

## China leads the way

✓ **Jim Sherwood and Li Jiao ask if we might expect to see changes in local commercial insurance markets as has recently been seen in China, and, if so, might there be some lessons we can learn?**

The COVID-19 pandemic has swept across the world, causing disruption to global businesses and economies. But I was struck by a positive comment on the Chinese market written recently by Li Jiao, counsel at our member firm Buren. She noted that China's previously static SME insurance market is seeing some welcome innovations as a result of COVID. Could it be that China, six months ahead in its pandemic experience, can give us some guidance as to what to expect here as we come 'out' of COVID's first year?

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COVID 19 has contracted the consumer market and forced China's squeezed consumer insurance companies to push out innovative new commercial lines, offering policies that cover COVID 19 for classes such as business interruption insurance and employer's liability insurance. The new home-working environment has also driven companies to launch other new products, such as medical staffing cover, travel infection insurance, and vacant commercial office insurance, etc.

In China, the consumer market before COVID was largely static. Insurers were risk-averse, and this led to a lack of innovation in insurance products, and serious homogenisation. As a result, many insurable risks were not fully covered. Now insurance companies are beginning to realise that their new post-pandemic insurance products can open up a broader market for them in commercial insurance, this is likely to encourage companies to innovate products in other fields based on customer needs and create growth in the long term.

Alongside all of this, the digital transformation of the insurance industry is accelerating post-COVID. Many firms have realized that insurance claims for short-term insurance and online insurance for some products can be filed and settled through apps.

Overall, the pandemic has become a trigger for China's insurance industry to digitise and innovate. In Europe, we have not yet seen such benefits in terms of product innovation.

True, the Corporation of Lloyd's has notably taken the initiative with its campaign to 'build back better', promoting a raft of pandemic pool solutions. Perhaps our own largely risk-averse insurance companies could also consider how they too might transform and ultimately grow their businesses using the drivers of COVID to trigger blue-sky thinking and real change.

▶ **Jim Sherwood is chairman of Global Insurance Law Connect and a partner at BLM. Li Jiao is counsel at Buren**

