

Canopius Group is reportedly exploring a stock market flotation that could value the company at £2bn ($2.72bn), which experts said underlined the attractiveness of the re/insurance market to investors.

The specialty group, which wrote nearly $2.4bn of premium last year, has held preliminary discussions with investment banks to explore the possibility of an initial public offering (IPO) on the London Stock Exchange in the coming months, according to media reports.

The group’s new valuation would represent more than double what a Centerbridge Partners-led consortium paid in 2017. The group belonged to Sompo and was sold for $952m in a management buyout.

“If the price being discussed is correct, that means Canopius grew massively,” an insurance partner at a London law firm said. “It represents a remarkable return on investment.”

The same lawyer said Canopius’s performance on its own is unlikely to be the sole driver of the possible valuation, adding the insurance market is ripening for investors to make use of new opportunities.

“This price means investors are willing to back the market at this juncture,” the lawyer added, “where after a long period of soft market conditions, we now have a hard market.”

A partner at an international law firm also agreed it would be “the right time horizon” for Centerbridge Partners if the investor is, indeed, to realise gains of more than double its investment.

“If this valuation is correct, that tells you a lot about insurance market valuation in hard market conditions,” the lawyer said.

The same lawyer added the potential transaction could be yet another sign of investor confidence and appetite in the Lloyd’s market. Inigo, for instance, raised $800m from a pool of investors in November last year.

The Supreme Court ruling in favour of policyholders in the recent business interruption case is also likely to prompt investors to turn their attention further to the insurance sector. Both lawyers agreed the court’s decision constituted another reason for further hardening of rates in the sector.

“The Supreme Court decision is more likely than not to increase the hard market period because Covid-19 losses will be larger than anticipated and this is likely to go into reinsurance,” the second lawyer said.

Canopius, which writes through Lloyd’s and a US platform, operates in several specialty lines, such as cyber, marine cargo and energy. It is the fourth-largest underwriter in the Lloyd’s market.

The firm also offers an insurance-linked securities platform, which makes Canopius’s proposition even more attractive, according to the first lawyer.

BGC Insurance rebranded to Corant

Corant will become the new name for BGC Insurance, comprising its broking operations as well as its managing general agents (MGAs), *writes Lorenzo Spoerry*.

The broking operations include Ed, Besso, Piiq Risk Partners and Junge. The MGAs include Cooper Gay, Globe Underwriting and Epsilon.

Those firms will continue to operate under their separate brands, with Corant as the ultimate holding company. Corant will also act as the investment vehicle for any future acquisitions for the group.

“Through considerable investment, we have established a strong reputation as an expert insurance sector player with industry-changing ambitions,” Corant’s chief executive, Steve Hearn, said.

“The time is now right for our achievements to be collectively recognised through the launch of a clear and distinctive holding company brand and identity,” Hearn added.

“Corant will be the best home for the best people and it will drive continued investment across our portfolio of broking, technology, underwriting and advisory businesses.”

Steve Hearn says move creates ‘clear and distinctive holding company brand and identity’

Axis pegs Q4 catastrophe losses at up to $205m

Covid-19 and other catastrophe and weather losses will cost Axis Capital up to $205m in the fourth quarter of last year, *writes Michael Faulkner*.

Disclosing its preliminary estimate, the Bermudian re/insurer pegged net claims for the quarter in the range of $195m to $205m before tax.

The estimate includes $125m relating to the Covid-19 pandemic, which the company said followed “an extensive review of potential exposures… on all lines of business, both short- and long-tail”.

The pandemic estimate includes the impact of global shelter in place orders that came into effect in the fourth quarter and the outcomes of recent court judgments, including the UK Supreme Court ruling, which came down substantially in favour of policyholders, the Bermudian company said.

The amount is in addition to the estimate of $235m recognised in the first quarter.

Other catastrophe and weather-related losses in the fourth quarter are estimated in the range of $70m to $80m and include Hurricanes Zeta and Delta and regional weather events in the US.

Axis added ongoing improvements in its current accident-year loss ratios excluding catastrophe and weather-related losses are “consistent with progress observed earlier in 2020”.

Hamilton hires Kinsale’s Rhoades for US specialty expansion

Hamilton Insurance Group has appointed Clay Rhoades as president of its US managing general agency operation, *writes Michael Faulkner*.

Rhoades, who joins from Kinsale Insurance, will oversee the expansion of Hamilton’s US specialty insurance businesses written across its group platforms.

The newly created role at Hamilton Managing General Agency Americas comes as the group continues to build its global specialty insurance and reinsurance operations.

“Clay’s leadership will provide the springboard we need to advance our US build-out at an ideal time in the market,” Pina Albo, Hamilton Insurance Group chief executive, said.

“His knowledge and relationships will be instrumental not only as we grow our existing business, but also as we thoughtfully expand our product offerings in the US,” Albo said.

The US underwriting operation, which has recently expanded to environmental liability and transactional liability, would continue to expand in “targeted lines of business”, Albo added.

ANALYSIS

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Face-to-face interaction is still critical to Lloyd's success as a digital market

Post-Covid, Lloyd's needs to pull the market back into the physical Underwriting Room, but it must shift the focus from transactional underwriting to innovation and product creation

Rasaad Jamie
Global markets editor

The emphasis of the Future at Lloyd's Blueprint Two programme is very much focused on the creation of a digital and data-led market to make Lloyd's more efficient, connected and scalable.

Under Blueprint One, the strategy was to invest in primary central processing platforms for everyone in the market to adhere to. Blueprint Two, commentators say, prioritises the need for Lloyd's to stay agile and keep pace with evolving technologies to facilitate the most efficient flow of data between brokers and carriers across both Lloyd's and the companies market.

This is seen by some in the market as the beginning of a recognition that most of the companies in the Lloyd's market operate in the wider London insurance market, often in larger, global insurance groups. But Blueprint Two, much more so than Blueprint One, raises the question of what digitalisation means for the future of Lloyd's as a market, with its own distinct culture and traditions, within the global insurance market.

One of the central emblems of the Lloyd's culture – the Underwriting Room – is only open on Wednesdays at present because of the coronavirus pandemic. This raises the question of the role of a physical underwriting room in an increasingly digital marketplace with a rising number of brokers and underwriters who are becoming more comfortable with remote working.

And, as the vaccine is being rolled out, what is the long-term future of the Underwriting Room if, as envisaged, the measures outlined under Blueprint Two drive an exponential increase in the pace of the digitalisation of the market?

Shift to virtual

Nobody is in any doubt the shift towards virtual underwriting rooms across the global insurance market, not just at Lloyd's, is accelerating, especially given the pressure to operate within global time zones. This trend is also extending to the claims arena, where 24/7 service is required.

But, for many, the physical underwriting room is unlikely to entirely disappear, despite the fact the past nine or 10 months have proved business can continue and deals can be still done in a virtual world, using technologies such as Zoom and Microsoft Teams. It is also despite the fact risk placement platforms, such as PPL and Whitespace, have also come into their own, with a massively accelerated increase in usage, which the powers that be at Lloyd's could only have dreamed of pre-pandemic.

"In five years' time, we will look back at this as the catalyst that enabled the insurance market to finally catch up with the times," Ben Potts, UK managing director at Novidea, says.

"But the fact is most people in the Lloyd's market are social creatures and old habits die hard. There are many brokers and underwriters who prefer to conduct business and negotiations face to face when they can," Potts adds.

Ben Rose the co-founder and president of Riskbook, a reinsurance trading platform approved by Lloyd's, says this commitment to face-to-face negotiation is evi-

'A post-Covid commitment to some form of a regular physical interaction whether formal or casual will be crucial to generating ideas to cater for increasingly complex risks facing both insureds and our industry'

Mark Gregory
Axis

denced by the current long waiting list for the best spots on the ground floor of the Underwriting Room, despite the fact rent at Lloyd's is very expensive and despite the financial pressures on syndicates to reduce costs. "For many in the market, it can seem short-termist to sacrifice boxes if, indeed, a vaccine is on the way to save the day," Rose adds.

But an all-digital marketplace is inevitable, Rose says. Footfall, he argues, is only one of many benefits of being a syndicate at Lloyd's. "And, with the help of Blueprint Two, we should see that gradually transitioning towards digital footfall any way," he adds.

Paul Templar, chief executive of Vipr, a provider of delegated authority solutions to brokers and underwriters in the Lloyd's market, agrees. Virtual communication, he says, will, in time, replace face-to-face interaction. The market has become more used to conducting business remotely via virtual conferences and video calls and this is now becoming the norm, he adds. "But Lloyd's has built its reputation on face-to-face interactions and, more often than not, it's the side conversations that actually drive business along. There is more work to be done on virtual communications before that can be easily replaced. It will take time, but it is achievable," Templar says.

Driving innovation

For others, maintaining some form of a physical presence, particularly the personal interaction between broker and underwriter on more complex risks, will remain an important part of how the London market operates. The argument here is that while electronic trading will, undoubtedly, re-engineer certain processes, people will still value face-to-face interaction – particularly when it comes to the more challenging or nuanced conversations. For example, building up trust in new business relationships.

Face-to-face interaction is regarded as particularly important in terms of facilitating the exchange of ideas and driving innovation. Commentators also point to the benefits of in-person interactions in the Underwriting Room or in insurers' broker lounges, which have proven over many years to be an excellent forum for establishing close relationships between professionals and for fostering the development of deal-makers, problem-solvers and insurance industry professionals generally.

"Exchanging ideas and thoughts on innovation can be extremely challenging in a preset 30-minute meeting versus an in-person catch up or unplanned and social interactions," Mark Gregory, chief executive of the international division at Axis Insurance and chief executive of Axis Managing Agency, says.

"Remote work has certainly proven itself capable in reacting to situations at hand and ensuring we talk to our partners. But a post-Covid commitment to some form of a regular physical interaction, whether formal or casual, will be crucial to generating ideas to cater for increasingly complex risks facing both insureds and our industry," he adds.

Lloyd's virtual underwriting room, which has been in operation for some months now, has proven highly effective in removing a lot of routine administration and the need to meet in person, While it will have a place in the market post-Covid, it will not completely replace face-to-face discussions, Paul Bermingham, managing director of Advent Insurance Management, says.

"Core to the value of Lloyd's is its expertise and being able to meet to work through complex issues in person is still the option of choice for many experts. Lloyd's also fosters a community that supports lasting relationships. This important to fostering emerging leaders in the market and attracting new talent into the industry," Bermingham adds.

Hybrid approach

The need to be physically present in the underwriting room in the future is likely to vary from role to role, according to James Willison, managing director of insurance technology firm WCL. "Certainly, there will be some roles, such as administrative, which can be conducted remotely. Moving forward, I believe there will still be an underwriting room, but with subtle changes to incorporate a hybrid of a physical and virtual working environment," Willison says.

The success of Lloyd's as a market will depend, to a large degree, on how strategically this hybrid working environment is mobilised. There will always be a place for face-to-face underwriting, Karen Stanford, operations and transformation lead at GreenKite Associates, says. "However, the challenge for Lloyd's is that all underwriting used to be done face-to-face in the Underwriting Room, rather than just using this method for those complex matters that require it. The Underwriting Room was overdue a makeover and the market has been forced to do things differently."

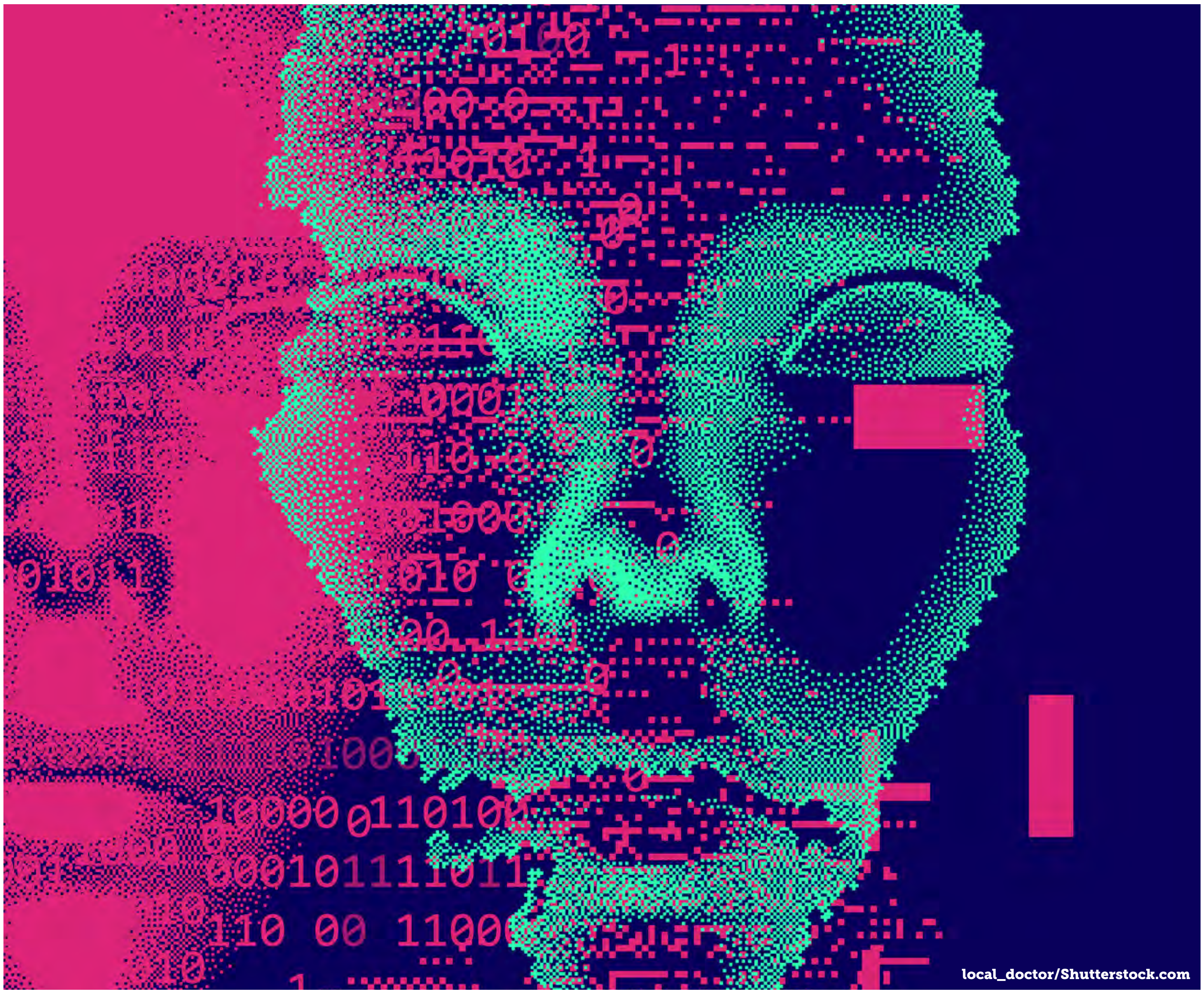
Working remotely is not the end of the underwriting room, Stanford argues. "It's the start of the evolution of a 300-year tradition and reinventing it to ensure that it is fit for the 21st century. It is essential to take the best of the existing model and revolutionise with digital support to ensure Lloyd's maintains its ability to place the most complex risks and serve its customers," she adds.

To ensure its survival as a global market, Lloyd's needs to make a subtle, but critical, change to the priorities of the underwriting environment, according to Ian Summers, the chief executive of Sequel. "I am a great believer that to truly innovate you need to bring people together. Lloyd's therefore still needs to continue to lead and pull the market back into the room.

"However, it needs to tweak the focus from transactional underwriting in the room to innovation and product creation. Lloyd's must be seen as the centre of risk innovation and the place to come for answers," Summers says. ■

'It is essential to take the best of the existing model and revolutionise with digital support to ensure Lloyd's maintains its ability to place the most complex risks and serve its customers'

Karen Stanford
GreenKite Associates



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VIEWPOINT

5G will radically transform the cyber risk landscape

The market must be more proactive in terms of understanding and reviewing policy wordings, to accommodate the new exposures relating to 5G-enabled products and technologies

Jonathan Franke
New Dawn Risk

Cyber insurers and buyers need to be ready for the roll-out of 5G, where wordings are likely to change, and coverage could be challenged
Ivan Marc/Shutterstock.com

The next 12 months will see the scaling up of the worldwide roll-out of 5G networks, with North America, Europe and east Asia leading the way.

The importance of 5G has grown since the onset of the pandemic. With much of the world switching to remote working and with the prospect of home offices becoming the new norm, businesses and individuals are requiring faster, more reliable data speeds. Companies are also adapting to network management across multiple locations to continue operating efficiently.

When it comes to data transmission and storage, the majority of the developed world will soon swing towards 5G, as we continue to transition to a progressively cloud-based economy, and that change brings with it a brand new cyber threat landscape – one that is yet to be clearly understood.

Before considering the insurance challenges 5G brings, it is important to understand exactly what 5G is. It builds on the evolution and development of its predecessors, 3G and 4G, allowing societies to smoothly transition into the increased usage of smart devices and offering faster wireless browsing and streaming. According to Ofcom, 5G is "much faster than previous generations and also offers greater capacity, allowing thousands of devices in a small area to be connected at the same time".

The 5G roll-out will continue to enhance the expansion of the internet of things (IoT) in almost all industry sectors and many homes, as more and more smart devices connected to the internet become essential equipment. While this technology explosion is welcome, not all manufacturers of IoT devices have made cyber security a priority within their business plans.

Globally, there are now billions of interconnected devices, all communicating with each other; these devices have wide-ranging and differing security controls, leading to an unimaginable number of potential vulnerabilities for criminals to exploit. A lack of shared security standards for IoT devices means network breaches and hacking have the potential to travel widely and loopholes occurring between two unmatched systems could easily be exploited by organised criminals.

All this means criminals have already recognised an opportunity to access seemingly secure networks almost undetected. Consumer and individual data could be compromised simply by having a domestic smart meter to measure electricity and gas usage. However, even more significantly for business insurers, 5G is being used in various industry sectors, from farming to manufacturing.

It is a responsibility for insurers to ensure that their breach-response providers are well-informed about the developments and roll-out of 5G, as well as being able to respond even quicker to incident notifications and to start negotiations in the case of complex ransomware demands

Investment in monitoring

Pre-5G networks have fewer "traffic points" and this means security monitoring and scanning is simpler, less time-intensive and less expensive for businesses. However, 5G's dynamic software-based systems have led to a huge increase in traffic points, and to take account of this, both business-to-business and business-to-consumer companies must prepare to invest in more sophisticated and increased levels of monitoring of their networks, controls and technology.

Companies will need to place more and more reliance on IT experts to ensure adequate protection is in place, in spite of a widening IT skills gap. And they will have to do so at speed – planning for the increased risks associated with 5G should already be well developed. Those who have taken their eye off the ball, perhaps distracted by adjusting their operations to cope with Covid-19, run the risk of increased vulnerability.

The same applies to cyber and technology insurers. They have a responsibility to be 5G-ready too, in terms of making sure their cyber insurance offerings are up to speed and they are providing their clients with adequate protection. It is also a responsibility for insurers to ensure their breach response providers are well informed about the developments and roll-out of 5G, as well as being able to respond even quicker to incident notifications and to start negotiations in the case of complex ransomware demands.

In 2021, we will see cyber insurers and buyers scrambling to be ready for the roll-out of 5G; wordings are likely to change, and coverage could be challenged. Some better-informed and more proactive insureds may start to enquire into manuscript wording to cover the threats relating to 5G-enabled products and technology, it is up to insurers to understand these threats and to learn how to respond to these questions before clients come knocking.

This could make 2021 an even tougher year for this already challenged class. A new and unexplored threat is likely to unsettle insurers and it also poses questions about how new or altered risks should be rated in terms of premiums. Given an increasingly litigious and claims-active cyber sector, we would expect rates to increase and possibly capacity to constrict for new business in the year ahead and 2021 could be a difficult year for cyber insurers and buyers alike. ■

Jonathan Franke is a technology, media and cyber broker at New Dawn Risk

VIEWPOINT

Now is the time for parametric insurance to go mainstream

Parametric products offer a simplified form of cover: a predefined event results in a pre-defined payout

Yurchanka Siarhei/Shutterstock.com

Covid-19's losses have brought into focus the limitations of traditional indemnity insurance

Toby Behrmann
Global Parametrics

It is becoming clear that, in this uncertain world, protecting the economic activity of customers is as important as protecting their assets and speed of payment is essential

The insurance industry is changing. Advances in technology are revolutionising every aspect of the insurance value chain, from product design to delivery, while customers are demanding greater customisation of product, convenience of transaction and speed of payment. New insurtechs are capitalising on these trends, while existing carriers know they need to keep up or be left behind.

It is within this context that parametric insurance has the potential to be transformational.

The idea behind parametric insurance is simple: a pre-defined event results in a pre-defined payment. It is this core simplicity that makes it so powerful. Payment is not linked to losses, so there is no need to value an asset being insured or assess the loss incurred. The customer has a clear understanding of the benefits of the product and the insurer knows exactly what its potential exposure is.

The more reliable, consistent data that is available, the more risks can be covered by parametrics. The applications are limitless, scalable and need minimal human intervention. The solutions that can be provided to customers are limited only by the imagination.

These solutions have been used for many years in very different spaces: direct-to-consumer accident and health business, weather derivatives trading and natural disasters. Yet, parametrics has never been mainstream. Now things are changing.

Traditional limitations

Traditional indemnity insurance relies on an insurable asset and a proof of loss. This is beginning to feel limited in an era where organisations are looking to cover hard-to-value assets and losses are getting more difficult to quantify and are often liable to creep. A form of insurance that does not rely on the loss to an asset suddenly becomes vital.

Last year brought into sharp focus the limitations of traditional insurance. Covid-19 disrupted the world and caused significant (but difficult to assess) losses. Natural disasters have become more frequent, and their impact increasingly more severe. It is becoming clear that, in this uncertain world, protecting the economic activity of customers is as important as protecting their assets and speed of payment is essential.

Parametrics can help and technological consumer-focused start-ups are gaining traction. FloodFlash links in-home water level meters to provide flood insurance that pays out within hours. Blink provides app-based travel insurance that delivers benefits the longer a flight is delayed. Jumpstart sends immediate payouts to individuals if an earthquake occurs exactly where they are located. Other organisations like Descartes, Skyline and New Paradigm build state-of-the-art parametric solutions that cater to the much greater needs of commercial entities.

Even the large insuers and reinsurers are betting on the growth of the sector, with many establishing their own or investing in external parametric teams.

Finally, parametric insurance is gaining importance as a method of insuring some very unusual risks. When Hurricane Delta hit the state of Quintana Roo in Mexico in October last year, it triggered a parametric product that provided funds within days to repair the Mesoamerican Reef; in the same month, when drought hit northern Myanmar, a parametric product was triggered to enable local financial institutions to keep lending.

Proactive view

To remain relevant, the insurance industry must move from a reactive to a proactive view of risk, reducing losses rather than paying claims. Rather than fixate on an accurate value to replace what is lost to a risk – a task that is becoming increasingly difficult – insurers are beginning to understand what that risk means to a customer, providing the tools to reduce the chance of the risk occurring, and the ability to face it with positive actions.

To fully realise the benefits of parametrics requires a new way of thinking about risk mitigation. Purchasing products that link a condition to an action empowers an organisation to make positive proactive measures (by providing direct access to new capital), rather than negative reactive ones (recovery of some losses).

The scope and possibilities of these positive actions are endless and can only result in a stronger relationship between insurer and client. Existing market segments that have traditionally been untouched can be captured. Imagine the value of a product to a social media star that pays out when their "likes" drop below a certain number or to a hotel chain that pays out before adverse weather hits.

Non-tangible losses, non-asset-based business interruption, immediate liquidity – these are just some areas that are being addressed by parametric products. A tool forged in the past that has been reinvigorated as a solution for the future.

The insurance industry has always innovated. Now it has the opportunity to actively empower organisations to think more deeply about their relationship with risk, and the opportunities it can bring. That is the power of parametrics. ■

Toby Behrmann is innovations and partnerships lead at Global Parametrics

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Covid-19 pandemic offers a brutal lesson on risks: WEF

World Economic Forum report says 2020 showed the world needs to take all risks seriously

Marc Jones
News editor

The Covid-19 pandemic showed the world needs to wake up to global risks, according to the World Economic Forum (WEF).

Speaking at the launch of the WEF's global risks report 2021, Borge Brende, president of the WEF, said the organisation has been warning about the dangers of pandemics for 15 years since its first report came out in 2006.

> **'[Covid-19] is one of the deadliest viruses in history and it shows we should pay much more attention to blind spots and risks we need to address and build resilience towards'**
>
> **Borge Brende**
> **World Economic Forum**

He said over the past year, more than 100 million people have now contracted coronavirus, with a death toll of two million. "This is one of the deadliest viruses in history," Brende said, "and it shows we should pay much more attention to blind spots and risks we need to address and build resilience towards."

Brende pointed out the past year had shown that risks are global, interconnected and not confined by borders or categories.

He also said the past year saw global economic disruption, recession and growing economic disparities that could have an impact on workforces all over the world.

The report stressed financial, digital and reputational pressures resulting from Covid-19 also threatened to leave behind many companies and their workforces in the markets of the future.

The WEF's report highlights the global impact of the coronavirus pandemic
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While these potential disparities could cause societal fragmentation for states, an increasingly tense and fragile geopolitical outlook will also hinder the global recovery if mid-sized powers lack a seat at the global table.

Within the report environmental risks dominated by impact and likelihood. Societal fractures, uncertainty and anxiety will make it more difficult to achieve the co-ordination needed to address the planet's continued degradation.

For the first time, the report also rated risks according to when respondents perceive they will pose a critical threat to the world. Clear and present dangers (zero to two years) revealed concern about lives and livelihoods – among them infectious diseases, employment crises, digital inequality and youth disillusionment.

In the medium term (three to five years), respondents believe the world will be threatened by knock-on economic and technological risks, which may take several years to materialise – such as asset bubble bursts, IT infrastructure breakdown, price instability and debt crises.

Existential threats (five to 10 years) – weapons of mass destruction, state collapse, biodiversity loss and adverse technological advances – dominate long-term concerns.

A copy of the report can be downloaded here.

Business interruption, pandemic top latest Allianz Risk Barometer

Business interruption is the risk most feared by businesses, followed by pandemic and cyber, a new study has found, *writes Stuart Collins*.

These three interlinked risks all scored highly and attracted almost twice as many responses as the fourth-placed risk of market developments, according to the latest Allianz Risk Barometer.

Pandemic risk rocketed up the ranking to second from 17 and is seen as the main cause of business interruption in 2021, followed by cyber.

Before 2021, pandemic had never ranked higher than 16th place in 10 years of the study and is a "clearly underestimated risk", the insurer said.

Cyber, which was the highest-ranked risk in 2010, was still ranked as a top three risk in many countries, including the UK and the US.

"The Allianz Risk Barometer 2021 is clearly dominated by the Covid-19 trio of risks. Business interruption, pandemic and cyber are strongly interlinked, demonstrating the growing vulnerabilities of our highly globalised and connected world," Joachim Müller, chief executive of Allianz Global Corporate & Specialty, said.

Intact and Tryg's RSA deal gains key approvals

The acquisition of RSA Insurance Group by Canadian insurer Intact Financial and Danish insurer Tryg has received key shareholder and regulatory approvals, *writes Stuart Collins*.

Following a court meeting and RSA's general meeting, which was on January 18, scheme shareholders and RSA shareholders voted to approve the proposed transaction via a scheme of arrangement under Part 26 of the Companies Act 2006.

In addition, Intact has received approval for the acquisition to go aheadfrom the Canadian Competition Bureau.

According to Intact, the acquisition is expected to complete in the second quarter of 2021, subject to receipt of approval from the relevant regulatory and antitrust authorities and the satisfaction.

THB places first risk with Lloyd's vaccine transport facility

London market broker THB has placed the first risk with the Global Health Risk Facility, a public-private facility underwritten at Lloyd's to insure risks associated with the distribution of vaccines, *writes Stuart Collins*.

The facility is anchored by Lloyd's syndicate 1796, led by Ascot and developed by insurtech Parsyl.

THB worked with specialist US retail broker Armfield, Harrison & Thomas to arrange insurance for the Partnership for Supply Chain Management, a supply chain solutions provider.

Chris McGill, head of cargo at Ascot and active underwriter at syndicate 1796, said: "This new syndicate is a game-changer for healthcare in the developing world where, without the right data, insuring these vital products simply doesn't happen."