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Harness inclusion, innovation to solve insurance's toughest problems

Insurance leaders must lean in, step up, and raise their voices to continue the industry's noble purpose.

By **Sophia Yen and Grace Vandecruze** | October 16, 2020 at 12:00 AM

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Innovation will be necessary to combat the long-term effects of the COVID-19 pandemic on the insurance industry. (Adobe Stock)

“Never let a good crisis go to waste.”

Those words, reportedly spoken nearly 80 years ago by former British Prime Minister Winston Churchill, ring so very true in 2020. As society faces numerous crises — from racial inequality and social injustice to climate change to a global pandemic — our industry finds itself uniquely positioned.

There is no better institution to help build, create and restore wealth and legacy than the insurance industry. That's why we must step up and harness innovation now to reduce the risk related to these crises now and in the future.

This type of innovation isn't about inventing the next smartphone. Instead, it's about changing the status quo, pain point by pain point, and responding in new, more effective ways. We can only accomplish this by embracing an environment of inclusion and diversity, one where all voices will be heard.

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As we see it, insurance has a unique and compelling opportunity to be on the forefront of social justice. We can start by innovating to close the wealth gap that exists across all ethnicities. To overcome these barriers, we must create affordable insurance products that provide consistent coverage. It's a topic sure to be discussed at the upcoming **Insurance Industry Charitable Foundation's (IICF) Inclusion in Insurance Forum**. (<https://insuranceinclusion.iicf.org/>) But it's one that should also extend to every boardroom in America. It's not just the right thing to do. It makes good business sense. By providing policies in a cost-effective distribution channel with state-of-the-art innovation, our industry will drive volumes of net new policies, which will, in turn, create fresh revenue.

See also: Insurance Speak: An inside look at the IICF
(<https://www.propertycasualty360.com/2020/10/07/insurance-speak-an-inside-look-at-the-iicf/>).

Innovation will also be necessary to combat the long-term effects of **the COVID-19 pandemic** (<https://www.propertycasualty360.com/covid-19/>) on our industry. Pre-COVID-19, the small-market business was a huge growth area for many carriers. Now, some experts predict almost 60% of small businesses may not survive the pandemic. This will impact insurers' bottom lines dramatically.

Growing and surviving after COVID-19 comes down to this question: How can we protect people and businesses better during the type of global public health crisis some of us once considered unprotectable?

We used to think **pricing cybersecurity policies** (<https://www.propertycasualty360.com/risk-management/cybersecurity/>) was difficult. So how will we price a pandemic? The answer, again, is by harnessing innovation to create products at consumable price points that will adequately protect small businesses up and down Main Street.

Climate change may present just as great a risk. This year we've already seen record-setting Pacific wildfire and Atlantic hurricane seasons, as well as outbreaks of violent tornadoes and derechos in the heartland and the Northeast. The industry must **increase our response to evolving climate change as well as mitigating climate change** (<https://www.propertycasualty360.com/2020/02/28/how-insurance-is-being-called-to-lead-in-the-climate-crisis/>) and promoting resiliency.

The challenges of climate change bring to light the disparate and inconsistent approach to disaster-related coverage throughout the U.S. Right now, in a New England flood zone, you can't close on the sale of a home without proof of flood insurance. But you can do so in areas of the coastal southeast. In California, you can close a home that's located near a fault line without EQ coverage. While we must normalize these inconsistencies, we also must revamp how we model risk exposure. The current approach has created unaffordable premiums and overly complicated policies, leading people and businesses to go uninsured. Right now, every \$1 of uninsured loss costs a U.S. taxpayer \$7.

Innovation (<https://www.propertycasualty360.com/insurance-technology/innovation/>) is the only way for our industry to help close this alarming protection gap.

So, how do we start innovating in ways that allow us to transform the future of work, drive growth and build profitability? We must harness the thinking power, creativity, resources and talent of every single employee at all levels of our organizations. To do so, we need to raise our industry's levels of awareness, access and accountability.

When it comes to awareness, we can do a better job of recruiting employees, and then we must retain, mentor and sponsor them in meaningful ways. When we recruit employees, we need to share the noble purpose of this industry as well as the great variety of focus areas they can choose from.

But awareness alone isn't enough. New employees won't be attracted to us—or they

won't stay with us — if we don't also offer them access to a clear career path that goes beyond the mid-level to the senior level.

For our industry to innovate, our leaders also must remain accountable to our employees, clients and policyholders. Engage them in conversation. Share those innovative solutions and ideas with your stakeholders, clients, board members — all people who have a vested interest in your organization's success. When you listen, you'll be amazed at what you actually hear.

Almost every great crisis in history has been followed by light. By raising awareness, access and accountability, everyone in our industry can create that light through innovation and inclusion. We must lean in, step up, and raise our voices so we can continue our industry's noble purpose of keeping people safe and in times of crisis, should be providing the means to rebuild.

Sophia Yen (Sophia.Yen@ey.com (<mailto:Sophia.Yen@ey.com>)) is a senior principal and the Insurance Strategy & Innovation leader in Ernst & Young LLP's Insurance consulting practice. She has more than 20 years of industry experience and is a member of the Insurance Industry Charitable Foundation's Board of Governors.


Grace Vandecruze (gv@graceglobalcapital.com (<mailto:gv@graceglobalcapital.com>)) is the founder and managing director of Grace Global Capital LLC. She is an insurance M&A expert with more than 20 years of expertise and a board member of M Financial Group.

*Yen and Vandecruze will be featured speakers at the IICF's virtual **[Inclusion in Insurance Forum Oct. 27-29](https://insuranceinclusion.iicf.org/)** (<https://insuranceinclusion.iicf.org/>), **2020** (<https://insuranceinclusion.iicf.org/>).*

The views reflected in this article are those of the authors and do not necessarily reflect the views of the global EY organization or its member firms.

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