

White Labelling

Expertise and Speed to Market

by César Silvestre Beazley

Developing a new insurance product requires both a serious investment and deep product expertise. For many insurers this high barrier to entry deters them from expanding their product portfolio. However, reinsurance backed ‘white labelled’ products, which have been popular in the US for many years, are generating interest from insurers across Europe, in particular for products such as cyber insurance aimed at SMEs. César Silvestre, Specialty Treaty Underwriter at Beazley explains how ‘white labelling’ products work and the benefits they offer.

What is white labelling?

White labelling in this context, described in a very simple way, is the process whereby a reinsurance company develops a specific insurance solution, based on their own products, that can be added to a cedant’s product offering and branded with the cedant’s own name. The reinsurer becomes the risk carrier by reinsuring that book of business, and usually provides claims management services. While not a new practice, white labelling is being adopted by insurers in Europe as a means of enabling them to cost-effectively offer tailored, specialty line products without having to invest

heavily in their own product development capabilities. The advantage for the cedant firm is that the reinsurer firm assumes the risk by reinsuring the book of business, sometimes up to 100%, while the cedant retains and manages its relationships with its clients and offers them ‘new’ products with a reduced level of risk.

For reinsurers, fundamentally, this is a distribution play. Not only do they gain access to new markets, but also to distribution networks and customers that they would otherwise not access such as mutuals and bancassurance groups, where customers tend to be loyal and inclined to buy new products through their trusted, existing insurance company relationships.

Speed to market

An advantage offered by white labelling is that products can get to market more quickly, allowing insurers to compete in their local market place and respond faster to client demand. This speed to market is one of the biggest drivers of interest in white labelled products in Europe as well as the rise in popularity of cyber insurance for SMEs. Since the implementation of GDPR, small business owners are aware of the importance of data privacy management and the role that cyber insurance can play in helping to mitigate this risk – both pre and post a data breach.

Via traditional models cyber insurance product development requires a lot of in-house technical expertise and, in this burgeoning insurance line, underwriting expertise is at a premium. Cyber products are also the vanguard of service-led products, which offer insureds a range of pre and post breach services in addition to financial recompense should a claim occur. Building up relationships and the requisite teams of specialists needed to assist a breach scenario, takes time and financial investment. In addition, the lack of loss history and the fluent nature of cyber risk, make modelling cyber risk difficult. As a result many insurers are currently not able to offer cyber cover – despite their clients demanding it.

Comprehensive services

For white labelled products to work well, cedants and reinsurers need to develop a good long-term working relationship. This requires a lot of upfront relationship building where the reinsurer invests time to meet the cedant, their clients and brokers, to better understand their business, systems and product requirement. The two firms then form a partnership and agree the tailored product development in every area from policy forms, through to claims services.

Working closely with the cedant firms, reinsurers will look to embed the product into its portfolio of products. This involves developing pricing structures, underwriting guidelines and supporting marketing collateral, and training underwriters and business development managers where required.

Reinsurers can advise and/or assist with any system technology build out as, typically, the insurance company will need to develop an appropriate platform to host the new line of business.

The reinsurer will also analyse and adapt wordings to local jurisdictions and customs where the cedant wishes to offer cover. This is particularly important in areas where there are restrictions on how and where reinsurance contracts can be applied, to ensure that all parties are operating within the requirements of local legislation.



César Silvestre

Is a Specialty Treaty Underwriter at Beazley. Focused on developing long-term partnerships with insurance carriers that are based not only on the reinsurance transaction itself but on providing support in new product development to help a carrier grow its business. César joined Beazley in March 2018 from Hiscox, where he spent seven years in different roles including Underwriting with a focus on Specialty Commercial lines. This included underwriting Professional Indemnity and Management Liability. He has worked directly in the Portuguese, Spanish and UK markets and currently has an international focus. Before joining the insurance industry in 2010, César was a practicing Psychologist based in Lisbon and Barcelona.

Areas of focus

The growing demand for cyber and data breach insurance is grabbing the headlines, but white labelling lends itself to the provision of a number of other specialty lines such as professional indemnity, directors & officers liability, employment practices liability and environmental liability. As cedants start to see the benefits of white labelled products they are looking to expand the range of products they offer, and we are experiencing interest across all these specialty lines.

For these partnership relationships to thrive, it is vital that cedants and reinsurers do their due diligence before entering into a 'white labelling' agreement to ensure success and long-term profitability. This includes checking financial integrity, the knowledge of each other's business, and management systems and underwriting controls.

In our view, white-labelling, operated effectively, offers an approach which works well for reinsurers, insurance companies, brokers and of course most importantly, policyholders. It is a tried and tested solution that could transform access to specialist insurance for cedants and their SME clients. •

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