Insurance news analysis

Video transcript

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Abbey Compton
Marketing Lead—Insurance, Accenture
Welcome to Accenture's Insurance News Analysis. I'm Abbey Compton here with Kenneth Saldanha, Accenture's Global Lead for Insurance. Kenneth, this is our first Insurance News Analysis for 2022. Happy new year to you. How are you?

Kenneth Saldanha
Global Lead—Insurance, Accenture
Very well, Abbey, happy new year to you as well, and we're off and running in the first week of the year. So, happy to be back at the "What's New in Insurance News" with you again.

UK insurers to be banned from offering cheaper deals to new customers

The Guardian
December 30, 2021

Abbey
Well, I can tell you 2022 is already giving us lots to talk about in insurance news. The U.K.'s Financial Conduct Authority has said that insurers must now offer consumers renewing home and auto policies the same prices they offer to their new customers. The FCA say this new rules will, may save consumers 4.2 billion pounds over the next ten years. How is the industry responding to this, and will we soon see similar regulations in other markets?

Kenneth

Abbey, this is one where I'm honestly a little skeptical about how this will play out for two reasons, one that's more customer-centric, the other that's more about the industry. First off, on the consumer side of this, on the customer side of this, we don't see, from our research, we don't really see consumers thinking of themselves in very static new versus renewal buckets. I think consumers go out to market. I think they feel that the desire to shop and compare what they can get in market on a fairly fluid basis. And so I think the notion of new versus renewal from a consumer perspective is probably not really a distinction that they see. Now, I can imagine what is being addressed in this regulation is the notion of bringing customers in with a lower price for new business and then moving renewals up. That's why I think consumers aren't really going to feel themselves locked in, in a way to sort of stay with renewal pricing. So I really don't know if consumers are going to play into that dynamic at all. Secondly, from an, from an industry perspective, certainly insurance is pooled risk. And so if you are going to cross-subsidize across your segments—new versus renewal—it is going to wash out in the economics. And so I'm not sure I fully understand the analyses that would say there's going to be a whole new pool of savings driven by forcing parity across these, I think, pricing models are pricing models, consumers are consumers, and they are shopping, whether for new or renewal, and so I think the change that we're going to see is probably going to be fairly minimal from an operational perspective. I think there may well be some dynamics that get a little bit more controlled around how position… how offers are positioned, new versus renewal, but I don't, I don't think the fundamental economics of what's happening with these offers really is going to change much across that aggregate pool.

Reinsurance renewal rate hikes vary widely: Gallagher Re

Business Insurance
January 4, 2022

Abbey

Well, pricing seems to be on everyone's minds. In your five predictions for 2022 blog post you talk about a coming property pricing and profitability reckoning driven by inflation pressures and more systemic problems like upended risk models and increasing capital requirements. Kenneth, is this reckoning to come as ominous as it sounds?

Kenneth

Certainly, Abbey, maybe it was a bit of hyperbole in the framing, but I do think there's a very, very substantial change and a very, very substantial assessment that's going to have to happen in property. And we need look no further than even the last few weeks of the year in North America, for example, where we had tornadoes running through Kentucky with massive damage, we had a flash wildfire running through Boulder, Colorado, causing a bunch of damage. These are not things that we are typically expecting to see in the middle of December. Tornadoes and forest fires. And, and I think that is that fundamental change that we're seeing from extreme weather playing out in property is going to cause a real change in the fundamental economics of property insurance. So I do think there is a, a substantial reckoning that is going to have to play out in how property is… across the full chain, how we think about the actuarial capital reserving and pricing, how we think about the actual underwriting on the product side, how we adjudicate claims and how agents actually sell and market around property risk.

I think it is a major change and certainly, as you said, driven off inflation and generally kind of a real estate market on the consumer side, major changes in usage of commercial real estate, lots more vacant, empty buildings, and everyone's very familiar with the fact that actuarial models have shown that vacant buildings tend to be a lot more prone to risk. So I do think that maybe you could take fault with the choice of words of reckoning. But I think in terms of what's, whether in fact we're going to see property come under a lot of scrutiny and a lot of change, I absolutely think we're going to see that.

I-95 in Virginia finally opened after hundreds stranded in snow

Insurance Journal
January 5, 2022

Abbey
Well, a chilling wintertime story from here in the DC area, a series of accidents and heavy snow left hundreds of motorists stranded overnight on Interstate 95. Kenneth, in the age of vehicle telematics and weather alerts, how does this happen and what can insurers do to help customers steer clear of these hazards?

Kenneth
Yeah, Abbey, I think this is an amazing example of I think something you and I have talked about in the past, which is this dichotomy with consumers around, on the one hand, a willingness and desire to exchange data and use things like telematics in exchange for personalized offers. On the flip side, a real concern about the willingness to actually have insurers intervene, or to be able to reach out through notifications, et cetera, from a privacy perspective. And I think we're seeing that dichotomy in terms of am I willing to share information versus am I willing to have my privacy sort of invaded by notifications in exactly this kind of situation.

I think from an insurer perspective and from an intent perspective, you're exactly right. Telematics, risk mitigation, avoiding losses before they occur, would absolutely … the capability is absolutely there. It is not a surprise that there was going to be extreme weather, that it was not a great time to get on the interstate. That information, that data and the ability to predict that outcome was absolutely available and was probably made available to a number of consumers and motorists through their apps or through their risk mitigation notifications. But I think there's still an extreme unwillingness to actually have your insurance company look over your shoulder and say, should you be driving at this time? And should you be getting onto I-95? And that's, I think, a very real privacy concern for consumers. So, I think, should we be able to avoid that from a technology and capability perspective? Asked and answered: I think that telematics answer is widely available. Are consumers ready to take that guidance and act on it? Very much up in the air, right? And I think we've seen this play out even in the past. I think the running joke is we embedded sensors and cameras in all of the bumpers of the cars, but our drivers are too busy texting to notice the beeping and so they're still colliding with things. And so our promise of sensors are going to end claims and we're not going to see auto physical damage anymore because we've made the cars so much safer really hasn't played out. And I think we're gonna see that also in a, in a little bit of a cycle back and forth, in terms of telematics and risk mitigation versus privacy.

There may be life left in life-insurance stocks

Wall Street Journal
January 5, 2022

Abbey

Kenneth, the human toll of COVID-19 is heartbreaking. Life expectancy has decreased nine months in the U.K. and 1.8 years in the U.S. And we've seen record life insurance claims. Is the pandemic experience changing how L&A and group and voluntary benefits companies assess risk?

Kenneth

It absolutely is Abbey and it's, and it's, as you said, just an incredible toll that's been taken across, across the board. And I think of that both from the industry perspective and as you said, the sheer volumes of claims, whether you're looking at disability, whether you're looking at unemployment, you're looking at life insurance. They are through the roof and the operational toll of that, alongside the emotional toll of that, is one that is just kind of feeding on each other. We've got adjusters and operational folks who are in the midst of personally their own dealing with COVID and their own dealing with the pandemic, working in an environment where volumes are way up and everyone who's coming into the claims process, is at an incredibly heightened emotional state. The entire environment that we see in disability, life, FMLA claims, all of these areas is incredibly difficult and it's felt by every single frontline call center or claims adjuster out there as they deal with these incredibly personal and incredibly painful situations.

Whether you're talking life insurance or you're talking disability, or any of those of those various claims. There is no doubt that insurance companies are in the midst of both a short-term crisis around this in terms of how the service level, of how the, how the claims experience, how the employee experience, how the overarching stress this environment has to get managed through. And we certainly see that, we actually do a lot of claim service for disability and life insurance carriers. In our own teams. we see the stress this is causing. There's also the long-term implications of this, which I think you raised which is, you know, this isn't a, this isn't a one-time event that's just going to go away. We're clearly in this for a sustained period of time, we're going to see most likely new waves and new issues of different kinds of pandemic concerns. And so I do think insurers are, have to find a way to actively solving this as they go, both for the short-term to get through where we are today, as well as where the industry is going to move with this. Because I, because I think what's very clear is the the customer experience side of this and the carrier experience with this, both things are unsustainable. So I think we are seeing both a lot of work done to how to bridge the near-term issues, as well as shift the models in the longer term.

Abbey

Well, Kenneth, I'm so glad that we had the chance to catch up here in the new year and look forward to many more discussions to come in 2022.

Kenneth

Sounds great, Abbey, I look forward to it. Good to see again this year.