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The “new normal” in insurance and risk management post-pandemic

By Jaava Myllyniemi

As lockdown continues in some format or another in most parts of the world, it has offered or forced the insurance industry to rethink its role in society and towards its clients. Insurance companies have succeeded in this in different ways, and it remains to be seen who the winner in the category of empathy will be and therefore gain a bigger market share and more clients in the future. As finance institutions, insurance companies should play a big role in getting societies back to normal – whatever that ‘new normal’ might look after people start meeting each other again and companies can open their doors without any pandemic sanctions. Now is the perfect time to illustrate why policyholders transferred their risks to carriers and what is the true essence of insurance, and how it can support society and take its part of overall finance meltdown.

Clarity & flexibility

Many policyholders seem to have expected some kind of claims payment due to business interruption but have instead got frustrated at how little assistance their insurance cover gives. The interpretation of all risk insurance has been blurred, as clients and carriers read terms and conditions cautiously and pressure from institutions and organisations is increasing. Dependencies are also greater than we could ever imagine, as logistics chains are being endangered in many businesses.

The way forward should include pandemic of all sorts to fall under cover causing less misunderstanding of clients. This should increase the role of insurance and risk management in society as a respected player. Carriers should see beyond expected lower premiums volume, minor profits and on the other hand a shift from soft market to hard market.

Extraordinary times like these also offer many opportunities to the insurance industry. Never before has cyber insurance been so easy to market, as remote working has become typical in many professions and threats are more obvious than before. The insurance sector has also been extremely slow to move towards apps and software compared to its peer group of industries, but now the market is exposed to new tools to do business. In the private sector, a shift in consumer trends has seen life insurance premiums go up instead of travel insurance, which is declining.

Responsibilities & liabilities

Each one of us is liable to one or many of us. The new normal will stress liabilities among us as a private person or business owners. We are responsible for risk management in homes, offices and factories in many roles and functions. Insurance covers should be practical at dealing with these situations, but they mainly seem to be stuck in the past where employees work on-site. Worker’s compensation is one example of this, as remote work is often regarded as being a different class of work it therefore requires extra efforts or risks to be covered.

Indeed, most accidents happen in home, yet this growing phenomena of working without specific space or time is encouraging us to find a new type of liability to be covered. Health insurances have also reached their limitations in many places. Traditional aspects do not apply anymore and insurance covers have vague values. Most important of all, we are responsible for the safety of our families and employees. As restrictions ease, we need to concentrate on safety and wellbeing more than before, and also transfer this risk to carriers who will have an opportunity to restructure the liability cover of all sorts.



Companies are also going to struggle with different kinds of lawsuits and class actions due to the pandemic in the next few years. D&O, legal expenses insurance cover and similar products are being tested around the world with various results. For the insurance industry this will display how well products fit the new normal and give boost to develop more tailor-made or flexible products to satisfy demand. Term and conditions in products could be marketed by emphasising exclusions and safety regulations rather than highlighting what insurance products can cover.

Trend to rent

Trend from owning to using will have a significant impact from the pandemic. Although the word “rent” has been very usual in the news when business around the world have suffered from pandemics, rent will become more typical for private use and for businesses. This should shake the insurance industry from typical CCC-clause in property insurance towards a more open infrastructure of defining cover and putting less importance on the owner instead of usage at the time of insurance claim.

For private persons, car insurance is a good example of this, as generations Y and Z are moving towards alternative modes of transport, and many of us do not need cars so often during working hours anymore. Cars and motor insurances everywhere where possible are now put on hold, temporarily cancelled or parked in garage. Insurance cover including regulatory charges has not yet followed nor eased this trend that will move next to boats. Very seldom we see legislation or products, which are based on use of car rather than car or owner itself. Modern technology and big data should give us a brave base to alter insurance cover according to our habits.

What next

The new normal will bring us all together for a while. Whether it is families or employees, it is time to broaden our view on insurance, cover and risk management. The new normal will need more risk management than before, and it is the insurance industry’s time to follow with best risk prevention tools, premiums based on usage, terms and conditions as flexible as possible to avoid misunderstanding, and safety as the primary interest.