Insurance news analysis

Video transcript

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Arthur J. Gallagher agrees to buy Willis Re

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Abbey Compton
Content Lead—Insurance, Accenture
Welcome to Accenture's Insurance News Analysis. I'm Abbey Compton here with Kenneth Saldanha, Accenture's global lead for insurance. We'll be talking about what's making news around the industry. Kenneth, we've learned that the Aon/ Willis Towers Watson mega-merger has been abandoned. There's been a lot of talk about it over the past month. We won't get into all of it, but one piece of that deal remains: the sale of Willis Re is still on. How do you see these M&A events affecting broking and reinsurance markets?

Kenneth Saldanha
Global Lead—Insurance, Accenture
Yeah, Abbey, I think that that has probably been a very long and painful journey for the Aon/Willis teams through that entire experience. While that particular, and it was a mega-deal, that will not be completed. I don't think we're going to see a reduction in general consolidation and M&A activity in the industry. I think certainly a merger of that scale is not an everyday occurrence clearly. But we've continued to see a lot of acquisitions and consolidation in the middle of the market. I think we will certainly continue to see that. And there's still a lot of external capital coming into these industries, which also, I think, creates additional acquisition, energy and essentially acquisition funding. So I think we're going to continue to see this both in the broking space, in the reinsurance space. It's got to be either mergers that are occurring within the, within the industry. And I think in some cases also equity directly funded entrants who actually come in with a burst to take over strong positions in the industry. So I think we're going to see that continue.

Ida: power outages continue, death toll rises

PBS NewsHour
September 4, 2021

Abbey

Kenneth, many in the U.S. are still feeling the effects of Hurricane Ida. Even after its downgrade to a tropical storm that caused flooding and left many homes and workplaces without power. We've talked a lot about the insurer's role in helping customers recover from loss. How can an insurer be there for customers in these moments when the customer may not even have electricity?

Kenneth

Yeah, I think, Abbey, as you looked at the scale of the impact all the way from Louisiana into the Northeast into New York, I think the level of disruption to people's lives has been enormous. This is the point in time when I think customers most understand and value the insurance they have. You know, you and I have talked about in prior conversations about the fact that customers actually very often don't see the value in traditional insurance products. And it's because ideally, eight out of ten times, the customer doesn't file a claim in any given year. All of that comes to a sharp contrast to what people experience in these kinds of catastrophic events. In terms of insurer response, I think this is a time when the industry as a whole activates its entire network at an entirely different level. Insurers have specialized catastrophic claims teams that get activated in these situations. They have a very broad network of external partners because there's no way to actually operationally be prepared for this at a constant level. By, by default, insurers have to activate a network of additional resources to step into these situations. And that's what happens. So really, there is a very large-scale operational response that gets ramped up extremely quickly and that's what you saw with either or with any of these catastrophic claims situations.

I think the most important shift though, is the notion that the operational and the logistic response and the financial response is of course, critically important. But it's also the time when you see claims adjusters and claims teams really follow through on the emotional promise that insurance makes to their customers. This is a time when you look at the way in which insurers and, and, and the people who work at insurance companies interact with their customers. It really is a test for whether in fact you're going to stand by your customers. So I think there's an enormous financial and operational important play that, that occurs in these situations. There's an equally if not more important, emotional play that occurs at a time when a customer is, as you said, extremely vulnerable and requires assistance. And I think it's a time when I would argue insurers really step up to shine by responding on both levels.

Heat-related deaths are expected to rise after 1.7 million people died in 2019 due to extreme temperatures: study

MarketWatch
August 20, 2021

Abbey

Heat exhaustion is a growing health concern. A study published by The Lancet shows heat-related deaths increased 74% from 1980 to 2016. Extreme heat is also linked to disabling illnesses and brain damage. Kenneth, these increased risks from rising temperatures are likely to impact insurers offering everything from life insurance to disability to workers comp products. What can they do to help customers mitigate risks associated with extreme heat?

Kenneth

I think, Abbey, what you're describing is a much broader trend than just changing loss patterns and changing risk exposures from the climate change that we're seeing. With more of the extreme weather, with more of the fundamental shifts in weather patterns. And as you said, these are property casualty risks, they are life insurance risks, they are group benefits risks. So all of these, all of these elements of insurance are impacted by what is fundamentally a, a change in the risk profile and a change in the loss experience of insurance customers. We will absolutely… We are seeing shifts in how products are being defined in order to be responsive to the situation.

Where you look at even on the health insurance side, you can see that as a, as a leading indicator as you saw how health insurance started to shift its, its products and services. As we saw rises in chronic disease and comorbidities. I think we're going to see something very similar on the other lines of insurance as well. I think this is going to be a situation where insurance will follow the trend because it has to provide coverage and create products that actually are shifted to reflect the exposures and the losses that are now appearing in market. So it is more about how insurance looks at those trends, looks at what the new exposures are, and shifts its products and services to be responsive. And I think that's what we're going to see. Not just on heat, on flooding, on extreme weather, on more catastrophic events that we've talked about, the fires that are continuing to proliferate at a frequency that we haven't really seen before. All of those situations I think reflect a longer and broader change in climate. And I think we see products and services changing. And insurance companies spending a lot more time investigating what their sustainability response is going to be. Because for insurance, they both have their own internal sustainability response and also the response for what's happening around them.

Lloyd's unveils partnership with geospatial insurtech

Insurance Business UK
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Abbey

So Lloyd's of London announced a new partnership with a geospatial insurtech. They say their combined capabilities will result in faster claims decisions and payments. Kenneth, do you see these kinds of capabilities becoming the industry standard and if so, what will it take for insurers to integrate these kinds of solutions?

Kenneth

I think that's something that's already well underway, Abbey, we look at overall sensors and IoT devices. I think that's well underway in a number of different areas. It's underway in Work Comp with work safety, whether that's workplace or the actual workers themselves. I think we see those kinds of wearables and devices all over the place. We see it in crop and agriculture where you've got climate sensors that are actually in place that support, you see it in inland marine and the movement of container ships with sensors to test for extreme changes in temperature or unfortunately, being submerged and the container falls off the ship. So I think this notion of sensors being a way in which insurance gets more dramatically real time, is a big deal. And it is actually a, I think, a very positive trend which allows you to move from that pure indemnification of what happens after the event to moving into the risk mitigation and say, "Look, our sensors are indicating that we have a concern here." Right. So all the way back to smoke alarms, this is really essentially the early, early version of this, of this discussion. So I think the, the, the products are out there, the IoT sensor technologies are out there. And we're seeing insurers make the connection into these sensors with a sort of what we call a future-ready tech, an ops configuration that allows them to actually embed this kind of early sensor early warning capabilities that allow them to shift from that risk indemnification conversation into the risk mitigation conversation.

56% of insurance companies plan to hire within the year: Jacobson

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Abbey

And finally, Kenneth, the Jacobson group has released results of its annual insurance labor study. It shows that 56 percent of insurers plan to increase staff over the next 12 months. But that technology, analytics and actuarial roles are considered the most difficult to fill. Is this consistent with what you're seeing in the industry and how do you see insurers competing for talent in these areas?

Kenneth

I think, Abbey, the the search for talent is I think across all industries and all sectors. I think none of us can take a walk in the store right now without seeing six signs for people looking for for help and looking for staffing. But the areas that you reference, the high technical skill areas is absolutely at a bit of a code red situation, right? I think insurers are practically seeking staff around this in many ways because we are talking about as we did, shifts in how things are being done. Not only are there shifts in loss profiles and loss experience because of the what we talked about with the changes in weather, etc, shifts in products. So the insurance industry is in a very difficult position where on the one hand, historical patterns and historical actuarial analyses is not going to work. You want to embed new future, future-ready ops in tech. You want to be starting to work with sensors, etc. You need technology support, and you actually are in a very constrained talent market. To me, one of the, this is not something that's going to go away very soon because I also think the remote hybrid working environment is contributing to the longer-term issue here in that especially for place of organizations like the actuarial department or underwriting department, those are those have typically been apprenticeship-based tracks that that that the that the expertise grows based on working closely with the more experienced senior team members as you learn the ropes. So I think we have a current extreme crunch on talent versus increasing demand in the industry. I think we're also looking at a longer-term question about how we maintain that apprenticeship and how we actually develop the next set of expertise and talent as we navigate this remote hybrid working together versus working apart. So unfortunately, I think it is certainly an extreme issue right now. And I think it's going to stay that way for a while, as I looked at the dynamics of what's happening with our workforces.

Abbey

Kenneth, thanks so much for joining me. It's always great to talk to you and hear your perspective on what's happening in the industry.

Kenneth

Great to talk to you again, Abbey. Take care.