



Insurance news analysis

Video transcript

November 2021

Global commercial insurance rates rise 15% in Q3 as moderation continues: Marsh

Insurance Journal
October 26, 2021

Abbey Compton

Marketing Lead—Insurance, Accenture

Welcome to Accenture's Insurance News Analysis. I'm Abbey Compton here with Kenneth Saldana, Accenture's Global Lead for insurance. Kenneth, although we saw some signs of moderation in commercial insurance prices in the third quarter, the market continues to harden here in the U.S. That's due in large part to cyber insurance prices. Is this increase in price, simply driven by increasing demand for cyber insurance products, or are insurers also offering businesses new ways to mitigate the risk of cyber attack?

Kenneth Saldanha

Global Lead—Insurance, Accenture

Abbey, I think there's a lot of factors at play on what we're seeing in hard market pricing. And certainly cyber is an area where we're seeing a lot of that. But I think there's actually a broader base to cross lines of business and products hard market pricing right now. So most insurers are declaring a very strong results this year based on being able to actually price for risk in the market. On cyber, unfortunately, a lot of the pricing is actually driven not just with offerings and what the core risk is, but the capital requirements around cyber insurance have really climbed. As these events have become ever-increasing in their magnitude, in the levels of ransomware being demanded, the fact that they are now also in many, in many situations being treated as being perpetrated by political state actors. The risk associated with cyber is just dramatically higher and we're seeing a requirement to hold much higher capital levels to write that business. And consequently that flows through into what's happening on the pricing side as well.

So I do think, as you said, there are new offers and new, new exposure is being covered through cyber. But with a lot of factors at play, I think capital is one of the major ones that is shifting what carriers have to hold in... on their balance sheets to even write this business and consequently they have to price higher for it.

Flood insurance rates are spiking for many, to account for climate risk

NPR
October 15, 2021

Abbey

Flood insurance is also in the news in the U.S. now that FEMA has changed how to assess its flood risk. What impacts do you see this having in P&C markets here and in other markets around the world?

Kenneth

Yeah, I think FEMA is moving its, its methodology, Abbey, because we're just seeing fundamentally different loss patterns and exposures. Unfortunately, we've seen a string of floods in general, climate-driven events that have actually changed the loss profiles, both in terms of frequency and severity. Even the geographic distribution of these events is really in flux. So I think certainly FEMA's reacting to that. And it does make sense that more and more of these are at a level of impact that our federal emergencies, FEMA is more engaged in those. And so we are seeing a huge shift in the fundamental trends that our, that our climate change is exposing us to. So we actually will see a lot of that continue. I do think the carriers are actively, trying to understand what is their risk accumulation profile, what is their coverage map as they look at what used to be a known pattern of climate exposure in different geographies is fundamentally not the same anymore. And, as you know, insurers love nothing else than a sustained, consistent trend. And that's just not what we have with our climate change right now. So I think we're going to see continued adjustments from FEMA, from carriers as we try to navigate what exactly is the expected trajectory of our losses, frequency and severity from climate change.

Spike in FOS referrals reveal motor cover is most complained about insurance product—Insurance DataLab

Insurance Times
October 25, 2021

Abbey

It's been reported that the U.K.'s Financial Ombudsman Service receives complaints about car and motorcycle insurance more than any other insurance product, and that more than 60 percent of those complaints relates to the claims process. Kenneth, is there anything unique about the claims process for cars and motorcycles in the U.K. or are these more universal pain points for insurance customers?

Kenneth

Abbey, I have a little bit of an insurance industry insider position on this, which may not be very popular with, you know, with consumer advocates. Which is that I think this is a situation where a very commoditized and very price-sensitive market results in people not knowing quite what they bought or what they actually can expect in claims from the policy they bought. And on the back-end, there's a lot of dissatisfaction. The U.K., it was one of the first markets, and I would say one of the most aggressively priced monetized markets. You saw the, the advent of all the price aggregation, and sorry, the sites that offer you price aggregation of insurance policies very early in the U.K., and that's continued to be how that... particularly auto and motorcycle insurance is sold in the U.K. I think in those situations, customers who then pick the lowest price off an aggregator site really don't understand necessarily what's in the fine print or what's really going to happen on the back end when they have a claim. So in this situation, it's a little bit, unfortunately, you get what you pay for because you actually don't know what you're paying for on those, on those aggregator sites. It's not unlike someone who buys the lowest price airline ticket on a, on a travel site and then finds out that they're going to get charged for bringing their laptop bag on the plane with them.

Again, this is the insurance industry insider view. I think this is a natural outcome of that highly, highly commoditized aggregator site dynamic that occurred in the U.K. I don't think there's anything unique about the claims process as you, as you asked about, other than the fact that of course, it is the time when you actually find out whether in fact the insurance you purchased is going to actually give you what you hoped it would. So I think it is the point when the province of insurance comes to life. And unfortunately, for the U.K. motor, you know, auto and motorcycle coverage very often, there wasn't a clear understanding of what that promise was and customers end up very exposed and clearly very dissatisfied.

Life insurance satisfaction surges during pandemic year, survey says

Financial Advisor
October 23, 2021

Abbey

Some good news for life insurers: U.S. consumer satisfaction and individual life insurance rose 13 percent since last year. Kenneth, can it be that the surge in life insurance underwriting we saw in 2020 wasn't just a case of panic buying. Is the pandemic perhaps a sea change in how consumers feel about life insurance?

Kenneth

Absolutely, Abbey, I think this is in fact the exact other side of the coin from the conversation we just had about the U.K. motorcycle and auto insurance. Due to the pandemic, I think there's been an elevated sense of understanding with uncertainty and fear at levels that it's been at. There's a new perception of value of the life insurance product. And I think more people than ever looked at their situation, their families, the risks out in, in, in society in general, and put a much higher value on life insurance. And I think that's reflected in the surveys you're discussing. So I think this is very much the opposite end of where there may have been an assumption that well, it's just life insurance, I don't need it, or I'll just do a basic policy online without giving it much thought. Those are still great options, but I think customers are actually giving some thought to this. The overall pandemic environment, in my mind, is absolutely, particularly in North America, where life insurance has been historically much lower, with much lower penetration than in Asia, Pacific or even in Europe. I think there's a, there's a good and valuable uptake in how consumers are valuing and consequently buying and getting some satisfaction from the life insurance products.

With the holidays fast approaching, supply chain bottlenecks disrupt store owners

ABC News Nightline
October 18, 2021

Abbey

Kenneth, a certain retail entrepreneur near to your heart was interviewed by ABC News on supply chain disruption. Any thoughts you want to share on that story or maybe what insurers should be thinking about as we head towards the holiday season?

Kenneth

Abbey for that particular retailer, so this is my wife Amy Saldanha who was on news with her toy store, kiddywampus, on supply chain disruption. My role and my position on insurance at kiddywampus is, is very minimal. I'm relegated to putting together display shelves, wrapping presents for rush times, and putting together the larger pet and animal hospital play set. So my opinions on insurance are not really part of the kiddywampus strategy unfortunately. So while I have lots of thoughts on, on, on retail insurance and how it should actually play out globally, within kiddywampus I just wrap the presents. That's my, that's my role.

Abbey

All right, Kenneth, well, you'll have a lot of present wrapping to do here in the near future, I think. Great talking to you about what's going on in insurance, as always.

Kenneth

All right, thanks a lot, Abbey. Talk to you soon.