

# PINNACLE

## APEX WEBINAR

August 30, 2022

*This Just In:* Exploring the  
Evolving Insurance Landscape  
in a Post-Pandemic World

Kendra Letang, ACAS, MAAA  
Nicole McArdle, ACAS, MAAA  
Dalesa Bady, ACAS, MAAA



# About the Presenters



**Kendra Letang, ACAS, MAAA**  
Consulting Actuary

More than 10 years of experience in the property/casualty insurance industry

Primarily focused on loss reserving, funding studies, predictive analytics and ratemaking

Serves on the Casualty Actuarial Society's (CAS) Member Advisory Panel and Webinar Committee



# About the Presenters



**Nicole McArdle, ACAS, MAAA**  
Associate Actuary

More than six years of experience in the property/casualty insurance industry

Primarily focused on loss reserving, loss cost projections, funding studies, predictive analytics and ratemaking

Serves on the CAS Member Advisory Panel



# About the Presenters



**Dalesa Bady, ACAS, MAAA**  
Actuary, GuideOne Insurance

More than 10 years of experience in the property/casualty insurance industry

Areas of work include personal and commercial lines ratemaking, product development and predictive analytics

CAS University Liaison and Chair of International Association of Black Actuaries (IABA) Scholarship Committee

# Agenda

- Background
- Small Business
- Business Interruption
- Cyber
- Digitalization and Technology
- Conclusion

# COVID-19 and the Insurance Industry

- Estimated COVID-19 costs to insurance industry
  - Initial projection: \$100B
  - Current estimate: \$44B
- COVID revealed gaps in coverage and insurance operations
- Insurers and customers respond

**Pandemic Losses Spur NCAA to Set Up Captive Insurance in Vermont**

**Nearly 1 in 5 Consumers Experienced Package Theft Since the Start of Quarantine**

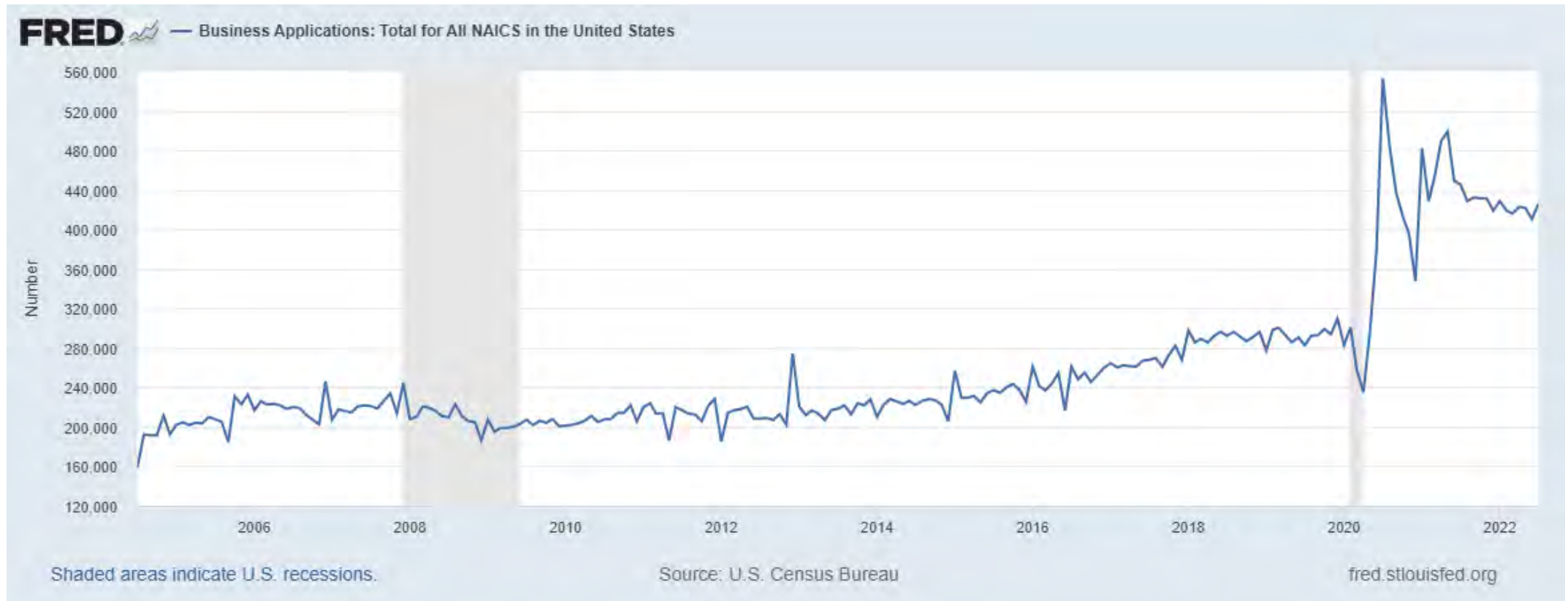
**Film, TV productions hobbled by lack of COVID-19 insurance**

**COVID COVER: EMBEDDED COVID-19 PROTECTION FOR TODAY'S TRAVELERS**

**Small Business**

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# Small Business Insurance





# Small Business Insurance

- Pandemic changed business operations
  - Fewer people in physical buildings
  - Additional protocols and compliance with new safety regulations
  - Mental health/stress of employees
- Small business insurance demand high in current environment



# Insurers Shifting Behavior for Small Businesses

## NEXT Insurance Participates in Amazon Insurance Accelerator

NEXT's digital offering provides small businesses with seamless access to affordable General Liability coverage

## Aon and Paypal to Expand Access to Insurance for Small Businesses



## USAA Expands Product Offering to help Veteran Owned Businesses

Company to offer USAA Small Business Insurance



# Changing Customer Expectations

## Product selection factors in flux

### 2018

- 1 Competitive price
- 2 Discount offers
- 3 Prior interactions
- 4 Brand name

### 2021

- 1 Competitive price
- 2 **New**—Product variety
- 3 **New**—Product expertise
- 4 **New**—Digital offering

(Source: PwC 2021 survey of 6,000 insurance customers)

# Shifting Customer Needs





# Business Interruption

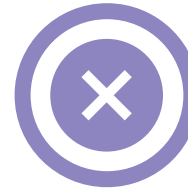
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# Business Interruption Coverage



TYPICALLY INCLUDES  
LOSS DUE TO:

- Theft
- Fire
- Wind
- Falling object
- Lightning
- Damage to building or equipment



EXCLUDED PERILS:

- Flood, earthquake or damage from other major natural weather events
- Undocumented income
- Utilities
- Supply chain challenges
- Viral outbreaks or pandemics

***Coverage typically requires direct physical loss or damage to the property***

## BI Litigation Continues...

*Businesses Thought They Were Covered for the Pandemic. Insurers Say No.*

*Two More Appeals Courts Rule Against Businesses in COVID-Interruption Suits*

**Not All Hope is Lost: Another Policyholder Business Interruption Victory in the Wake of the Pandemic**

# BI Legislative Actions & Industry Response

- Through April 2022, 79% of state court rulings and 95% of federal court rulings have been in favor of insurers
- Some states proposed legislation to retroactively cover BI claims without success
- Business Continuity Protection Plan (BCPP)
- Pandemic Risk Insurance Act (PRIA)
  - H.R. 5823 bill introduced
  - Modeled after TRIA



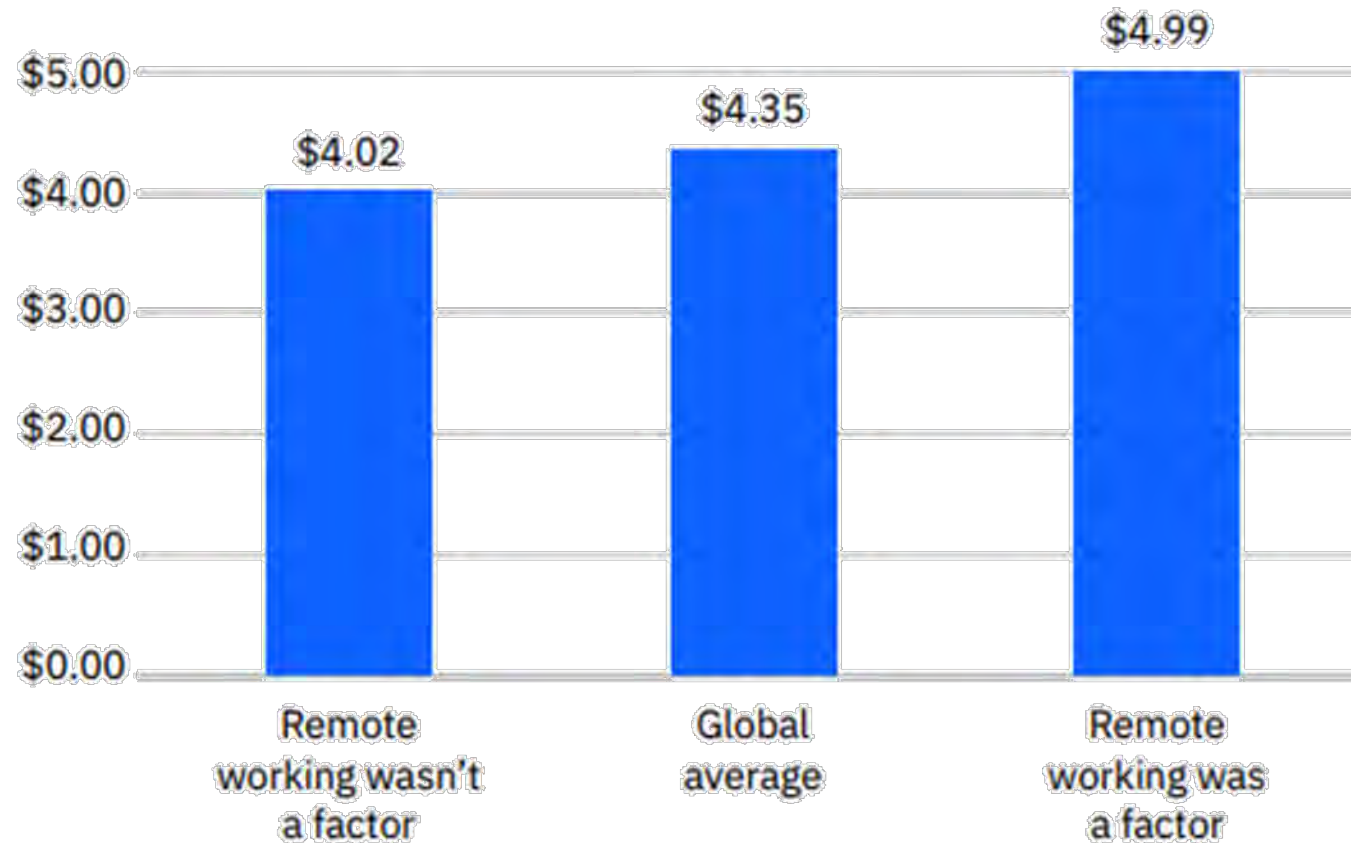
Cyber

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# COVID-19 was a Catalyst for Driving Cyber Insurance

- Cyber liability greatly impacted by pandemic shut down
- Working remotely increased vulnerability
  - Remote desktop protocols
- Ransomware attacks skyrocketed
  - Up 323% from 2019 Q1 to 2021 Q4
- Insurers limited exposures and strengthened underwriting requirements
  - Insurer actions included massive rate increases of 100%+

# Average Cost of a Breach Where Remote Working was a Factor in Causing the Breach

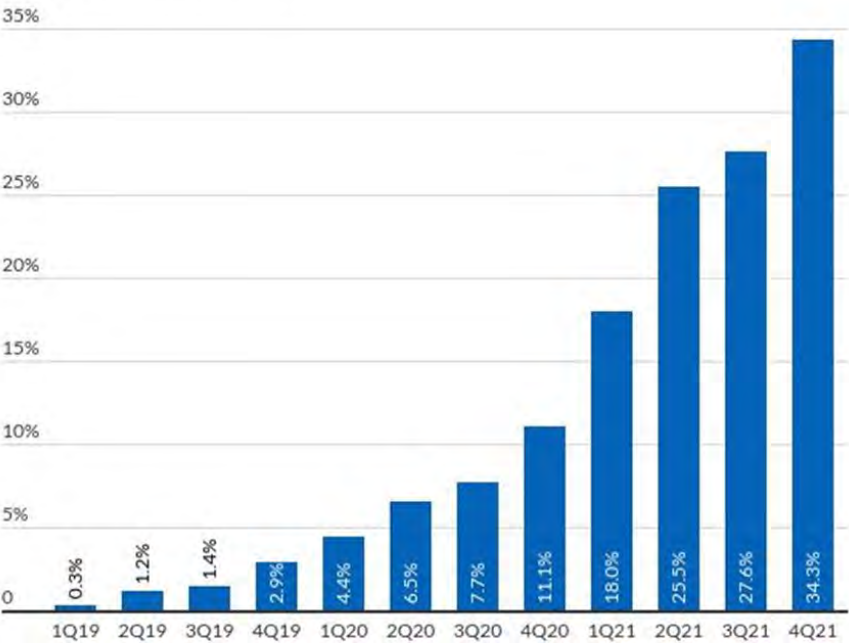


Measured in USD Millions; Source: 2022 Ponemon-IBM Cost of a Data Breach Study

# Cyber Insurance Renewal Premium Rates QoQ Change

Cyber Insurance Renewal Premium Rates QoQ Change

4Q21 Rates Increased 34%



Source: Fitch Ratings, Council of Insurance Agents & Brokers.

FitchRatings

# Insurer's Response to Cyber



# Alternative Cyber Solutions



# Partnerships to Integrate Cybersecurity & Cyber Insurance

**"Cloud Protection +" as an innovative solution from Allianz, Munich Re and Google Cloud for cyber security issues**

**Allianz boosts cyber insurance offering with multi-year partnership**

**AXA XL Announces Collaboration with Slice Labs and Microsoft to Improve Cyber Risk Management**

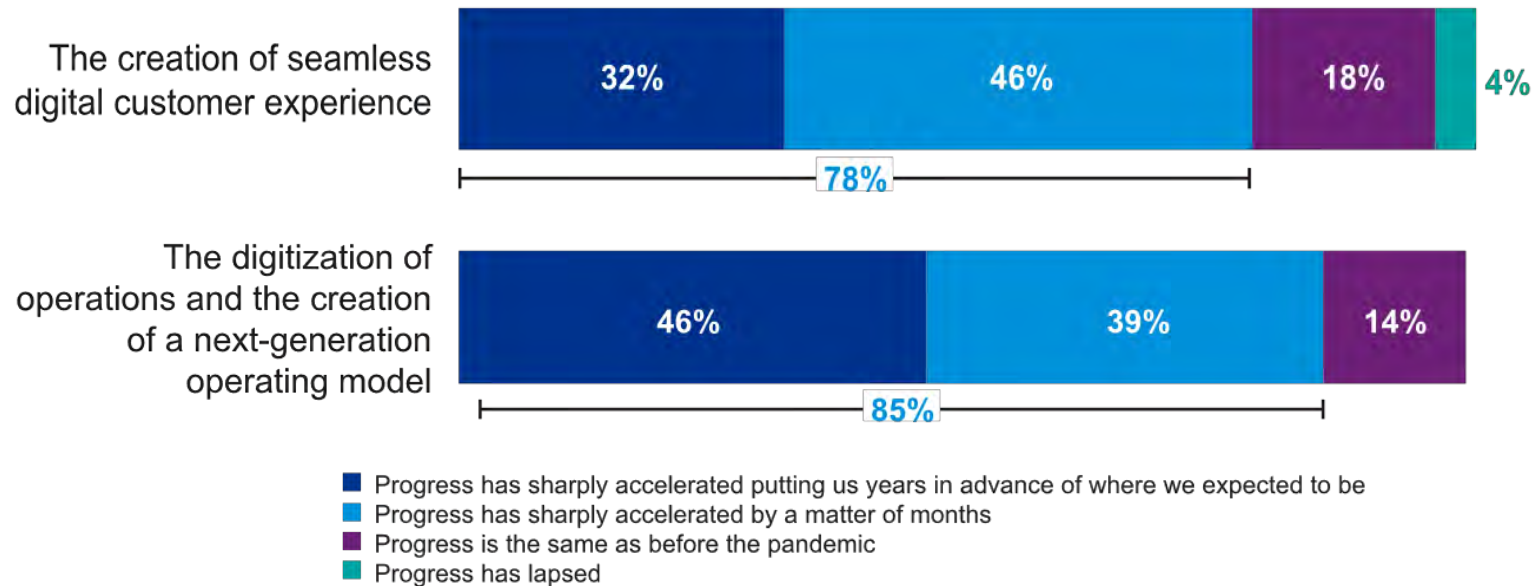
# Digitalization and Technology

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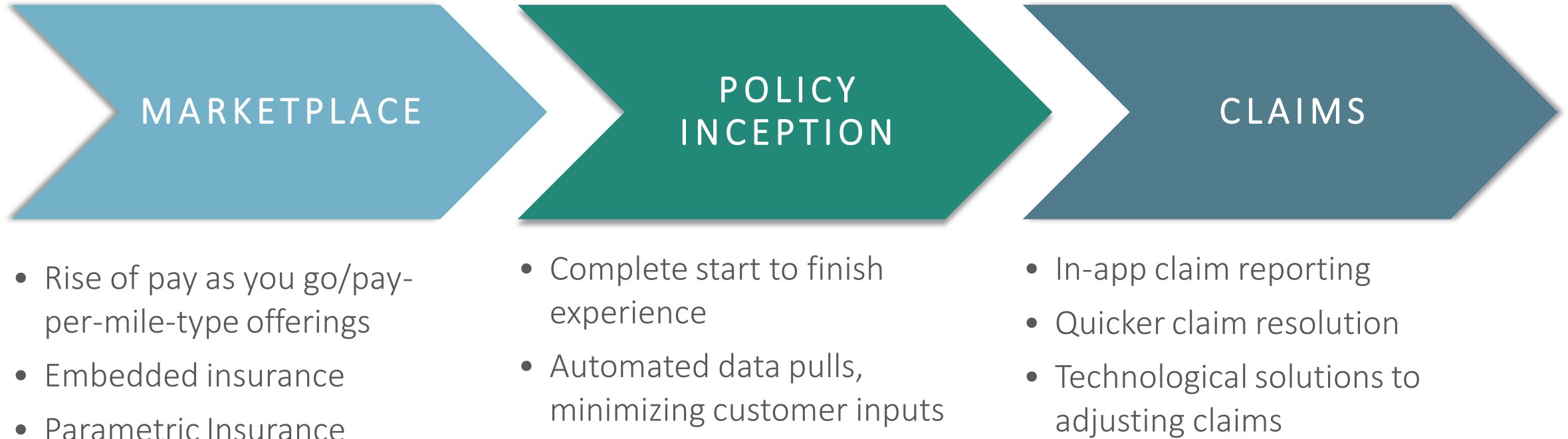
# Digital Acceleration

- Company priorities pre-COVID often included digital expansion and enhanced technological capabilities
- Many company CEOs note that COVID has accelerated the pace of change related to implementing digital solutions



Source: KPMG 2020 CEO Outlook COVID-19 Special Edition  
Note: due to rounding all rows may not equal 100.

# Digitization of the Customer Experience and Operations



# Leveraging Technology in Operations

- Claims adjusting
  - Image-based processing
  - Drone usage
  - Instant processing
- CAT response
- Leveraging IoT
  - 70% of consumers improved home during COVID-19; more than half used smart devices

# Leveraging Technology through Partnerships

- Rise in Insurtech startups
- Travelers acquires technology assets of Insurtech Trōv
- Nationwide partners with robotics company, Labrador Systems
- Lemonade acquisition of Metromile

# The Insurance Landscape is Continuing to Evolve

- The pandemic accelerated changes in the industry
- Customer needs are shifting
- Insurers are still adapting coverages affected by COVID



Questions

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## APEX WEBINAR



Kunshan Yin



Joey Sveda

## Introduction to Clustering for Territorial Ratemaking

**Thursday, September 15**

**2:00 p.m. ET**

**Register now**



## SHOW ME THE MONEY

Multiple

June 06, 2022



## AUTONOMOUS VEHICLES – A REVOLUTIONARY LOOK AT INSURANCE

Multiple

May 24, 2022



## INTRODUCING! THE VERSATILITY OF HYBRID CAPTIVES!

Rob Walling

May 04, 2022



## SAVING SCOTT'S RIDGE

Rob Walling

April 22, 2022

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# Thank You

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