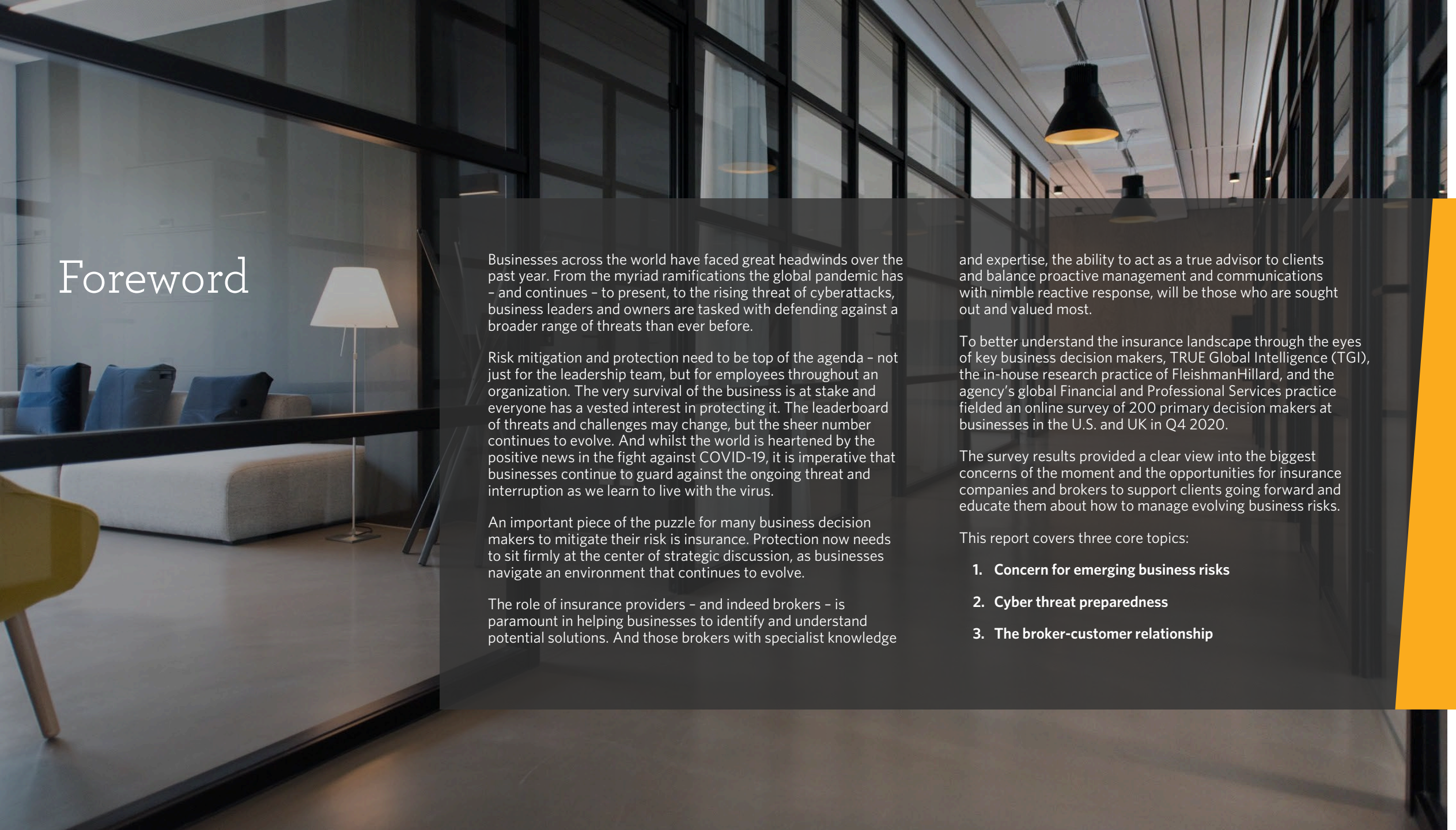
FLEISHMANHILLARD

The Changing Insurance Landscape and Advisory Role of the Broker

RESPONDING TO CUSTOMER NEEDS IN LIGHT OF COVID-19 AND GROWING CYBER DISRUPTIONS

Findings from a study commissioned by
FleishmanHillard TRUE Global Intelligence



Foreword

Businesses across the world have faced great headwinds over the past year. From the myriad ramifications the global pandemic has – and continues – to present, to the rising threat of cyberattacks, business leaders and owners are tasked with defending against a broader range of threats than ever before.

Risk mitigation and protection need to be top of the agenda – not just for the leadership team, but for employees throughout an organization. The very survival of the business is at stake and everyone has a vested interest in protecting it. The leaderboard of threats and challenges may change, but the sheer number continues to evolve. And whilst the world is heartened by the positive news in the fight against COVID-19, it is imperative that businesses continue to guard against the ongoing threat and interruption as we learn to live with the virus.

An important piece of the puzzle for many business decision makers to mitigate their risk is insurance. Protection now needs to sit firmly at the center of strategic discussion, as businesses navigate an environment that continues to evolve.

The role of insurance providers – and indeed brokers – is paramount in helping businesses to identify and understand potential solutions. And those brokers with specialist knowledge and expertise, the ability to act as a true advisor to clients and balance proactive management and communications with nimble reactive response, will be those who are sought out and valued most.

To better understand the insurance landscape through the eyes of key business decision makers, TRUE Global Intelligence (TGI), the in-house research practice of FleishmanHillard, and the agency's global Financial and Professional Services practice fielded an online survey of 200 primary decision makers at businesses in the U.S. and UK in Q4 2020.

The survey results provided a clear view into the biggest concerns of the moment and the opportunities for insurance companies and brokers to support clients going forward and educate them about how to manage evolving business risks.

This report covers three core topics:

1. **Concern for emerging business risks**
2. **Cyber threat preparedness**
3. **The broker-customer relationship**

Concern for emerging business risks

Many enterprises continue to suffer during the pandemic with a majority of organizations facing financial challenges and over half of the organizations saying they would NOT meet their business goals in 2020.

Business interruption has been a top-of-mind issue for businesses across the world, many whom have seen very little relief and have found that their insurance policy would not cover them in their time of need.

From business closures due to "stay at home orders" to brick-and-mortar retailers moving to e-commerce, operations and supply chains have been put under strain. It even led to the UK's High Court determining that the majority of businesses that held business interruption insurance and were forced to close due to the pandemic are entitled to be compensated by their insurer.

There are glimmers of relief, with vaccines continuing to be approved and rollouts expanding in many countries. Though COVID-19 continues to affect business operations, businesses are actively reassessing their strategies and revisiting measures they've put in place to adapt to the changing environment.

In addition to the financial and regulation-related struggles, roughly half of respondents report struggles within the industry and their company, while pressures for digitalization of services and changing needs of customers may contribute to challenges within the industry.

A challenging business outlook

69% U.S.	61% UK	Overall, competitors in the industry are struggling financially*
62% U.S.	56% UK	Due to the changing needs/wants of customers, the outlook for my industry is uncertain*
54% U.S.	62% UK	My company or organization would not meet its business goals in 2020*

Greater competitive and customer pressures

66% U.S.	68% UK	I feel pressured to increase digitalization of services in order to remain competitive*
48% U.S.	48% UK	There has been an increase of new competitors in my industry*
69% U.S.	64% UK	Customers are asking more about data security and privacy*
50% U.S.	56% UK	It is difficult to predict what customers want/need*

* Strongly or somewhat agree

Consistent with financial struggles, companies are more concerned in 2021 with economic downturn and the increased regulation that COVID-19 has brought and will continue to bring. Moving further into the year, the U.S. market is a bit more worried with COVID-19 regulation while the UK market is more concerned around the changing business landscape.

These necessary shifts are causing concern, with many business decision makers citing the health of employees, the accelerated digitalization sparked by social distancing and data security as their top business concerns and drivers of shifting strategic priorities.

"My most pressing concern is the ongoing COVID-19 challenges and how that impacts the international market."

I am concerned about the health of my staff."

I worry about data security. We thankfully haven't had problems, but it is always a concern given today's digital environment."

Cyberattacks

83% U.S.

81% UK

Economic downturn

82% U.S.

86% UK

Supply chain changes

80% U.S.

66% UK

Increased regulation due to COVID-19

75% U.S.

71% UK

Changed business landscape due to COVID-19

72% U.S.

79% UK

Very or somewhat concerning

Prioritizing employee health and safety will be important*

87% U.S.

88% UK

The business will prioritize digital offerings and services*

87% U.S.

77% UK

The business will provide cybersecurity and data privacy trainings to employees*

83% U.S.

80% UK

The business will have to change or update strategy plans in order to remain competitive within the market*

80% U.S.

72% UK

* Strongly or somewhat agree

Cyber threat preparedness

It's a case of WHEN not IF a business becomes a victim to cyber threats and attacks. Now firmly part of the public consciousness and having been accelerated by the pandemic, hacking attacks reportedly occur every 39 seconds according to a study conducted by the University of Maryland. Put simply, the role of cyber insurance is now critical.

Brokers can no longer afford to regard this issue as the new 'kid' in town – it is a vital part of insurance requirements and needs careful consideration in policy selection. And astute brokers can use cyber advice as a critical 'value add' element to the insurance journey. Especially as nearly half of decision makers are seeing an increase in cyberattacks. With more employees working remotely, the majority of businesses are concerned about the potential threat of an attack, with many increasing coverages to protect data and loss of income.

It's apparent that respondents are more confident that education and training is happening but are more concerned about attacks and protecting against any liability because employees are working from home.

Growing concern over cybersecurity threats

84% U.S.	75% UK	Say they are extremely or very concerned about the possibility of cybersecurity threats
50% U.S.	44% UK	Say their company has seen an increase in cyberattacks

Employees are critical to combating cyber risk

78% U.S.	64% UK	Say they are more concerned about cyberattacks with employees working remotely
42% U.S.	58% UK	Say their organization's employees currently have some knowledge of ways data can be compromised, but would benefit from FURTHER training

Opportunity to close cybersecurity coverage gaps

A key takeaway is that employee training and education can only go so far, and companies must compensate through insurance coverage to protect themselves. And that is a critical piece of intel for brokers to communicate with their clients. With such high levels of concern, there is a real opportunity to assist organizations by helping to evaluate risk and provide insights and knowledge in this area to address coverage gaps.

Companies that have coverage for specific cyber threats

	U.S.	UK
Loss or damage of electronic data	77%	74%
Cyber extortion	76%	67%
Loss of income and extra expenses	71%	65%
Reputational damage	64%	64%
Notification costs	63%	51%

COVID-19 is driving customers to obtain more cyber protection

	U.S.	UK
Say their organization increased coverage for cyber liability insurance as a result of the COVID-19 pandemic	37%	24%
Say their organization first purchased coverage for cyber liability insurance after the pandemic was declared	14%	20%
Say they increased spending on protection for loss or damage of electronic data*	71%	70%
Say they increased spending on protection for loss of income and extra expenses*	55%	55%

* Of organizations that are spending more money on cyber liability insurance

The broker-customer relationship

Successful brokers understand that client relationships are key to business success. The merging of big data, enabling technology, global interconnectedness, higher prices and necessity have prompted innovation, new market entrants and increased competition.

In our current global climate, relationships are truly everything. And despite the higher costs cited by some business decision makers, over half of U.S. and UK businesses have experienced no change in coverage since COVID-19.

We've seen that broker-customer relationships are strong. In fact, most U.S. business decision makers report that they consider their broker a trusted partner, and nearly half say their broker is a valuable addition to their organization. Though, despite high satisfaction ratings, business decision makers report that brokers have not been especially prepared to counsel clients for the effects of COVID-19. The survey results showed that brokers in general are available for counsel to clients when they need them, unfortunately brokers across markets have not been especially knowledgeable to counsel clients for the effects of COVID-19. Overall, the UK respondents were more pessimistic and feel their broker has brought them less value.

89% U.S.	79% UK	Consider their broker(s) to be a trusted partner(s)*
87% U.S.	77% UK	Say that their broker(s) is/are always there for them*

58% U.S.	45% UK	Say their brokers have been consistently unprepared to help customers like them deal with the effects of the COVID-19 pandemic*
52% U.S.	53% UK	Feel they have had to navigate property and casualty challenges without much help from their broker(s) in the past year*
40% U.S.	27% UK	Say their coverage for property and casualty insurance changed since COVID-19 was declared a global pandemic
45% U.S.	19% UK	Say their property and casualty insurance broker(s) brings excellent value to them and their organization

* Strongly or somewhat agree

There is opportunity for brokers to provide value-added insights, counsel and services to customers

Business leaders also want brokers/insurers to provide insights, guidance, data and trends, trainings and more proactive communications. Overall, U.S. business leaders are more enthusiastic about broker/insurer interactions than UK business leaders, with U.S. leaders consistently identifying more value-added counsel and services as desirable.

Percent of customers who would like to receive

Customers welcome proactive communication

Preferred frequency of communication

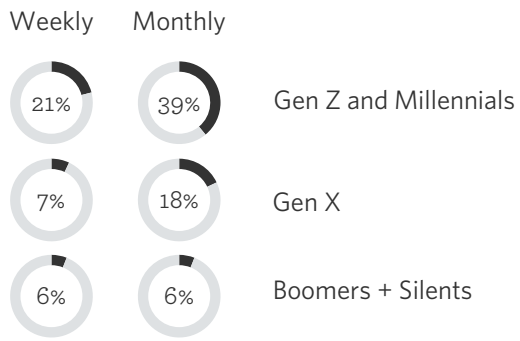
Say they would like to hear from their broker(s) a few times per month		Say they would like to hear from their broker(s) once a month	
29% U.S.	23% UK	20% U.S.	25% UK

Preferred communication channels

Invitation to events		In person		Phone calls/ conference calls		Personal emails	
32% U.S.	30% UK	43% U.S.	33% UK	52% U.S.	45% UK	49% U.S.	50% UK

Generational Relationship Divide*

Younger business decision makers (Gen Z and Millennials) are more likely to want to hear from brokers either weekly or monthly than older generations. Older Boomers + Silents prefer the personal touch when it comes to communications, preferring to hear from brokers in personal one-to-one emails (68%).



*due to low sample sizes this is directional only.

Conclusion

Overwhelmingly, the results of our survey showed that cyberattacks and the economic downturn ranked as the top two key business concerns for decision makers. The U.S. property and casualty insurance market needs to provide more high-level services like risk mitigation insight and data and trends, while UK providers need to spend more time and focus on covering the basics.

As brokers look at 2021 and beyond, there are key learnings that can be taken to help position themselves as the trusted advisors in their local market. The survey uncovered that there is a need for the insurance sector to provide greater clarity about insurance coverage for business interruption and cyber incidents. And for brokers, to provide this clarity, they need to study policy details with much more scrutiny and be able to offer guidance to clients.

Brokers who will be most successful in their support of clients will holistically understand different coverages and the impacts for their clients and will put emphasis on consistent 1:1 engagement, providing educational content that will make their clients feel secure in their decision-making. Brokers need to embrace the support services on offer to not only utilize their knowledge to help clients make more informed choices but also embrace cross-selling opportunities in the interest of their clients.

For questions related to this study or to learn more about how FleishmanHillard can help financial services companies engage more effectively with their customers and prospects please contact:

Liz Willder
Head of Financial Services, UK
Liz.Willder@fleishman.com

Tom Laughran
Head of Financial & Professional Services, Americas
Tom.Laughran@fleishman.com

Methodology

TRUE Global Intelligence, the in-house research practice of FleishmanHillard, fielded an online survey of adults 18 and older in the U.S. and UK from November 2-4, 2020.

Respondents were required to be:

1. **Primary decision makers for their organization's property and casualty insurance**
2. **Senior managers, executives, C-level or owners**
3. **Employed full-time**
4. **Employed by an organization with 50 or more employees and annual revenue of $10 million/£10 million or more**

Thank you

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